

Case No. 2022-00186
Lexington-Fayette Urban County Government
Responses to Commission Staff's First Request for Information

Staff DR 1-1:

Provide any workpapers or calculations used in determining the amount of increase in the sewer treatment charged to Jessamine-South Elkhorn Water District.

Response:

Please see the attached Excel file titled "PSC DR 1-01 FY23 Sewer Fee" showing the calculation of new sewer rates to be charged all customers. Paragraph 14 of the January 3, 2003, Agreement between LFUCG and JSEWD establishes that JSEWD shall pay the same fees as other customers, as set forth in LFUCG's Code of Ordinances. For a description of those rates, please see the attached ordinances.

Based on Fiscal Year 2022 revenues, LFUCG's increase of 8.3% on sewer rates would generate approximately \$81,378 in additional revenue from JSEWD.

Witness: Charles Martin and Hilori Morgan

Case No. 2022-00186
Lexington-Fayette Urban County Government
Responses to Commission Staff's First Request for Information

Staff DR 1-2:

Provide copies of LFUCG's three most recent audit reports.

Response: Please see the attached audits for Fiscal Years 2019, 2020, and 2021.

Witness: Phyllis Cooper

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

Paid for with Lexington-Fayette Urban County Government Funds



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019



Cover by: *Amy Wallot/Communications*



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INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Linda Gorton
Mayor

December 9, 2019

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019, reflects fiscal discipline and strong financial management:

- As the year unfolded, revenue growth slowed. To stay within our budget we cut \$2 million by reducing operating expenses and discretionary accounts, and a slowdown in hiring.
- One driver of increased costs was the state, which held Kentucky cities responsible for a greater share of pension costs. We had reserved \$10 million in surplus funds to cover this increase. The increase in Lexington in FY19 was \$3.1 million. The remaining funds will be used to meet pension increases in future years.
- Our rainy day fund stands at \$35.3 million, almost double what was set aside in 2011. The fund is close to our goal of 10% of revenue.
- As always, public safety dominated our budget in FY19. This year public safety is 55.5% of our General Fund budget. We hired 25 new positions in our Fire Department, with 24 to staff our new station in Masterson Station, a growing area of our City. We also invested \$2.7 million in new tower trucks and other vehicles in the Fire Department. In the Police Department, we invested \$2.5 million in new police cars.
- We funded debt service for \$20 million in bonds for our new convention center, which will produce jobs and help us attract even more visitors to our city.
- We maintained funding for social service agencies at \$3 million to overcome federal and state cuts in funding. Since 2012, our City has doubled funding for these grants.
- We invested \$12 million in paving, \$850,000 for traffic signals, and \$250,000 for pedestrian safety. Lexington is living within its means, competing and winning.

Sincerely,

Handwritten signature of Linda Gorton

Linda Gorton
Mayor

FOLLOW MAYOR GORTON:

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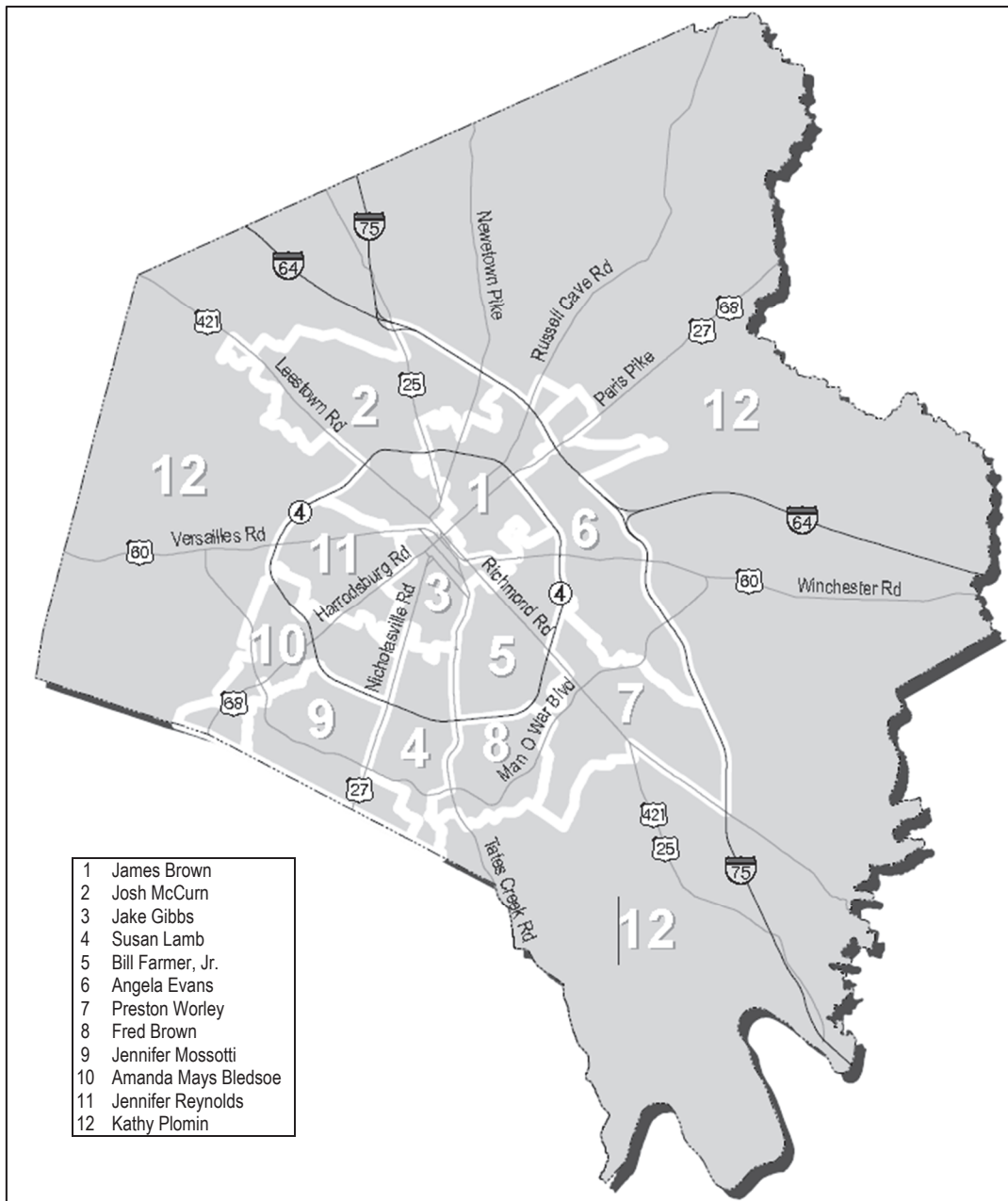
ELECTED OFFICIALS

MAYOR
Linda Gorton

COUNCILMEMBERS-AT-LARGE

Steve Kay – Vice Mayor
Richard Moloney
Chuck Ellinger

DISTRICT COUNCILMEMBERS



MAYOR LINDA GORTON



LEXINGTON

WILLIAM O'MARA
COMMISSIONER
FINANCE

December 9, 2019

Citizens of Lexington-Fayette Urban County
Honorable Mayor Linda Gorton
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, 2019. 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, 2019. 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, 2019 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, 2019, 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, 2019)

Demographic Profile

The City of Lexington, with a population of 323,780, 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 38,988 postsecondary 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 December 9, 2019)

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 \$3.0 million has been committed to 25 companies, to support companies that are creating new jobs above the county median wage. Based on payroll reporting, the incentivized companies have created \$13.9 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 \$300,000 between eleven (11) non-profit agencies to support workforce development programs. The job training services provided by the non-profit agencies resulted in 182 unemployed and underemployed individuals placed into employment. The median wage earned by the 182 individuals placed into employment was \$10.94. The top 3 sectors represented in frequency of placements were in Hospitality, Manufacturing, and Healthcare.

Lexington Convention Center

In July 2018, the Lexington Convention Center broke ground on a more than \$240 million renovation and expansion, which is the single largest capital project in Lexington's history. The project had been in discussion for several years and is expected to strengthen Lexington's convention facilities and continue a program of downtown revitalization. The total convention space will exceed 200,000 square feet when completed. An important part of the project is a refresh of the exterior, with an upgraded façade and arena upgrades as well. In addition to Lexington Convention Center Contracts, the project was funded by Lexington bond funds, an allocation from the state, and a bond issue by the Lexington Convention Center. The project is scheduled for completion in November of 2021.

Town Branch Commons

Construction began in July 2018 for the Town Branch Commons. The project is 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 storm water. 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 \$5.6M federal CMAQ Grant, a \$2.9M federal TAP Grant, a \$7.1M Kentucky Infrastructure Loan, and \$11.8M of local dollars. Completion of the project is expected in 2022. A corresponding sanitary sewer project on the Midland Avenue section has already been completed.

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 incurred no penalties for missing a Consent Decree imposed 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 2019, work on the \$65 M West Hickman Wet Weather Storage (WWS) complex was the primary focus. The 22 million gallon tank is complete with the associated pumping facility coming on-line in July 2019. Two additional WWS tanks (West Hickman 7 and East Hickman) will come on-line in FY20. A total of 26 RMP projects have been completed and another nineteen (19) are in the construction phase, totaling approximately \$234.5 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. In FY19, the Government took steps to create two dedicated full-time positions to administer and manage on-going CMOM program 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. LFUCG has completed \$18.5 million of \$30 million in flood mitigation projects as required by the flood mitigation SEP and is currently constructing Phase One of the Southland/Wolf Run project (approximately \$1.1 M) and the WGPL Green Infrastructure project (\$160,000).

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. That permit expires in May 2020 and work is underway to secure a new 5 year permit.

Parks and Recreation

In the past year, the Division of Parks and Recreation completed many projects that stemmed directly from the 2018 Parks Master Plan. Projects included building improvements, new trail and sidewalk, ADA accessibility, and new playgrounds, included the replacement of Shillito Park playground which was built by 800+ volunteers and completed in October of 2019. Additionally, the department prepared new site development plans for a dozen parks as recommended by the Parks Master Plan and welcomed several new pieces of public art in city parks.



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 considers future rate changes, 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 3.9% in June 2019, which is the same as in June 2018. The June 2019 rate was below the state rate of 4.1%. Total employment is well above pre-2008 levels. Employment, as measured by the Bureau of Labor Statistics, was 194,528 for the quarter ended December 31, 2018. By comparison, total employment was 199,897 for the quarter ending December 31, 2017 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 2018 was \$48,000.

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 polices 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 2019 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 27th 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, 2018. 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, 2018

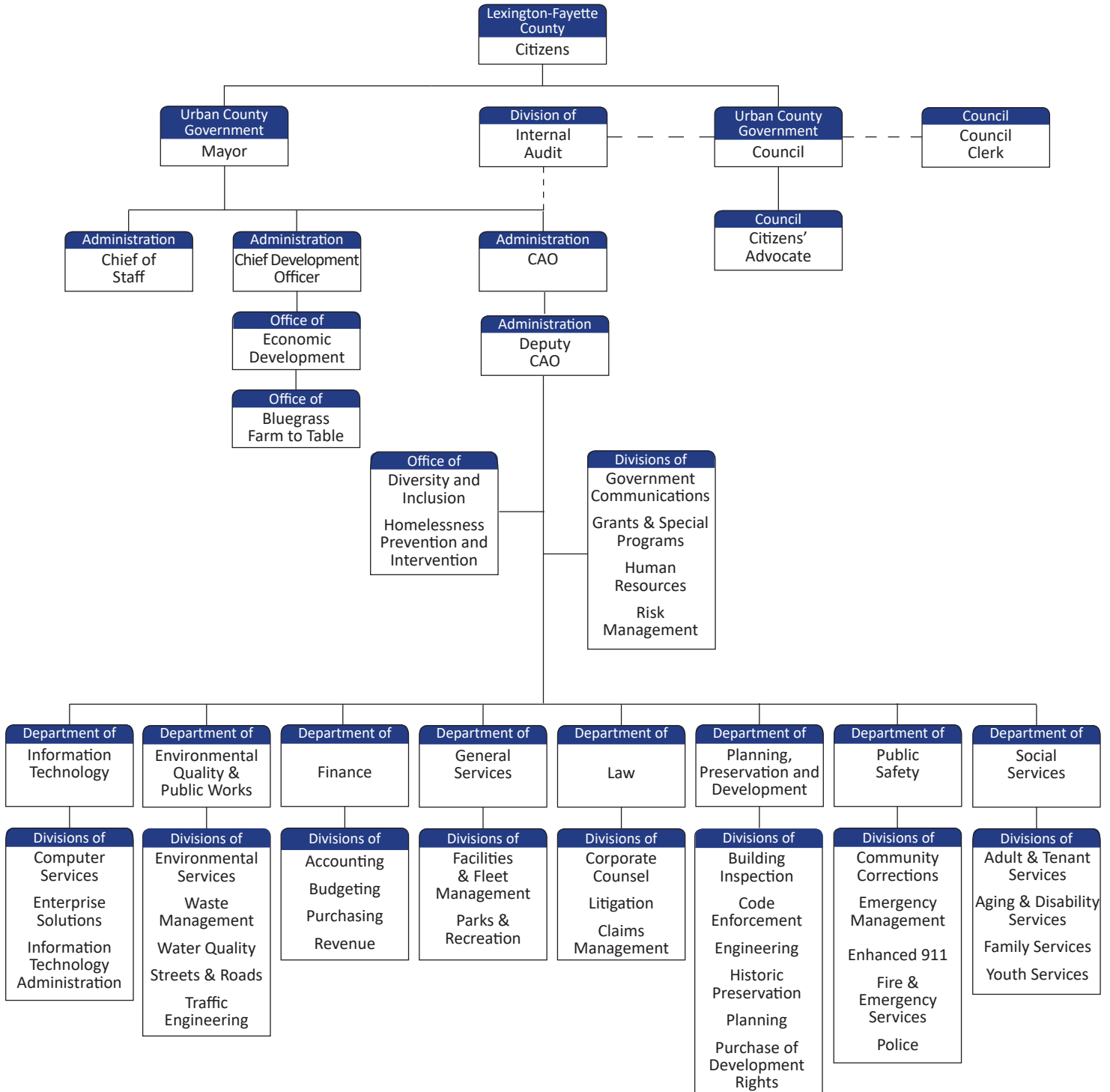
Christopher P. Morrill

Executive Director/CEO



Lexington-Fayette Urban County Government

Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office

Citizens' Advocate Office

Stacey Maynard, Council Administrator

Amber Deitz, Citizens' Advocate

Council Clerk's Office

Abigail Allen, Director

Office of the Mayor

Linda Gorton, Mayor

Internal Audit

Bruce Sahli, Director

Office of the Chief Administrative Officer

Grants and Special Programs
Risk Management
Public Information Office
LexCall
GTV3
Human Resources
Office of Homelessness Prevention & Intervention
Purchase of Development Rights
Historic Preservation

Sally Hamilton, Chief Administrative Officer

Charlie Lanter, Director
Vacant, Director
Stacey Dimon, Supervisor
Kendra Carter, Director
Chris Edwards, Supervisor
John Maxwell, Director
Polly Ruddick, Director
Elizabeth Overman, Program Manager
Bettie L. Kerr, Director

Chief Development Office

Planning

Kevin Atkins, Chief Development Officer

Jim Duncan, Director

Chief Information Office

Computer Services
Enterprise Solutions

Aldona Valicenti, Chief Information Officer

Mike Nugent, Director
Phillip Stiefel, Director

Finance

Accounting and Payroll
Purchasing
Revenue
Budgeting

William O'Mara, Commissioner

Phyllis Cooper, Director
Todd Slatin, Director
Rusty Cook, Director
Melissa Lueker, Director

Environmental Quality and Public Works

Environmental Services
Water Quality
Waste Management
Streets and Roads
Traffic Engineering
Building Inspection
Engineering

Nancy Albright, Commissioner

Susan Plueger, Director
Charles H. Martin, Director
Tracey Thurman, Director
Rob Allen, Director
Jeff Neal, Director
Dewey Crowe, Director
Doug Burton, Director

Law

Susan Speckert, Commissioner

Public Safety

Community Corrections
Division of Emergency Management
E911
Fire and Emergency Services
Police
Code Enforcement

Ken Armstrong, Commissioner

Steve Haney, Director
Patricia Dugger, Director
Robert Stack, Director
Kristin Chilton, Chief
Lawrence Weathers, Chief
Alex Olszowy, Director

Social Services

Adult Services
Aging Services
Family Services
Youth Services

Chris Ford, Commissioner

Connie Godfrey, Director
Kristina Stambaugh, Director
Joanna Rodes, Director
Stephanie Hong, Director

General Services

Facilities and Fleet Management
Parks and Recreation

Monica Conrad, Acting Commissioner

Jamshid Baradaran, Director
Monica Conrad, Director



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FINANCIAL SECTION

Strothman and Company

Certified Public Accountants and Advisors

1600 Waterfront Plaza

325 West Main Street

Louisville, KY 40202

502 585 1600



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, 2019, 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, 2019, 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. 84, *Fiduciary Activities*, effective as of July 1, 2018. The implementation of this accounting standard resulted in the creation of a new Investment Trust Fund and a Custodial Fund and reduced the net position for Agency Funds. 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 December 9, 2019, 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.

STROTHMAN AND COMPANY

Louisville, Kentucky
December 9, 2019

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, 2019. 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 early implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of the statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. As a result, the Government has identified two new fiduciary funds, the Sewer Investment Trust Fund and the Prisoner Account Fund. The Government recognized two prior period adjustments on June 30, 2019, of \$29,270,139 and \$627,876 respectively, to establish these new funds.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$314.41 million at the close of fiscal year 2019. This amount includes a deficit of approximately (\$711.16) million in unrestricted net position.
- Governmental Activities’ net position was (\$31.52) million at the end of fiscal year 2019. Of this amount, \$667.27 million was the net investment in capital assets. The net investment in capital assets comprises 2,117.24% of total net position.
- Business-Type Activities held a balance of \$345.93 million in net position. The unrestricted fund balance at June 30, 2019 is \$54.87 million, or 56.91% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2019, the Government’s governmental funds reported combined ending fund balances of \$147.80 million, a decrease of \$1.41 million compared to the previous fiscal year. Of this total amount, \$81.20 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 \$5.93 million or 1.61% 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 \$39.57 million. The committed fund balance designation for economic stabilization held a balance of \$35.35 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 \$18.46 million for fiscal year 2019.

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, 2019. 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 \$314.41 million as of June 30, 2019, a decrease of \$57.38 million from the previous year. Total depreciation expense government wide was \$73.27 million.

The largest proportion of the Government’s net position, \$942.88 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)

	Total Net Position		
	FY 2019	Restated FY 2018	Change
ASSETS			
Current and other assets	\$369,298	\$378,041	(\$8,743)
Capital assets	1,426,184	1,404,025	22,159
Total assets	<u>1,795,482</u>	<u>1,782,066</u>	<u>13,416</u>
DEFERRED OUTFLOWS OF RESOURCES	222,116	226,973	(4,857)
LIABILITIES			
Current and other liabilities	85,587	79,049	6,538
Long-term liabilities	1,441,411	1,496,090	(54,679)
Total liabilities	<u>1,526,998</u>	<u>1,575,139</u>	<u>(48,141)</u>
DEFERRED INFLOWS OF RESOURCES	176,189	62,111	114,078
NET POSITION			
Net Investment in Capital Assets	942,878	965,647	(22,769)
Restricted for:			
Capital Projects	47,789	111,478	(63,689)
Energy Improvement Projects	1,377	1,271	106
Debt Service	3,762	3,440	322
Capital Replacement	1,794	1,327	467
Pension	21,449	20,632	817
Water Quality Incentive Program	5,336	5,217	119
Grants	259	250	9
Maintenance and Operations	925	489	436
Unrestricted	<u>(711,158)</u>	<u>(737,962)</u>	<u>26,804</u>
Total net position	<u>\$314,411</u>	<u>\$371,789</u>	<u>(\$57,378)</u>

Approximately \$82.69 million, or 26.30% 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 (\$31.52) million, or 2.68% of total assets, a decrease of \$73.50 million from the previous year. Of this total, \$667.27 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.

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

	Governmental Activities		
	FY 2019	Restated FY 2018	Change
ASSETS			
Current and other assets	\$237,300	\$240,112	(\$2,812)
Capital assets	<u>937,563</u>	<u>958,377</u>	<u>(20,814)</u>
Total assets	<u><u>1,174,863</u></u>	<u><u>1,198,489</u></u>	<u><u>(23,626)</u></u>
DEFERRED OUTFLOWS OF RESOURCES	206,043	206,056	(13)
LIABILITIES			
Current and other liabilities	60,704	60,298	406
Long-term liabilities	<u>1,180,692</u>	<u>1,244,061</u>	<u>(63,369)</u>
Total liabilities	<u><u>1,241,396</u></u>	<u><u>1,304,359</u></u>	<u><u>(62,963)</u></u>
DEFERRED INFLOWS OF RESOURCES	171,026	58,198	112,828
NET POSITION			
Net Investment in Capital Assets	667,270	718,485	(51,215)
Restricted for:			
Capital Projects	43,876	47,044	(3,168)
Energy Improvement Projects	632	607	25
Debt Service	1,026	812	214
Pension	21,449	20,632	817
Grants	259	250	9
Maintenance and Operations			
Unrestricted	<u>(766,028)</u>	<u>(745,842)</u>	<u>(20,186)</u>
Total net position	<u><u>(\$31,516)</u></u>	<u><u>\$41,988</u></u>	<u><u>(\$73,504)</u></u>

Table 3 shows the net position of Business-Type Activities totaled \$345.93 million at the end of fiscal year 2019, an increase of \$16.13 million from the previous fiscal year. Of total net position, \$275.61 million, or 79.67%, 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.

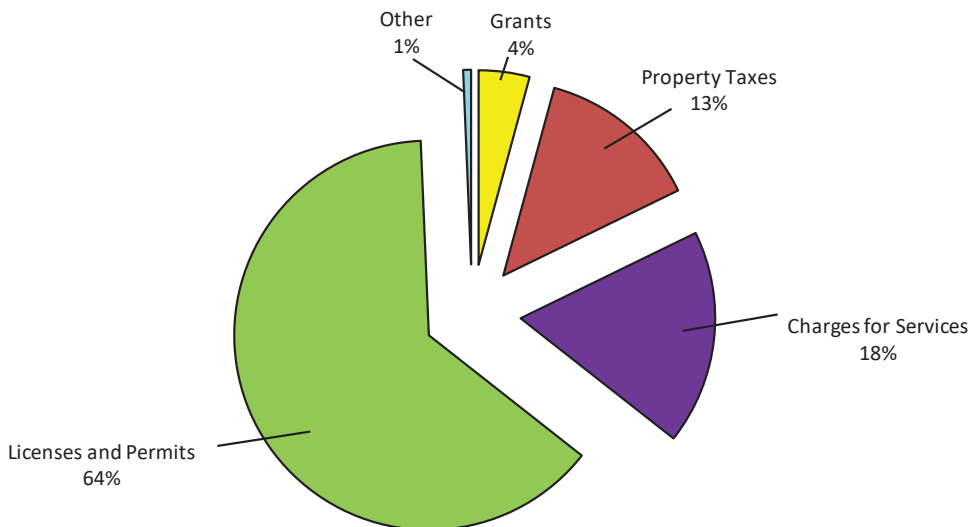
Table 3
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

	Business-Type Activities		
	FY 2019	Restated FY 2018	Change
ASSETS			
Current and other assets	\$131,998	\$137,930	(\$5,932)
Capital assets	488,621	445,648	42,973
Total assets	<u>620,619</u>	<u>583,578</u>	<u>37,041</u>
DEFERRED OUTFLOWS OF RESOURCES	16,073	20,917	(4,844)
LIABILITIES			
Current and other liabilities	24,883	18,751	6,132
Long-term liabilities	260,719	252,029	8,690
Total liabilities	<u>285,602</u>	<u>270,780</u>	<u>14,822</u>
DEFERRED INFLOWS OF RESOURCES	5,163	3,914	1,249
NET POSITION			
Net Investment in Capital Assets	275,608	247,163	28,445
Restricted for:			
Capital Projects	3,914	64,434	(60,520)
Energy Improvement Projects	746	664	82
Debt Service	2,736	2,628	108
Capital Replacement	1,794	1,327	467
Water Quality Incentive Program	5,336	5,217	119
Maintenance and Operations	925	489	436
Unrestricted	54,868	7,879	46,989
Total net position	<u>\$345,927</u>	<u>\$329,801</u>	<u>\$16,126</u>

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 64%, 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 18%, 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 1% in 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 \$476.28 million, which was an increase of \$9.71 million, or 2.08%, from the previous fiscal year. Licenses and permits totaled \$303.56 million, representing 63.74% 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 decreased by \$1.06 million, or 0.35% from the previous fiscal year. This is primarily due to a decrease in franchise fees collected during the fiscal year. Property taxes increased by \$2.50 million, due to an increase in realty taxes collected. Charges for services increased by \$4.47 million from the previous fiscal year, or 5.52%. Operating and Capital grants decreased by \$0.53 million from the previous fiscal year, or 1.09%.

As noted on Table 4, total expenses of Governmental Activities were \$550.35 million; an increase of \$15.48 million from the previous fiscal year. This is primarily due to the Government’s commitment to contributing to the renovations of the Lexington Convention Center of \$20.0 million. In addition, General Government expenditures increase \$1.77 million for various capital projects. Information Technology projects increased \$1.24 million over the prior year due to a financial system upgrade. Community Corrections expenditures increased \$1.72 million due to salary increases. Other various departments had increases totaling \$4.47 million. This is offset by decreases in Public Safety of \$11.43 million for capital expenditures and OPEB changes, and various other departments totaling \$2.29 million.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased by \$39.56 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$38.8 million and other general revenues increased \$0.76 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2018, by \$6.75 million. Primarily Sanitary Sewer and Landfill increased \$9.75 million and \$0.73 million, respectively. Other Business-Type Activities expenses increased approximately \$0.34 million. Public Facilities and Prisoner Account expenses decreased \$1.14 million and \$2.93 million, respectively. The largest program among these activities is the Sanitary Sewer system, with expenses of \$63.11 million during the fiscal year, representing 65.46% 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	
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018
Revenues						
Program Revenues:						
Charges for Services	\$84,848	\$80,408	\$111,353	\$72,553	\$196,201	\$152,961
Operating Grants & Contributions	11,596	10,617			11,596	10,617
Capital Grants & Contributions	5,189	5,718			5,189	5,718
General Revenues:						
Property Taxes	64,574	62,072			64,574	62,072
Licenses & Permits	303,563	304,626			303,563	304,626
Grants & Unrestricted Contributions	3,353	1,951			3,353	1,951
Other General Revenues	3,155	1,179	1,749	991	4,904	2,170
Total Revenues	476,278	466,571	113,102	73,544	589,380	540,115
Program Expenses						
General Government	45,808	24,040			45,808	24,040
Administrative Services	10,124	10,333			10,124	10,333
Health, Dental, Vision, Workers Comp, General Insurance	28,506	27,763			28,506	27,763
Chief Development Officer	1,208	263			1,208	263
Information Technology	12,248	11,012			12,248	11,012
Finance	36,311	36,669			36,311	36,669
Environmental Quality & Public Works	64,883	65,541			64,883	65,541
Planning, Preservation, & Development	46,409	46,217			46,409	46,217
Public Safety	14,632	14,914			14,632	14,914
Police	87,225	94,800			87,225	94,800
Fire & Emergency Services	89,330	92,898			89,330	92,898
Community Corrections	42,469	40,749			42,469	40,749
Social Services	15,087	14,223			15,087	14,223
General Services	12,376	13,443			12,376	13,443
Parks & Recreation	24,799	24,127			24,799	24,127
Law	2,887	2,602			2,887	2,602
Interest on Long-Term Debt	16,045	15,273			16,045	15,273
Sanitary Sewer System			63,106	53,354	63,106	53,354
Public Facilities			6,915	8,050	6,915	8,050
Landfill			4,799	4,072	4,799	4,072
Right of Way			593	530	593	530
Extended School Program			2,152	2,137	2,152	2,137
Prisoners' Account System				2,930	0	2,930
Enhanced 911			4,797	4,701	4,797	4,701
CKY Network			421	266	421	266
Water Quality			13,628	13,619	13,628	13,619
Total Expenses	550,347	534,867	96,411	89,659	646,758	624,526
Increase (Decrease) in Net Position before Transfers	(74,069)	(68,296)	16,691	(16,115)	(57,378)	(84,411)
Transfers	565	(800)	(565)	800	0	0
Increase (Decrease) in Net Position	(73,504)	(69,096)	16,126	(15,315)	(57,378)	(84,411)
Net Position, July 1	41,988	111,084	329,801	345,116	371,789	456,200
Net Position, June 30	(\$31,516)	\$41,988	\$345,927	\$329,801	\$314,411	\$371,789

PERSONNEL COSTS

During the year, personnel related expenses for salaries and wages covered by collective bargaining agreements increased approximately \$5.19 million. Police and Community Corrections increased by \$0.90 million and \$0.97 million, respectively. Fire & Emergency Services increased by \$3.32 million. Salary and wage costs, including benefits, for non-collective bargaining employees increased 1.60%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2019.

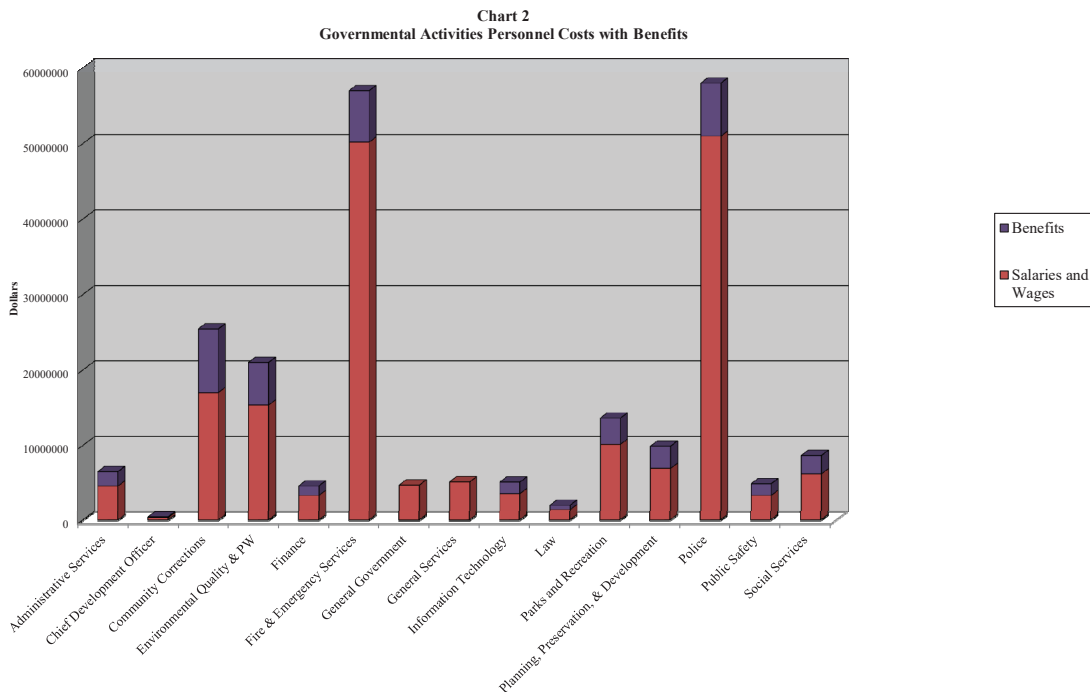
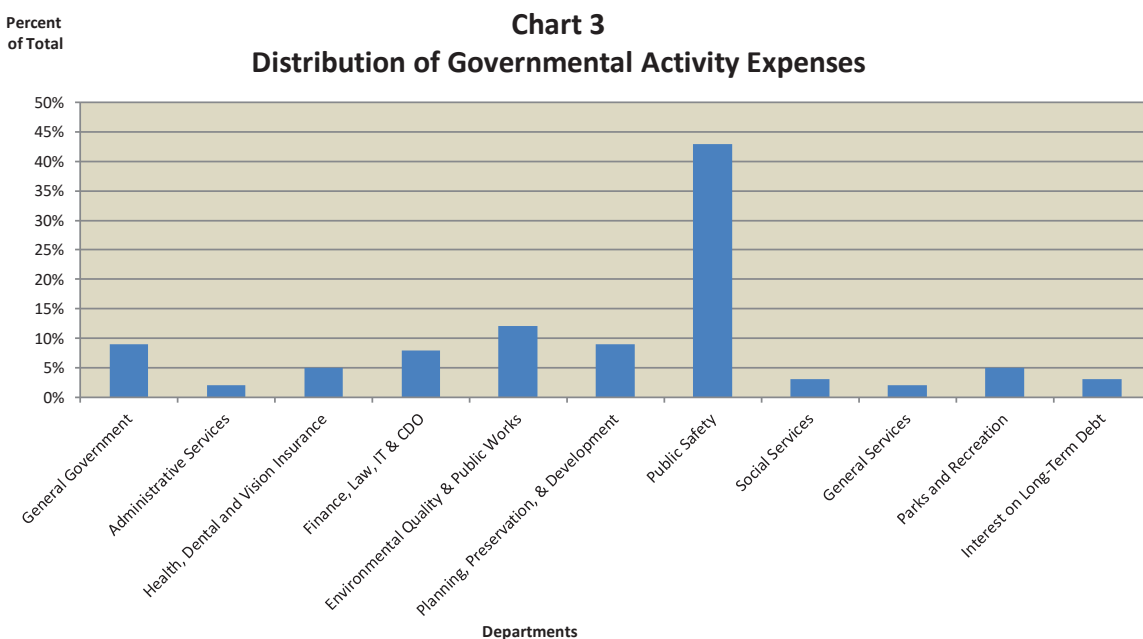


Chart 3 displays the distribution of total costs by governmental activity.



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, 2019 reflect a combined ending fund balance of \$147.80 million, a decrease of \$1.41 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 decrease is primarily due to expenditures in excess of revenues of \$47.11 million, offset by net transfers out and proceeds from the issuance of bonds of \$45.70 million.

The Government had \$5.93 million of unassigned fund balance available in the General Fund at June 30, 2019. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.61% of total general fund expenditures for fiscal year 2019. At the end of fiscal year 2019, the fund balance held by the General Fund totaled \$67.91 million, an increase of \$3.55 million, or 5.52%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$0.65 million, offset by other financing uses of \$2.87 million. In addition, there is a slight increase from a prior period adjustment of \$0.03 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 \$25.84 million, a decrease of \$2.34 million over the prior fiscal year. This decrease is primarily due to expenditures in excess of revenues of \$2.35 million, offset by transfers in of \$0.01 million. Revenues of the Urban Services Fund increased by \$1.56 million or 3.72% compared to the prior fiscal year. Operating expenditures increased \$4.45 million over the prior fiscal year. This was primarily due to an increase in equipment, acquisitions, and construction of \$4.09 million and an increase in debt expenditures of \$0.42 million offset by a decrease in department expenditures of \$0.06 million.

The Federal and State Grants Fund held a balance of \$0.26 million for fiscal year ended June 30, 2019, 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 2019, \$52.41 million was expended on these projects. Bonds in the amount of \$44.86 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 \$345.93 million as of June 30, 2019, an increase of \$15.30 million from the prior fiscal year. Revenues from charges for services increased \$38.8 million and total expenses increased \$6.65 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held a total net position of \$258.54 million, a decrease of \$15.48 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$4.46 million is restricted by bond covenants for capital replacement, projects, and debt service. In addition, \$0.75 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 \$19.67 million, a decrease of \$0.39 million from the prior fiscal year. Operating income during fiscal year 2018 was \$5.95

million. The decrease in net position is primarily due to excess operating revenues of \$0.45 million and transfers of \$0.57 million, offset by non-operating expenses of \$1.41 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 \$20.96 million, an increase of \$1.33 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2019, the total net position of the Landfill Fund held a balance of \$40.96 million, an increase of \$2.82 million from the prior fiscal year, a 7.40% 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, 2019 the other enterprise funds held total net position of \$4.36 million, a decrease of \$2.44 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 2019, General Fund revenues totaled \$369.91 million, an increase of 1.59% from the previous fiscal year. Total revenues were \$3.28 million below the final budgeted amount. This decrease in actual revenue is the result of a stabilization in the U.S. economy, which affected the growth rate of both business returns and franchise fees. Total ad valorem taxes and charges for services were \$1.53 million above the final budgeted amount. Fines and forfeitures, intergovernmental, and property sales were \$0.56 million above the final budgeted amount. Investment returns were \$1.13 million above the final budgeted amount. Other income was \$0.48 million above the final budgeted amount. Total licenses and permits were \$6.47 below the final budgeted amount.

General Fund expenditures of the Government totaled \$369.26 million, an increase of \$5.89 million, or 1.62% over the previous fiscal year. Expenditures were \$9.64 million below the final budgeted amount. Operating expenditures were \$6.43 million below the final budgeted amount. Personnel expenditures, accounting for 63.14% of General Fund expenditures, were \$2.78 million below the final budgeted amount. Divisions with collective bargaining agreements had expenditures \$2.13 million below the final budgeted amount. Personnel expenditures from these divisions account for 52.97% 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)

Departments	2019	2018	Change	% Change	% General Fund Expenditures
Non-Collective Bargaining Divisions					
Administrative Services	\$5,432	\$5,217	\$215	4.1%	1.5%
Chief Development Officer	421	310	111	35.8%	0.1%
Information Technology	4,938	4,501	437	9.7%	1.3%
Department of Finance	4,781	4,802	(21)	(0.4%)	1.3%
Department of General Services	3,989	3,476	513	14.8%	1.1%
Department of Law	2,100	2,055	45	2.2%	0.6%
Department of Public Safety	4,568	4,678	(110)	(2.4%)	1.2%
Department of Social Services	7,177	7,038	139	2.0%	1.9%
Department of Environmental Quality & PW	5,930	6,028	(98)	(1.6%)	1.6%
Department of Planning, Preservation & Dev	9,079	9,053	26	0.3%	2.5%
General Government	6,492	6,048	444	7.3%	1.8%
Parks and Recreation	13,543	13,381	162	1.2%	3.7%
Total Non-Collective Bargaining Divisions	68,450	66,587	1,863	2.8%	18.5%
Divisions with Collective Bargaining					
Police	69,487	66,718	2,769	4.2%	18.8%
Community Corrections	26,128	24,994	1,134	4.5%	7.1%
Fire & Emergency Services	69,105	64,281	4,824	7.5%	18.7%
Total Collective Bargaining Divisions	164,720	155,993	8,727	5.6%	44.6%
Total Personnel Costs with Benefits	\$233,170	\$222,580	\$10,590	4.8%	63.1%

CAPITAL ASSETS

The Government's capital assets totaled \$1.43 billion as of June 30, 2019, 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 \$667.27 million. Governmental Activities net investment in capital assets decreased by \$51.22 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$275.61 million, an increase of \$28.45 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$25.11 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$55.99 million, asset retirements of \$0.13 million, and a prior period adjustment decrease of \$4.29 million, offset by capital additions of \$35.31 million. Developments in progress decreased by \$24.61 million and were placed in service. Construction in progress increased by \$12.39 million for various projects. Developments in progress relate to the Exaction Area Master Plan (EAMP), additional details can be found in Note 1.D.
- Capital assets for Business-Type Activities increased by \$41.45 million. The overall increase was primarily due to additions of \$60.25 million, offset by depreciation of \$17.28 million and a prior period adjustment of \$1.52 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 \$30.08 million in the Governmental Activities and \$123.08 million in Business-Type Activities. The overall increase from the previous year in construction in progress assets totaled \$66.60 million. The increase was primarily due to additions of \$70.96 million offset by net asset retirements and reclassifications of \$4.36 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land*	\$62,866	\$61,888	\$46,422	\$46,342	\$109,288	\$108,230
Purchase of Development Rights	80,603	80,220			80,603	80,220
Intangibles	12,891	7,902	3,743	4,726	16,634	12,628
Buildings	108,617	112,694	28,203	31,516	136,820	144,210
Vehicles, Equipment, & Furniture*	44,344	44,323	19,476	19,174	63,820	63,497
Land and Leasehold Improvements	15,762	18,689	6,432	6,881	22,194	25,570
Infrastructure & Sewer Lines/Plants	582,102	594,357	261,149	260,198	843,251	854,555
Construction in Progress	30,082	17,689	123,080	68,869	153,162	86,558
Developments in Progress*	296	24,906	116	9,465	412	34,371
Total	\$937,563	\$962,668	\$488,621	\$447,171	\$1,426,184	\$1,409,839

* 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 2019, the Government had \$611.68 million in bonds and notes outstanding; Governmental Activities’ debt increased by \$13.38 million and total debt increased by \$25.91 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$44.86 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$31.48 million. The Business-Type Activities debt increased \$12.53 million primarily from note payable proceeds of \$23.74 million, offset by principal payments and amortized bond costs of \$11.21 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 \$3.32 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 \$362.03 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	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds, Notes, Leases	\$402,421	\$389,046	\$138,261	\$120,023	\$540,682	\$509,069
Mortgage Revenue Bonds			43,965	46,578	43,965	46,578
Revenue Bonds			27,036	30,129	27,036	30,129
Total	\$402,421	\$389,046	\$209,262	\$196,730	\$611,683	\$585,776

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 2020 Budget, for all funds combined, net of interfund transfers, is \$623,491 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, which will include the issuance of Sewer Revenue Bonds. For additional information see Note 7.
- GO bonds were approved as part of the fiscal year 2020 budget for \$18.11 million. The bonds will fund projects for Public Safety, infrastructure improvements, voting machines, fleet replacement, and to provide funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

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, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$55,254,031	\$56,062,203	\$111,316,234	\$49,183,359
Investments	67,191,490	68,149,748	135,341,238	14,316,796
Receivables (Net)	37,618,113	5,822,634	43,440,747	3,809,883
Due from Other Governments	3,709,658		3,709,658	4,127,370
Due from Primary Government				2,238,552
Other Current Assets				753,068
Inventories and Prepaid Expenses	2,725,472	168,809	2,894,281	964,017
Net Pension Asset	21,448,799		21,448,799	
Restricted Assets:				
Cash				17,450,009
Receivables (Net)	4,870,270		4,870,270	3,250,699
Grants Receivable	1,000,000		1,000,000	1,787,982
Investments	42,057,724	1,793,860	43,851,584	270,637,255
Other				75,678
Capital Assets:				
Non-depreciable	183,645,881	170,198,301	353,844,182	131,526,790
Depreciable (Net)	753,917,443	318,422,210	1,072,339,653	230,472,002
Other Assets	1,424,271		1,424,271	10,384,503
Total Assets	\$1,174,863,152	\$620,617,765	\$1,795,480,917	\$740,977,963
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Bond Refunding	\$3,790,680	\$2,945,919	\$6,736,599	\$1,352,203
Deferred Pension Amounts	182,577,923	9,892,392	192,470,315	14,300,266
Deferred Other Post Employment Benefit Amounts	19,673,995	3,234,613	22,908,608	3,228,030
Deferred Amount on Note Payable				3,372,502
Total Deferred Outflows of Resources	\$206,042,598	\$16,072,924	\$222,115,522	\$22,253,001
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$18,971,250	\$9,935,216	\$28,906,466	\$14,667,207
Interest Payable	4,965,468	439,804	5,405,272	138
Internal Balances	1,494,920	(1,494,920)		
Due to Component Units	2,238,552		2,238,552	
Unearned Revenue and Other Claims Liabilities	5,125,791	43,886	5,169,677	268,401
Liabilities Payable from Restricted Assets:				
Payable		6,363,854	6,363,854	4,323,917
Bonds and Notes Payable		9,016,786	9,016,786	
Interest Payable		577,955	577,955	4,728,806
Due Within One Year:				
Bonds and Notes Payable	31,840,000	2,527,654	34,367,654	8,834,604
Compensated Absences	3,697,727	522,475	4,220,202	247,469
Landfill Closure and Postclosure Care Costs		441,121	441,121	
Due in More Than One Year:				
Unearned Revenue and Other	273,008		273,008	344,327
Bonds and Notes Payable	370,580,856	197,717,618	568,298,474	326,473,216
Compensated Absences	22,714,607	1,037,571	23,752,178	839,839
Landfill Closure and Postclosure Care Costs		11,964,371	11,964,371	
Unfunded Other Post Retirement Benefit Liability	307,936,013	10,519,306	318,455,319	15,045,777
Unfunded Pension Liability	443,649,826	35,988,706	479,638,532	76,048,750
Total Liabilities	\$1,241,396,419	\$285,601,403	\$1,526,997,822	\$451,822,451
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	\$36,914,285	\$2,888,550	\$39,802,835	\$5,742,019
Deferred Other Post Employment Benefit Amounts	134,111,743	2,274,907	136,386,650	1,870,335
Total Deferred Inflows of Resources	\$171,026,028	\$5,163,457	\$176,189,485	\$7,612,354

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net Investment in Capital Assets	\$667,270,316	\$275,607,655	\$942,877,971	\$258,054,553
Restricted for:				
Governmental and Program Funds				643,417
Capital Projects	43,874,848	3,914,194	47,789,042	9,792,615
Energy Improvement Projects	631,925	745,519	1,377,444	
Debt Service	1,026,212	2,735,764	3,761,976	44,703,462
Capital Replacement		1,793,860	1,793,860	
Pension	21,448,799		21,448,799	
Water Quality Incentive Program		5,336,048	5,336,048	
Grants	259,010		259,010	
Maintenance and Operations		925,234	925,234	
Unrestricted (Deficit)	(766,027,807)	54,867,555	(711,160,252)	(9,397,888)
Total Net Position	(\$31,516,697)	\$345,925,829	\$314,409,132	\$303,796,159

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, 2019

Function/Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Administrative Services	\$10,124,062	\$395,756	\$2,040,032	\$3,399	(\$7,684,875)	\$0	(\$7,684,875)	\$0
Chief Development Officer	1,207,709	40,428			(1,167,281)		(1,167,281)	
Community Corrections	42,468,842	10,424,478	33,178		(32,011,186)		(32,011,186)	
Environmental Quality & Public Works	64,882,901	3,180,175	258,036	1,457,687	(59,987,003)		(59,987,003)	
Finance	36,311,239	459,930			(35,851,309)		(35,851,309)	
Fire & Emergency Services	89,329,598	8,178,353	3,355,912		(77,795,333)		(77,795,333)	
General Government	45,808,696	21,877,626	4,665	4,218	(23,922,187)		(23,922,187)	
General Services	12,376,066	4,139			(12,371,927)		(12,371,927)	
Health, Dental, and Vision	28,505,869	28,505,869						
Information Technology	12,247,559	3,376			(12,244,183)		(12,244,183)	
Law	2,886,923	2,638			(2,884,285)		(2,884,285)	
Parks & Recreation	24,799,178	4,483,856	15,765		(20,299,557)		(20,299,557)	
Planning, Preservation, & Development	46,408,689	3,100,837		3,497,849	(39,810,003)		(39,810,003)	
Police	87,225,335	1,987,333	3,702,534	225,424	(81,310,044)		(81,310,044)	
Public Safety	14,632,438	73,867	909,491		(13,649,080)		(13,649,080)	
Social Services	15,086,794	2,129,603	1,276,589		(11,680,602)		(11,680,602)	
Interest on Long-Term Debt	16,044,874				(16,044,874)		(16,044,874)	
Total Governmental Activities	550,346,772	84,848,264	11,596,202	5,188,577	(448,713,729)	0	(448,713,729)	
Business-Type Activities:								
Sanitary Sewer System	63,106,251	75,961,739				12,855,488	12,855,488	
Public Facilities	6,915,288	5,949,941				(965,347)	(965,347)	
Landfill	4,799,382	7,173,603				2,374,221	2,374,221	
Right of Way	593,476	682,221				88,745	88,745	
Extended School Program	2,152,127	2,126,102				(26,025)	(26,025)	
Enhanced 911	4,797,403	4,176,602				(620,801)	(620,801)	
CKY Network	421,115	498,913				77,798	77,798	
Water Quality	13,628,042	14,784,064				1,156,022	1,156,022	
Total Business-Type Activities	96,413,084	111,353,185	0	0	0	14,940,101	14,940,101	
Total Primary Government	\$646,759,856	\$196,201,449	\$11,596,202	\$5,188,577	(\$448,713,729)	\$14,940,101	(\$433,773,628)	

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

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	\$29,012,107	\$20,842,190	\$501,500	\$80,275,500			\$72,607,083	
Lexington Airport Board	27,709,824	24,688,597		7,618,089			4,596,862	
Fayette County Department of Health	16,893,937	4,275,390	5,788,770				(6,829,777)	
Nonmajor Component Units	55,816,792	4,677,931	5,738,430	284,730			(45,115,701)	
Total Component Units	\$129,432,660	\$54,484,108	\$12,028,700	\$88,178,319	\$0	\$0	\$25,258,467	
General Revenues:								
Property Taxes				\$64,573,949	\$0	\$64,573,949	\$60,054,343	
Licenses Fees - Wages and Net Profits Taxes				303,562,887		303,562,887		
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant				3,352,871		3,352,871		
Income on Investments				2,733,373	1,730,075	4,463,448	7,429,309	
Net Change in Fair Value of Investments							646,174	
Gain on Sale of Capital Assets				421,745	19,254	440,999	16,704	
Miscellaneous							(2,462,319)	
Transfers				564,725	(564,725)			
Total General Revenues and Transfers				375,209,550	1,184,604	376,394,154	65,684,211	
Change in Net Position				(73,504,179)	16,124,705	(57,379,474)	90,942,678	
Net Position, Beginning				46,278,955	361,222,188	407,501,143	212,925,540	
Adjustment to Opening Net Position (Note 2.D.)				(4,291,473)	(31,421,064)	(35,712,537)	(72,059)	
Net Position, Beginning - Restated				41,987,482	329,801,124	371,788,606	212,853,481	
Net Position, Ending				(\$31,516,697)	\$345,925,829	\$314,409,132	\$303,796,159	

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$0	\$7,491,633	\$0	\$15,369,180	\$22,860,813
Investments	46,313,314	19,932,932		945,244	67,191,490
Receivables:					
Loans			2,043,238		2,043,238
License Fees	29,686,497				29,686,497
Other	11,575,307	123,075		1,222,927	12,921,309
Less Allowance for Uncollectible Amounts	(5,017,351)		(2,043,238)		(7,060,589)
Due from Other Governments	30,707		3,678,951		3,709,658
Inventories and Prepaid Items	2,290,430	94,468		8,880	2,393,778
Restricted Investments	1,026,838		29,087	41,001,799	42,057,724
Total Assets	\$85,905,742	\$27,642,108	\$3,708,038	\$58,777,962	\$176,033,850
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$8,105,185	\$1,508,266	\$1,455,308	\$2,768,185	\$13,836,944
Accrued Payroll & Related Liabilities	3,532,344	290,202	55,294		3,877,840
Due to Other Funds	2,053,795		437,805	663,747	3,155,347
Due to Component Units	2,238,552				2,238,552
Unearned Revenue and Other	2,061,301	818	1,500,621	1,563,051	5,125,791
Total Liabilities	17,991,177	1,799,286	3,449,028	4,994,983	28,234,474
Fund Balances:					
Nonspendable	2,290,430	94,468			2,384,898
Restricted for:					
Public Works				8,233,228	8,233,228
Public Safety	1,026,212			1,429,926	2,456,138
Capital Projects				43,874,848	43,874,848
Grants Projects			259,010		259,010
Urban Services		25,745,424			25,745,424
Energy Improvement Projects	628,995	2,930			631,925
Committed for:					
General Government	4,228,784				4,228,784
Economic Stabilization	35,345,181				35,345,181
Assigned to:					
General Government	16,145,000			244,977	16,389,977
Capital Projects	2,318,361				2,318,361
Unassigned	5,931,602				5,931,602
Total Fund Balances	67,914,565	25,842,822	259,010	53,782,979	147,799,376
Total Liabilities and Fund Balances	\$85,905,742	\$27,642,108	\$3,708,038	\$58,777,962	\$176,033,850

* Prior period adjustments were made to assets in the Exactions Area Master Plan (EAMP). There is no impact on total Governmental Fund

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, 2019

Total Fund balances - Governmental Funds		\$147,799,376
Amounts reported for Governmental Activities in the Statement of Net Position is different because:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,650,403,329	
Less accumulated depreciation	<u>(712,840,005)</u>	937,563,324
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		21,448,799
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.		
Restricted receivables (Net)		5,870,270
Other assets		1,424,271
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(402,420,856)	
Unearned revenue and other	(273,008)	
Interest payable	(4,965,468)	
Compensated absences	(26,412,334)	
Unfunded pension liability and other post retirement benefits	<u>(751,585,839)</u>	(1,185,657,505)
Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)		
		3,790,680
Outflows and inflows related to pension have been deferred in the Statement of Net Position		
		145,663,638
Outflows and inflows related to other post employment benefit amounts have been deferred in the Statement of Net Position		
		(114,437,748)
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.		
		6,513,118
Internal balances due to non-governmental activities related to items listed above		
		<u>(1,494,920)</u>
Net Position of Governmental Activities		<u><u>(\$31,516,697)</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, 2019

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
License Fees and Permits	\$308,462,028	\$1,654,789	\$0	\$0	\$310,116,817
Taxes	25,221,927	39,352,022			64,573,949
Charges for Services	28,196,399	1,491,110			29,687,509
Fines and Forfeitures	230,914	949			231,863
Intergovernmental	975,875		20,137,649	8,050,338	29,163,862
Exactions				243,198	243,198
Property Sales	236,248	306,614			542,862
Income on Investments	1,604,513	592,808	17,457	518,595	2,733,373
Other	4,981,187	88,137	620,245	263,475	5,953,044
Total Revenues	<u>369,909,091</u>	<u>43,486,429</u>	<u>20,775,351</u>	<u>9,075,606</u>	<u>443,246,477</u>
EXPENDITURES					
Current:					
Administrative Services	7,773,340	567,588	1,183,718		9,524,646
Chief Development Officer	1,305,739				1,305,739
Community Corrections	38,560,253		33,178	1,677,506	40,270,937
Environmental Quality & Public Works	11,147,751	35,124,095	710,038	84,833	47,066,717
Finance	5,817,395	23,451		32,128	5,872,974
Fire and Emergency Services	78,850,987		3,319,374		82,170,361
General Government	5,032,940	2,072,089	76,281	781,679	7,962,989
General Services	7,912,657	183,881			8,096,538
Information Technology	10,680,207	614,004		715,998	12,010,209
Law	2,548,860	16,818		338,383	2,904,061
Outside Agencies	22,264,873		2,838,937		25,103,810
Parks and Recreation	20,625,472		24,524	2,071,104	22,721,100
Planning, Preservation, & Development	12,257,456		905,834	176,194	13,339,484
Police	76,675,850		3,628,233	985,367	81,289,450
Public Safety	12,105,316		833,298		12,938,614
Social Services	9,065,892		2,122,545		11,188,437
Debt Service:					
Principal	28,329,993	669,237		245,770	29,245,000
Interest	15,721,258	238,503		11,323	15,971,084
Other Debt Service				196,590	196,590
Capital:					
Equipment	1,049,728	5,329,412	617,232	6,662,525	13,658,897
Acquisitions and Construction	1,536,051	992,422	6,561,584	38,428,667	47,518,724
Total Expenditures	<u>369,262,018</u>	<u>45,831,500</u>	<u>22,854,776</u>	<u>52,408,067</u>	<u>490,356,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	647,073	(2,345,071)	(2,079,425)	(43,332,461)	(47,109,884)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				42,055,000	42,055,000
Premium on Bonds				2,804,065	2,804,065
Transfers In	9,301,386	150,950	2,305,913	220,812	11,979,061
Transfers Out	(6,427,009)	(145,119)	(217,678)	(4,352,169)	(11,141,975)
Total Other Financing Sources	<u>2,874,377</u>	<u>5,831</u>	<u>2,088,235</u>	<u>40,727,708</u>	<u>45,696,151</u>
Net Change in Fund Balances	3,521,450	(2,339,240)	8,810	(2,604,753)	(1,413,733)
Fund Balances, Beginning	64,362,714	28,182,062	250,200	56,418,133	149,213,109
Adjustment to Opening Fund Balance (Note 2.D.)	30,401			(30,401)	
Fund Balances, Beginning - Restated	<u>64,393,115</u>	<u>28,182,062</u>	<u>250,200</u>	<u>56,387,732</u>	<u>149,213,109</u>
Fund Balances, Ending	<u>\$67,914,565</u>	<u>\$25,842,822</u>	<u>\$259,010</u>	<u>\$53,782,979</u>	<u>\$147,799,376</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Net change in fund balances - Governmental Funds		(\$1,413,733)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditure for capital assets	35,219,517	
Less current year depreciation	<u>(55,989,653)</u>	(20,770,136)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.</p>		
		(121,389)
<p>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:</p>		
Other assets		39,768
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Exaction fees		77,881
<p>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.</p>		
Issuance of debt	(42,055,000)	
Premium on bonds	(2,804,065)	
Principal payments	<u>29,245,000</u>	(15,614,065)
<p>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.</p>		
Change in net pension asset	816,884	
Amortization of current year bond (discounts) premiums	2,239,225	
Amortization of current year bond refunding losses	(452,671)	
Change in unfunded pension liability	(28,965,544)	
Change in unfunded other post retirement benefit liability	105,998,402	
Change in deferred outflows from pension plans	695,219	
Change in deferred outflows from other post retirement benefits	(255,900)	
Change in deferred inflows from pension plans	(10,039,014)	
Change in deferred inflows from other post retirement benefits	(102,789,169)	
Unearned revenue and other	(722)	
Change in accrued interest payable	(73,790)	
Change in restricted receivables (net)	(274,964)	
Change in compensated absences	<u>(288,492)</u>	(33,390,536)
<p>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.</p>		
		<u>(2,311,969)</u>
Change in net position of Governmental Activities		<u><u>(\$73,504,179)</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-Type Activities Enterprise Funds				Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality			
ASSETS & DEFERRED OUTFLOWS OF RESOURCES							
Current Assets:							
Cash	\$7,819,283	\$2,901,905	\$17,290,939	\$19,171,349	\$8,878,727	\$56,062,203	\$32,393,216
Investments	39,118,595	302,377	25,758,556	1,497,255	1,472,965	68,149,748	
Receivables:							
User Fees Receivable	10,578,161		1,792,668	2,185,999		14,556,828	
Other Receivables	459,839	68,213	53,965	139	298,909	881,065	27,660
Less Allowance for Uncollectible Accounts	(6,979,303)		(1,210,282)	(1,389,807)	(35,867)	(9,615,259)	
Inventories and Prepaid Expenses	84,912		28,009	39,888	16,000	168,809	331,694
Due from Other Funds						0	2,925,415
Total Current Assets	51,081,487	3,272,495	43,713,855	21,504,823	10,630,734	130,203,394	35,677,985
Noncurrent Assets:							
Restricted Investments:							
Reserved for Capital Replacement	1,721,860			72,000		1,793,860	
Capital Assets:							
Land	5,947,189	32,578,646	5,194,637	2,701,225		46,421,697	
Land Improvements	354,183	23,498,213	16,832,022	169,259	10,000	40,863,677	
Buildings	4,986,489	114,754,327	800,936	179,393	7,514	120,728,659	
Sewer Plants	209,402,390		88,764			209,491,154	
Sewer Lines	234,230,603		410,356	10,573,334		245,214,293	
Leasehold Improvements		2,087,090				2,087,090	
Vehicles, Equipment, and Furniture	33,979,963	3,050,577	242,814	251,666	2,957,296	40,482,316	
Intangibles	6,485,994	69,281	597,535	1,037,106	1,490,573	9,680,489	
Less Accumulated Depreciation	(214,026,555)	(117,471,418)	(12,486,114)	(1,623,069)	(3,937,286)	(349,544,442)	
Construction in Progress	119,920,363		370,820	2,787,970		123,079,153	
Developments in Progress	116,425					116,425	
Total Noncurrent Assets	403,118,904	58,566,716	12,051,770	16,148,884	528,097	490,414,371	0
Total Assets	454,200,391	61,839,211	55,765,625	37,653,707	11,158,831	620,617,765	35,677,985
Deferred outflows of resources:							
Deferred Amount on Bond Refunding	\$615,004	\$2,330,915	\$0	\$0	\$0	\$2,945,919	
Deferred Other Post Employment Benefit Amounts	1,701,346		151,803	825,743	555,721	3,234,613	
Deferred Pension Amounts	5,203,071		464,363	2,525,153	1,699,805	9,892,392	
Total Deferred Outflows of Resources	7,519,421	2,330,915	616,166	3,350,896	2,255,526	16,072,924	0
Total Assets & Deferred Outflows of Resources	\$461,719,812	\$64,170,126	\$56,381,791	\$41,004,603	\$13,414,357	\$636,690,689	\$35,677,985

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
LIABILITIES							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	\$7,177,635	\$101,704	\$596,879	\$1,556,956	\$102,968	\$9,536,142	\$1,256,466
Accrued Payroll	204,108		18,843	99,170	76,953	399,074	
Claims Payable							27,908,401
Bonds Payable		2,270,000		257,654		2,527,654	
Interest Payable		432,854		6,950		439,804	
Unearned Revenue and Other			421	43,465		43,886	
Compensated Absences	320,934		4,663	146,307	50,571	522,475	
Landfill Closure and Postclosure Care Costs			441,121			441,121	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	6,363,854					6,363,854	
Bonds and Notes Payable	9,016,786					9,016,786	
Interest Payable	577,955					577,955	
Total Current Liabilities	23,661,272	2,804,558	1,061,927	2,110,502	230,492	29,868,751	29,164,867
Noncurrent Liabilities:							
Bonds and Notes Payable	151,557,107	41,695,176		4,465,335		197,717,618	
Compensated Absences	748,847		41,968	146,307	100,449	1,037,571	
Landfill Closure and Postclosure Care Costs			11,964,371			11,964,371	
Unfunded Other Post Employment Benefit Liability	5,551,103		480,056	2,712,422	1,775,725	10,519,306	
Unfunded Pension Liability	18,991,464		1,642,369	9,279,754	6,075,119	35,988,706	
Total Noncurrent Liabilities	176,848,521	41,695,176	14,128,764	16,603,818	7,951,293	257,227,572	0
Total Liabilities	\$200,509,793	\$44,499,734	\$15,190,691	\$18,714,320	\$8,181,785	\$287,096,323	\$29,164,867
Deferred Inflows of Resources							
Deferred Other Post Employment Benefit Amounts	\$1,200,482	\$0	\$103,817	\$586,589	\$384,019	\$2,274,907	
Deferred Pension Amounts	1,524,306		131,821	744,818	487,605	2,888,550	
Total Deferred Inflows of Resources	2,724,788	0	235,638	1,331,407	871,624	5,163,457	0
Total Liabilities & Deferred Inflows of Resources	\$203,234,581	\$44,499,734	\$15,426,329	\$20,045,727	\$9,053,409	\$292,259,780	\$29,164,867
NET POSITION							
Net Investment in Capital Assets	\$237,072,351	\$14,601,540	\$12,051,769	\$11,353,895	\$528,100	\$275,607,655	\$0
Restricted for:							
Capital Projects - Park Acquisition		3,914,194				3,914,194	
Debt Service	2,735,764					2,735,764	
Capital Replacement	1,721,860			72,000		1,793,860	
Energy Improvement Projects	745,519					745,519	
Water Quality Incentive Program				5,336,048		5,336,048	
Maintenance and Operations		925,234				925,234	
Unrestricted	16,209,737	229,424	28,903,693	4,196,933	3,832,848	53,372,635	6,513,118
Total Net Position	\$258,485,231	\$19,670,392	\$40,955,462	\$20,958,876	\$4,360,948	344,430,909	\$6,513,118
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,494,920	
Net Position of Business-Type Activities						<u>\$345,925,829</u>	

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-Type Activities					Governmental	Activities
	Enterprise Funds						
	Sanitary Sewer	Public			Other	Total	
	System	Facilities	Landfill	Water Quality	Enterprise		Funds
		Corporation			Funds		
OPERATING REVENUES							
User Charges	\$61,524,855	\$0	\$6,785,576	\$14,597,245	\$0	\$82,907,676	\$42,471,170
Fees	2,119,925	452,726	257,617	2,065	6,797,061	9,629,394	
Exactions	273,763					273,763	
License Fees and Permits					682,221	682,221	
Rental Income	358,303	4,795,609				5,153,912	
Theater Revenues		701,606				701,606	
Other	12,257,683		130,410	189,956	4,556	12,582,605	
Total Operating Revenues	76,534,529	5,949,941	7,173,603	14,789,266	7,483,838	111,931,177	42,471,170
OPERATING EXPENSES							
Treatment Plant	7,745,135					7,745,135	
Collection System	2,467,916					2,467,916	
Property Management		1,523,059				1,523,059	
Theater Management		634,748				634,748	
Landfill			2,920,804			2,920,804	
Right of Way					587,152	587,152	
Extended School Program					1,917,735	1,917,735	
Enhanced 911					4,426,308	4,426,308	
CKY Network					421,115	421,115	
Administration	37,748,088		1,290,598	13,093,742	231,281	52,363,709	3,271,773
Depreciation	12,517,562	3,345,694	587,980	446,450	380,530	17,278,216	
Claims and Benefit Payments							42,089,358
Total Operating Expenses	60,478,701	5,503,501	4,799,382	13,540,192	7,964,121	92,285,897	45,361,131
Operating Income (Expenses)	16,055,828	446,440	2,374,221	1,249,074	(480,283)	19,645,280	(2,889,961)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
NONOPERATING REVENUES (EXPENSES)							
Income on Investments	1,163,863	6,498	432,295	96,755	30,664	1,730,075	
Interest Expense and Fiscal Agent Fees	(2,682,949)	(1,672,928)		(87,850)		(4,443,727)	
Amortization of Bond Costs	55,399	261,141				316,540	
Gain (Loss) on Sale of Capital Assets	19,254					19,254	
Total Nonoperating Revenues (Expenses)	(1,444,433)	(1,405,289)	432,295	8,905	30,664	(2,377,858)	0
Income (Loss) Before Transfers	14,611,395	(958,849)	2,806,516	1,257,979	(449,619)	17,267,422	(2,889,961)
Transfers In	172,823,976	568,257		23,939,819		197,332,052	
Transfers Out	(172,680,119)		12,417	(23,869,662)	(1,359,413)	(197,896,777)	
Change in Net Position	14,755,252	(390,592)	2,818,933	1,328,136	(1,809,032)	16,702,697	(2,889,961)
Net Position, Beginning	274,523,167	20,060,984	38,136,529	19,630,740	6,797,856		9,403,079
Adjustment to Opening Net Position (Note 2.D.)	(30,793,188)				(627,876)		
Net Position, Beginning - Restated	243,729,979	20,060,984	38,136,529	19,630,740	6,169,980		9,403,079
Net Position, Ending	<u>\$258,485,231</u>	<u>\$19,670,392</u>	<u>\$40,955,462</u>	<u>\$20,958,876</u>	<u>\$4,360,948</u>		<u>\$6,513,118</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(577,992)
Change in net position of Business-Type Activities	<u>\$16,124,705</u>

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, 2019

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Cash Flows from Operating Activities:							
Receipts from Customers	\$76,627,504	\$5,981,045	\$7,048,834	\$14,644,601	\$7,514,702	\$111,816,686	\$0
Receipts from Employees and Other Sources							35,632,336
Receipts from Interfund Services Provided							23,115,861
Payments to Suppliers	(28,202,896)	(2,198,709)	(2,580,444)	(5,064,903)	(2,030,391)	(40,077,343)	(2,833,160)
Payments to Employees	(12,068,095)		(1,186,849)	(5,779,516)	(4,687,321)	(23,721,781)	
Payments for Interfund Services Used	(2,108,208)		(161,355)	(769,757)	(243,362)	(3,282,682)	
Payments for Claims							(40,039,853)
Net Cash Provided by (Used in) Operating Activities	34,248,305	3,782,336	3,120,186	3,030,425	553,628	44,734,880	15,875,184
Cash Flows from Noncapital Financing Activities:							
Transfers In	172,823,976	568,257		23,939,819		197,332,052	
Transfers Out	(172,680,119)		12,417	(23,869,662)	(1,359,413)	(197,896,777)	
Net Cash Provided by Noncapital Financing Activities	143,857	568,257	12,417	70,157	(1,359,413)	(564,725)	0
Cash Flows from Capital and Related Financing Activities:							
Purchase of Capital Assets	(57,827,874)		(419,141)	(1,872,892)	(132,725)	(60,252,632)	
Proceeds from Note Payable	23,741,744					23,741,744	
Principal Paid on Bonds	(7,921,901)	(2,165,000)		(253,042)		(10,339,943)	
Interest and Fiscal Agent Fees Paid on Bonds	(2,673,388)	(1,672,928)		(87,850)		(4,434,166)	
Proceeds on Sale of Capital Assets	21,654					21,654	
Net Cash Used in Capital and Related Financing Activities	(44,659,765)	(3,837,928)	(419,141)	(2,213,784)	(132,725)	(51,263,343)	0
Cash Flows from Investing Activities:							
Purchase of Investments	25,811,718	(6,356)	(402,454)	1,042	(30,664)	25,373,286	
Income on Investments	934,957	6,498	432,295	77,835	30,664	1,482,249	
Net Cash Flows Provided by Investing Activities	26,746,675	142	29,841	78,877	0	26,855,535	0
Net Increase (Decrease)	16,479,072	512,807	2,743,303	965,675	(938,510)	19,762,347	15,875,184
Cash at Beginning of Year	(8,659,789)	2,389,098	14,547,636	18,205,674	9,817,237	36,299,856	16,518,032
Cash at End of Year	\$7,819,283	\$2,901,905	\$17,290,939	\$19,171,349	\$8,878,727	\$56,062,203	\$32,393,216

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-Type Activities					Total	Governmental Activities Internal Service Funds
	Enterprise Funds						
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Reconciliation of Operating Income (Expenses) to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Expenses)	\$16,055,828	\$446,440	\$2,374,221	\$1,249,074	(\$480,283)	\$19,645,280	(\$2,889,961)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	12,517,562	3,345,694	587,980	446,450	380,530	17,278,216	
Allowance for Bad Debts	391,298		99,230	112,058		602,586	
(Increase) Decrease in Assets:							
Accounts Receivable	26,845		(122,038)	(183,453)		(278,646)	
Other Receivables	67,032	31,104	(2,734)	(139)	30,864	126,127	7,128
Inventories and Prepaid Expenses	44,046		(7,494)	(1,509)	84,339	119,382	7,140
Due from Other Funds							16,269,899
Developments in Progress	(901)					(901)	
(Increase) Decrease in Deferred Outflows:							
Deferred Other Post Employment Benefit Amounts	66,587		1,087	38,118	9,818	115,610	
Deferred Pension Amounts	2,220,519		177,624	1,102,218	674,904	4,175,265	
Increase (Decrease) in Liabilities:							
Accounts Payable	2,525,650	(13,987)	432,681	59,208	(231,012)	2,772,540	431,473
Accrued Payroll	51,378		2,913	23,728	7,323	85,342	
Claims Payable							2,049,505
Unearned Revenue			3	38,927		38,930	
Other Liabilities		(26,915)	(440,069)	(376)		(467,360)	
Compensated Absences	54,534		(2,930)	34,750	4,234	90,588	
Unfunded Other Post Employment Benefit Liability	(914,608)		(79,094)	(446,903)	(292,571)	(1,733,176)	
Unfunded Pension Liability	482,971		41,767	235,993	154,496	915,227	
Increase (Decrease) in Deferred Inflows:							
Deferred Other Post Employment Benefit Amounts	842,005		72,816	411,427	269,346	1,595,594	
Deferred Pension Amounts	(182,441)		(15,777)	(89,146)	(58,360)	(345,724)	
Total Adjustments	18,192,477	3,335,896	745,965	1,781,351	1,033,911	25,089,600	18,765,145
Net Cash Provided by (Used In) Operating Activities	\$34,248,305	\$3,782,336	\$3,120,186	\$3,030,425	\$553,628	\$44,734,880	\$15,875,184

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	<u>Pension Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Custodial Funds</u>
ASSETS			
Cash and Cash Equivalents	\$1,400,167	\$28,704,846	\$2,692,422
Interest Receivable	3,354,407		51
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	448,434		
Corporate Debt	100,766,316		
Municipal Obligations	3,807,374		
US Agencies	43,439,687		
US Government Obligations	37,055,547		
Repurchase Agreements	34,306,745		
Other Investments:			
Equity Mutual Funds	400,439,689		
Equity Real Estate	71,450,822		
Equity Securities - Domestic	752,742		
Equity Securities - International	134,851,712		
Total Investments	<u>827,319,068</u>	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$832,073,642</u></u>	<u><u>\$28,704,846</u></u>	<u><u>\$2,692,473</u></u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$2,270	\$0	\$248,143
Securities Lending Transactions	34,306,745		
Total Liabilities	<u>\$34,309,015</u>	<u>\$0</u>	<u>\$248,143</u>
NET POSITION			
Net position restricted for pensions	<u>\$797,764,627</u>		
Pool Participants		<u>\$28,704,846</u>	
Individuals, organizations, and Other Governments			<u>\$2,444,330</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2019

	Pension Trust Funds	Investment Trust Funds	Custodial Funds
ADDITIONS			
Contributions:			
Employer	\$30,277,170	\$10,166,059	\$0
Employer - Administration	5,104,101		
Plan Members	10,356,318		3,359,262
Other	112,480		653,205
Total Contributions	45,850,069	10,166,059	4,012,467
Investment Income:			
Net Change in Fair Value of Investments	32,142,283		
Interest	10,706,261	630,076	
Dividends	2,895,869		
Total Investment Income	45,744,413	630,076	0
Less Investment Expense	2,392,803	2,400	
Net Investment Income	43,351,610	627,676	0
Income from Securities Lending Activities:			
Securities Lending Income	115,656		
Securities Lending Expenses:			
Borrower Rebates	(803,866)		
Management Fees	46,254		
Total Securities Lending Expenses (Income)	(757,612)	0	0
Net Income on Securities Lending Activities	873,268	0	0
Total Additions	90,074,947	10,793,735	4,012,467
DEDUCTIONS			
Benefit Payments	67,352,952	11,359,028	848,666
Administrative Expense	324,250		3,090,907
Total Deductions	67,677,202	11,359,028	3,939,573
Net Increase (Decrease)	22,397,745	(565,293)	72,894
Net Position, Beginning	775,366,882		714
Adjustment to Opening Net Position (Note 2.D.)		29,270,139	2,370,722
Net Position, Beginning - Restated	775,366,882	29,270,139	2,371,436
Net Position, Ending	\$797,764,627	\$28,704,846	\$2,444,330

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2019

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$4,742,568	\$5,912,121	\$17,259,780	\$21,268,890	\$49,183,359
Investments		9,285,762		5,031,034	14,316,796
Receivables:					
Accounts Receivable	976,207	2,017,612	70,796	592,346	3,656,961
Other		26,744		126,178	152,922
Due from Primary Government	764,000			1,474,552	2,238,552
Due from Other Governments				4,127,370	4,127,370
Other Current Assets	296,788	456,280			753,068
Inventories and Prepaid Expenses			17,152	946,865	964,017
Restricted Current Assets:					
Cash		16,133,612		1,316,397	17,450,009
Accounts Receivable	2,603,558	647,141			3,250,699
Investments	247,944,223	18,973,220		3,719,812	270,637,255
Grants Receivable		1,787,982			1,787,982
Other		75,678			75,678
Capital Assets:					
Non-depreciable	86,721,364	35,152,234		9,653,192	131,526,790
Depreciable (Net)	36,445,301	135,640,877	2,722,118	55,663,706	230,472,002
Other Assets			2,029,503	8,355,000	10,384,503
Total Assets	380,494,009	226,109,263	22,099,349	112,275,342	740,977,963
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Amount on Bond Refunding	\$0	\$1,352,203	\$0	\$0	\$1,352,203
Deferred Amount on Note Payable				3,372,502	3,372,502
Deferred Pension Amounts			7,472,199	6,828,067	14,300,266
Deferred Other Post Employment Benefit Amounts			1,711,655	1,516,375	3,228,030
Total Deferred Outflows of Resources	0	1,352,203	9,183,854	11,716,944	22,253,001
Total Assets and Deferred Outflows of Resources	\$380,494,009	\$227,461,466	\$31,283,203	\$123,992,286	\$763,230,964
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	\$9,383,465	\$1,677,097	\$962,083	\$2,644,562	\$14,667,207
Interest Payable				138	138
Unearned Revenue and Other		235,912	31,225	1,264	268,401
Liabilities Payable from Restricted Assets:					
Accounts Payable		4,323,917			4,323,917
Interest Payable	3,230,625	1,498,181			4,728,806
Noncurrent Liabilities:					
Due Within One Year					
Compensated Absences				247,469	247,469
Bonds and Notes Payable	2,810,000	3,990,000		2,034,604	8,834,604
Due in More Than One Year					
Compensated Absences			504,243	335,596	839,839
Bonds and Notes Payable	217,555,145	80,414,503		28,503,568	326,473,216
Other		344,327			344,327
Unfunded Other Post Retirement Benefit Liability			10,090,980	4,954,797	15,045,777
Unfunded Pension Liability			57,949,277	18,099,473	76,048,750
Total Liabilities	\$232,979,235	\$92,483,937	\$69,537,808	\$56,821,471	\$451,822,451
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Amounts	\$0	\$0	\$2,476,641	\$3,265,378	\$5,742,019
Deferred Other Post Employment Benefit Amounts			903,263	967,072	1,870,335
Total Deferred Inflows of Resources	0	0	3,379,904	4,232,450	7,612,354
Total Liabilities and Deferred Inflows of Resources	\$232,979,235	\$92,483,937	\$72,917,712	\$61,053,921	\$459,434,805
NET POSITION					
Net Investment in Capital Assets	\$123,166,665	\$92,860,379	\$2,722,118	\$39,305,391	\$258,054,553
Restricted for:					
Governmental and Program Funds			146,380	497,037	643,417
Capital Projects	8,004,633	1,787,982			9,792,615
Debt Service	19,574,445	24,887,985	241,032		44,703,462
Unrestricted	(3,230,969)	15,441,183	(44,744,039)	23,135,937	(9,397,888)
Total Net Position	\$147,514,774	\$134,977,529	(\$41,634,509)	\$62,938,365	\$303,796,159

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, 2019

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
Lexington Center Corporation									
Lexington Center Operations	\$17,933,628	\$20,842,190	\$501,500	\$80,275,500	\$83,685,562				\$83,685,562
Depreciation	4,583,653				(4,583,653)				(4,583,653)
Interest on Long-Term Debt	6,494,826				(6,494,826)				(6,494,826)
Total Lexington Center Corporation	29,012,107	20,842,190	501,500	80,275,500					72,607,083
Lexington Airport Board									
Airport Operations	13,995,981	24,688,597		7,618,089		\$18,310,705			18,310,705
Depreciation	10,785,675					(10,785,675)			(10,785,675)
Interest on Long-Term Debt	2,928,168					(2,928,168)			(2,928,168)
Total Lexington Airport Board	27,709,824	24,688,597	0	7,618,089					4,596,862
Fayette County Department of Health									
Department of Health Operations	16,459,020	4,275,390	5,788,770				(\$6,394,860)		(6,394,860)
Depreciation	434,917						(434,917)		(434,917)
Total Fayette County Department of Health	16,893,937	4,275,390	5,788,770						(6,829,777)
Nonmajor Component Units	55,816,792	4,677,931	5,738,430	284,730				(\$45,115,701)	(45,115,701)
Total Component Units	\$129,432,660	\$54,484,108	\$12,028,700	\$88,178,319	\$72,607,083	\$4,596,862	(\$6,829,777)	(\$45,115,701)	\$25,258,467
General Revenues:									
Taxes					\$8,030,022		\$8,827,419	\$43,196,902	\$60,054,343
Income on Investments					5,974,759	1,022,937	231,482	200,131	7,429,309
Net Change in Fair Value of Investments						646,174			646,174
Gain on Sale of Capital Assets						16,704			16,704
Miscellaneous					(1,786,029)			(676,290)	(2,462,319)
Total General Revenues					12,218,752	1,685,815	9,058,901	42,720,743	65,684,211
Change in Net Position					84,825,835	6,282,677	2,229,124	(2,394,958)	90,942,678
Net Position, Beginning					62,688,939	128,694,852	(43,791,574)	65,333,323	212,925,540
Adjustment to Opening Net Position (Note 2.D.)							(72,059)		(72,059)
Net Position, Beginning-Restated					62,688,939	128,694,852	(43,863,633)	65,333,323	212,853,481
Net Position, Ending					\$147,514,774	\$134,977,529	(\$41,634,509)	\$62,938,365	\$303,796,159

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 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 (4.50%) 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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 \$14,000 to support the Ferry's operations in fiscal year 2019.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 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.

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, investment, and custodial). Since these assets are being held for the benefit of a third party (private parties, investors, 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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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.

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. Custodial 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.

Custodial 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Investment Trust Fund to account for all of the outstanding debt for the Sanitary Sewer System. In fiscal year 2014 the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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 deposited into the Bond Account, which is held by a Trustee.

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.

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-

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 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2019. The net effect of these supplemental appropriations was an increase of \$2,594,578 in the General Fund and a decrease of \$2,130,911 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 2020, 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 2019 were levied on August 30, 2018 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 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, 2019, 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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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, 2019 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. The balances of the restricted asset’s accounts in the governmental funds are as follows:

Various purpose general obligation notes account	\$41,002,425
Federal Grants and Contracts	29,087
Debt Service on QECB Bond	<u>1,026,212</u>
Total restricted assets	<u>\$42,057,724</u>

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

Sanitary sewer and stormwater capital replacement account	<u>\$1,793,860</u>
Total restricted assets	<u>\$1,793,860</u>

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

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 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 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, differences between projected and actual earnings, 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, 2018.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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, 2019.

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, 2019.

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. Committed fund balance for the General Fund is further classified as follows:

Affordable Housing & Homelessness Intervention	\$2,389,219
Economic Stabilization	35,345,181
Chief Development Officer	1,037,431
Social Services	716,425
Special Programs	85,709
Committed Fund Balance	<u>\$39,573,965</u>

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

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, 2019 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Fire & Emergency Services	\$197,829	\$0
General Government	18,242,724	244,977
Police	22,808	
Assigned Fund Balance	\$18,463,361	\$244,977

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

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, 2018.

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, 2018.

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, 2019:

	<u>Excess Expenditures</u>
General Fund:	
Circuit Judges	\$10,558
Division of Water & Air Quality	13
Enterprise Solutions	73,054
Fire & Emergency Services	133,365
Grants & Special Projects Agencies	72,007
Indirect Cost Allocation	296,811
Office of the Chief Administrative Officer	63,632
Office of the CIO	23,318
Office of the Mayor	13,240
Purchase of Development Rights	891
Urban Services Fund:	
Central Purchasing	\$239
Environmental Services	6,679
Streets & Roads	75,093

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

C. Fund Deficits

Proprietary funds – the Extended School Program had a fund deficit of (\$626,466) as a result of the unfunded pension liability.

D. Prior Period Adjustments

Primary Government

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

General Funds: Prior period adjustments totaling \$30,401 between General Governmental Funds and Other Governmental Funds due to asset adjustments related to Exactions Area Master Plan (EAMP). There is no effect on the Governmental fund financial statements as a whole.

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

The Governmental Funds: Net position was reduced \$4,291,473, and included recognizing capital expenditures of \$4,302,285 from prior years due to the close out of various Exactions Area Master Plan (EAMP) developer agreements, and recognizing prior year capital funding of \$10,812 for seized and forfeited vehicles.

The Business-Type Activities Funds: Net position was reduced \$1,523,049 to recognize capital expenditures from prior years due to the close out of various developer agreements for Sanitary Sewer System infrastructure in the Exactions Area Master Plan (EAMP).

The Government early implemented GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities of all state and local governments. As a result, the Prisoner’s Account net position was reduced by \$627,876 and a new fiduciary custodial fund was established. In addition, the Sanitary Sewer System net position was reduced by \$29,270,139 and a new fiduciary investment trust was established.

Component Units

The Fayette County Department of Health reduced net position by \$72,059 to recognize grant expenditures from the prior fiscal year.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

Primary Government

The Government’s bank balances at June 30, 2019 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 as amended March 18, 2019, 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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, 2019 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	\$42,801,410	\$42,801,410	\$0	\$0
Money Market Mutual Funds	68,238,825		68,238,825	
Certificates of Deposit	9,905,316		9,905,316	
U.S. Government Agency Obligations	58,247,270		58,247,270	
Total Investments	<u>\$179,192,822</u>	<u>\$42,801,410</u>	<u>\$136,391,411</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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

		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	\$42,801,410	\$42,801,410	\$0	\$0	\$0	AA+	\$46,183,540	
Money Market Mutual Funds	68,238,825	68,238,825						
Certificates of Deposit	9,905,316	2,992,756	6,002,585		909,975	NR	133,009,282	
U.S. Government Agency Obligations	58,247,270	30,949,213	26,798,112	499,945				
Total Investments	\$179,192,822	\$144,982,205	\$32,800,697	\$499,945	\$909,975		\$179,192,822	

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.

Investment Trust Fund

The Government’s investment trust fund operates under the Sewer indenture established to provide that the net revenues from the sewer system operations are deposited into a Bond Account held by a Trustee. The account must provide coverage of 120% of the maximum annual debt service. The fund follows the Government’s policy in accordance with Kentucky Revised Statute (KRS) 66.480 and the Government’s investment policy.

Sewer Investment Trust Fund				
Investment Type	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for	Observable	Unobservable
		Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Money Market Mutual Funds	\$28,704,846		\$28,704,846	

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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Sewer Investment Trust Fund							
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
Money Market Mutual Funds	\$28,704,846	\$28,704,846	\$0	\$0	\$0	NA	\$28,704,846

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, 2019 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
Debt Securities				
Bank Loans	\$448,434	\$0	\$448,434	\$0
Corporate Debt	93,508,479		92,280,906	1,227,573
International Bonds				
Municipal Obligations	3,807,374		3,807,374	
SL Comingle Fund	34,306,745		34,306,745	
US Agencies	35,527,011		35,527,011	
US Government Obligations	34,027,108		34,027,108	
	<u>\$201,625,151</u>	<u>\$0</u>	<u>\$200,397,578</u>	<u>\$1,227,573</u>
Other Investments				
Equity Mutual Funds	\$388,205,114	\$174,727,250	\$213,477,864	\$0
Equity Real Estate	71,450,822		71,450,822	
Equity Securities - Domestic	752,742	270,985	113,011	368,746
Equity Securities - International	134,851,712	69,607,472	65,244,240	
	<u>\$796,885,541</u>	<u>\$244,605,707</u>	<u>\$550,683,515</u>	<u>\$1,596,319</u>

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 fair valued by a third party advisor based on quarterly financials. Level 3 inputs from domestic Equity Securities are fair valued by broker quotes daily.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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The PFRF has contracted with external investment managers to manage all of the funds. The Board has adopted an investment policy that recommends the following target allocations based on asset class:

Asset Class	Target Allocation
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	4.50%
Total Equities	63.00%
US Core Fixed Income	15.50%
US High Yield Fixed Income	7.50%
Total Fixed Income	23.00%
Real Estate	9.00%
Real Return	5.00%
Total Plan	100.00%

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)
June 30, 2019

Policemen's and Firefighters' Retirement Fund							
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
Debt Securities						A	\$32,782,854
Bank Loans	\$448,434	\$0	\$448,434	\$0	\$0	AA	74,457,602
Corporate Debt	93,508,479	3,075,333	50,583,752	30,283,179	9,566,215	AAA	3,656,051
International Bonds						B	16,830,044
Municipal Obligations	3,807,374		2,376,865	369,313	1,061,196	BB	29,949,225
SL Comingle Fund	34,306,745	23,075,023	11,000,188		231,534	BBB	18,570,967
US Agencies	35,527,011		1,620,938	4,743,454	29,162,619	CC	2,370,901
US Government Obligations	34,027,108	2,442,265	13,070,273	10,123,818	8,390,752	CCC	25,200
	<u>\$201,625,151</u>	<u>\$28,592,620</u>	<u>\$79,100,451</u>	<u>\$45,519,764</u>	<u>\$48,412,318</u>	NR	<u>618,242,697</u>
Other Investments							
Equity Mutual Funds	\$388,205,114						
Equity Real Estate	71,450,822						
Equity Securities - Domestic	752,742						
Equity Securities - International	<u>134,851,712</u>						
	<u>\$796,885,541</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.

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

As of June 30, 2019, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$34,306,745. Investments of the CEPF as of June 30, 2019 are summarized and categorized in the following table:

City Employees Pension Fund

Investment Type	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Debt Securities:				
Corporate Debt	\$7,257,837	\$0	\$7,257,837	\$0
US Agencies	7,912,676		7,912,676	
US Government Obligations	3,028,439	3,028,439		
Other Investments:				
Equity Mutual Funds	12,234,575		12,234,575	
	<u>\$30,433,527</u>	<u>\$3,028,439</u>	<u>\$27,405,088</u>	<u>\$0</u>

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:

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

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

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

City Employees Pension Fund

Investment Type	Fair Value	Investment Maturities (in years)				S&P Rating	Fair Value
		Less Than 1	1 to 5	6 to 10	More than 10		
Debt Securities:							
Corporate Debt	\$7,257,837	\$1,248,535	\$5,151,205	\$858,096	\$0	AAA	\$277,625
US Agencies	7,912,676	7,912,676				AA	5,167,536
US Government Obligations	3,028,439			983,504	2,044,935	A	4,239,332
	<u>18,198,952</u>	<u>9,161,211</u>	<u>5,151,205</u>	<u>1,841,601</u>	<u>2,044,935</u>	BBB	<u>601,783</u>
Other Investments:							
Equity Mutual Funds	12,234,575					NR	20,147,251
	<u>\$30,433,527</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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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:

	Reported Amount/ Fair Value
U.S. Government and Government Agency Obligations	\$191,841,453
Investments not subject to categorization:	
Certificates of Deposit	20,251,230
Money Market Funds	72,861,368
Total Investments	\$284,954,051

As of June 30, 2019, LCC had \$3,348,169 and \$796,143 in deposits and investments, respectively, which were uninsured and uncollateralized.

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental Activities:				
Nondepreciable Assets:				
Land *	\$61,458,243	\$1,407,539	\$0	\$62,865,782
Purchase of Development Rights	80,219,938	383,526		80,603,464
Intangibles	3,221,012	6,577,132		9,798,144
Construction in Progress	17,689,270	13,360,181	(967,095)	30,082,356
Developments in Progress *	21,033,377	89,352	(20,826,594)	296,135
Depreciable Assets:				
Buildings	186,100,240	1,810,214		187,910,454
Intangibles	17,585,251	196,000		17,781,251
Vehicles, Equipment & Furniture *	141,316,475	10,770,827	(5,720,529)	146,366,773
Land & Leasehold Improvements	46,563,690	343,327	(57,578)	46,849,439
Infrastructure	1,033,566,088	22,317,179		1,055,883,267
Sewer Lines	11,749,467			11,749,467
Sewer Plants	216,797			216,797
Totals at Historical Cost	1,620,719,848	57,255,277	(27,571,796)	1,650,403,329
Less Accumulated Depreciation For:				
Buildings	(73,405,797)	(5,887,754)		(79,293,551)
Intangibles	(12,904,659)	(1,784,083)		(14,688,742)
Vehicles, Equipment & Furniture	(96,982,469)	(10,533,274)	5,492,528	(102,023,215)
Land & Leasehold Improvements	(27,874,373)	(3,212,688)		(31,087,061)
Infrastructure	(449,663,446)	(34,333,378)		(483,996,824)
Sewer Lines	(1,496,638)	(234,140)		(1,730,778)
Sewer Plants	(15,498)	(4,336)		(19,834)
Total Accumulated Depreciation	(662,342,880)	(55,989,653)	5,492,528	(712,840,005)
Governmental Activities Capital Assets, Net	\$958,376,968	\$1,265,624	(\$22,079,268)	\$937,563,324

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Nondepreciable Assets:				
Land	\$46,342,136	\$79,561	\$0	\$46,421,697
Construction in Progress	68,869,365	57,599,155	(3,389,367)	123,079,153
Developments in Progress *	7,942,369	3,549	(7,829,493)	116,425
Intangibles	497,826	83,200		581,026
Depreciable Assets:				
Buildings	120,455,322	273,337		120,728,659
Intangibles	8,966,739	132,724		9,099,463
Vehicles, Equipment & Furniture	37,771,831	3,375,223	(664,738)	40,482,316
Land & Leasehold Improvements	42,950,767			42,950,767
Infrastructure	16,026,305	1,860,250		17,886,555
Sewer Lines	219,264,747	8,062,991		227,327,738
Sewer Plants	209,491,154			209,491,154
Totals at Historical Cost	<u>778,578,561</u>	<u>71,469,990</u>	<u>(11,883,598)</u>	<u>838,164,953</u>
Less Accumulated Depreciation For:				
Buildings	(88,938,863)	(3,586,378)		(92,525,241)
Intangibles	(4,738,924)	(1,198,994)		(5,937,918)
Vehicles, Equipment & Furniture	(18,597,850)	(3,072,835)	664,737	(21,005,948)
Land & Leasehold Improvements	(36,069,732)	(448,559)		(36,518,291)
Infrastructure	(1,706,677)	(375,991)		(2,082,668)
Sewer Lines	(78,318,131)	(4,226,673)		(82,544,804)
Sewer Plants	(104,560,786)	(4,368,786)		(108,929,572)
Total Accumulated Depreciation	<u>(332,930,963)</u>	<u>(17,278,216)</u>	<u>664,737</u>	<u>(349,544,442)</u>
Business-Type Activities Capital Assets, Net	<u>\$445,647,598</u>	<u>\$54,191,774</u>	<u>(\$11,218,861)</u>	<u>\$488,620,511</u>

* Restated beginning balance due to prior period adjustment

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

Governmental Activities:

General Government	\$951,454
Computer Information Technology	475,946
Administrative Services	535,097
Finance	708,903
Public Safety	1,496,931
Environmental Quality & Public Works	4,694,433
Police	1,563,116
Fire and Emergency Services	1,945,322
Law	5,574
Community Corrections	2,707,973
Social Services	615,862
General Services	5,065,436
Parks and Recreation	1,864,821
Planning, Preservation, & Development	33,358,785
Total depreciation expense - Governmental Activities	<u>\$55,989,653</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Business-Type Activities:

Sanitary Sewer System	\$12,517,562
Public Facilities Corporation	3,345,694
Landfill	587,980
Right of Way	6,324
Extended School Program	3,111
Enhanced 911	371,095
Water Quality	446,450
Total depreciation expense - Business-Type Activities	<u><u>\$17,278,216</u></u>

Discretely Presented Component Units

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Assets:				
Land	\$32,624,350	\$3,825,895	\$0	\$36,450,245
Construction in Progress	19,721,518	20,657,329	(20,603,902)	19,774,945
Other	16,995,094	58,306,507		75,301,601
Depreciable Assets:				
Buildings & Improvements	363,402,416	12,616,517	(12,589,472)	363,429,461
Vehicles, Equipment, & Furniture	84,254,101	4,599,021	(2,445,850)	86,407,272
Land & Leasehold Improvements	76,847,433	3,707,715	(20,856)	80,534,292
Intangibles	49,605	20,040		69,645
Totals at Historical Cost	<u>593,894,517</u>	<u>103,733,024</u>	<u>(35,660,080)</u>	<u>661,967,461</u>
Less Accumulated Depreciation	<u>(292,900,270)</u>	<u>(21,161,672)</u>	<u>14,093,273</u>	<u>(299,968,669)</u>
Component Unit Activities				
Capital Assets, Net	<u><u>\$300,994,247</u></u>	<u><u>\$82,571,352</u></u>	<u><u>(\$21,566,807)</u></u>	<u><u>\$361,998,792</u></u>

Construction Commitments

The Government has active construction projects as of June 30, 2019. The projects include improvements to buildings, sanitary sewer storm water systems and major roadways. At June 30, 2019, the Government had the following commitments on construction contracts:

<u>Project</u>	<u>Commitment</u>
Buildings	\$3,285,451
Capital Repairs & Maintenance	1,496,069
Land Improvements	1,746,274
Sanitary Sewer Collection System	24,658,061
Sanitary Sewer Treatment System	13,848,712
Storm Drainage	1,433,589
Street Resurfacing Maintenance	5,927,593
Streets & Roadways	5,096,672
Street Lighting	78,696
Traffic Control & Markings	1,229,959
	<u><u>\$58,801,076</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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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, 2019. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2019, is as follows:

Fund Description	Due from (to) General Fund
Federal & State Grants	(\$437,805)
Other Governmental Funds	(433,815)
Internal Service Funds	<u>2,925,415</u>
Total due from General Fund	<u>\$2,053,795</u>

Receivable Entity	Payable Entity	Amount
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	\$1,474,552
Component unit - Lexington Center Corporation	Primary government - General fund	<u>764,000</u>
Total		<u>\$2,238,552</u>

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	\$148,020	\$1,339,855	(\$3,435,710)	(\$1,947,835)	\$143,857	\$568,257	\$0	\$70,157	(\$1,352,071)	(\$569,799)
Urban Services	(148,020)		142,189		(5,831)						
Fed St Grants	(1,339,855)	(142,189)		(825,748)	(2,307,792)					(7,342)	(7,342)
Nonmajor Governmental	3,435,710		825,748		4,261,458	12,417					12,417
Public Facilities Corp	(568,257)				(568,257)						
Nonmajor Proprietary	1,398,001		7,342		1,405,343						
Grand Total	\$2,777,579	\$5,831	\$2,315,134	(\$4,261,458)	\$837,086	\$156,274	\$568,257	\$0	\$70,157	(\$1,359,413)	(\$564,725)

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, 2019

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2019 are as follows:

Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year	
Governmental Activities						
Bonds, Notes, Loans, and Leases:						
Pension Obligation, Series 2009B	Police/Fire Pension Fund	\$70,610,000	3.50% - 6.00%	1-Apr-2029	\$43,340,000	\$3,370,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	\$7,735,000	1.00% - 3.00%	1-Sep-2019	850,000	850,000
General Obligation, Series 2010C	Refunding of 2000E	\$6,635,000	1.00% - 3.00%	1-Dec-2020	1,325,000	650,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	\$35,825,000	.95%-5.45%	1-Jun-2030	3,380,000	1,650,000
General Obligation, Series 2010H	Refunding of 2001B	\$4,465,000	1.00%-3.80%	1-Dec-2021	1,565,000	505,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	\$31,000,000	2.50% - 4.00%	1-Oct-2032	23,530,000	1,355,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	\$6,275,000	2.00% - 4.00%	1-Jul-2024	4,545,000	720,000
General Obligation, Series 2013A	Road Resurfacing	\$11,275,000	2.00% - 5.00%	1-Oct-2023	5,735,000	1,035,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	3,400,000	465,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2037	13,860,000	695,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	41,520,000	2,685,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	21,120,000	895,000
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	15,620,000	2,060,000
General Obligation, Series 2015B	CIP projects	\$24,860,000	2.00% - 5.00%	1-Oct-2035	19,650,000	1,920,000
General Obligation, Series 2016A	Historic Courthouse Renovation	\$22,450,000	.80%-3.00%	1-Aug-2036	20,620,000	930,000
General Obligation, Series 2016B	CIP projects	\$8,870,000	2.00% - 5.00%	1-Aug-2036	7,750,000	595,000
General Obligation, Series 2016C	CIP projects	\$37,555,000	2.00% - 5.00%	1-Oct-2036	32,355,000	2,805,000
General Obligation, Series 2016D	Refunding of 2006D Detention Center	\$28,495,000	4.00% - 5.00%	1-Nov-2024	19,125,000	3,465,000
General Obligation, Series 2017A	CIP projects	\$32,435,000	3.00% - 5.00%	1-Sep-2037	30,040,000	2,515,000
General Obligation, Series 2017B	Refunding of 2010D Police/Fire Pension	\$22,445,000	2.00% - 2.85%	1-Jun-2030	21,680,000	300,000
General Obligation, Series 2018A	CIP projects	\$42,055,000	3.00% - 5.00%	1-Oct-2038	42,055,000	2,375,000
Premiums and Discounts					26,560,856	
Total Bonds, Notes, and Loans Payable					402,420,856	31,840,000
Other Liabilities:						
Compensated Absences					26,412,334	3,697,727
Unfunded Other Post Employment Benefit Liability					307,936,013	
Unfunded Pension Liability					443,649,826	
Total Other Liabilities					777,998,173	3,697,727
Total Governmental Activities					\$1,180,419,029	\$35,537,727
Business-Type Activities						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	\$24,190,000	3.00% - 5.00%	1-Sep-2030	\$23,690,000	\$1,800,000
Sanitary Sewer, Series 2014B Refunding	Refunding	\$10,410,000	5.00%	1-Sep-2019	1,005,000	1,005,000
Public Facilities, Series 2016D Refunding	Refunding	\$42,590,000	2.65% - 5.00%	1-Oct-2031	38,370,000	2,270,000
Radcliffe road A209-09	SRF Loan	\$113,523	2.00%	1-Jun-2030	68,270	5,607
KIA Streetscape A209-8	SRF Loan	\$1,254,980	2.00%	1-Dec-2030	781,845	61,109
So. Elkhorn A09-01	SRF Loan	\$14,045,119	2.00%	1-Dec-2031	9,424,364	670,709
Wolf Run A10-08	SRF Loan	\$8,373,431	2.00%	1-Dec-2035	7,698,396	398,101
A13-002 Bob-O-Link	SRF Loan	\$2,711,427	1.75%	1-Dec-2038	2,540,066	117,378
A13-003 East Lake	SRF Loan	\$743,414	1.75%	1-Dec-2037	664,334	32,753
A13-003 Century Hills	SRF Loan	\$1,327,844	1.75%	1-Dec-2037	1,186,597	58,501
A13-003 West Hickman Trk A	SRF Loan	\$4,338,726	1.75%	1-Dec-2037	3,877,202	191,151
A13-003 Woodhill Trk	SRF Loan	\$3,588,635	1.75%	1-Dec-2037	3,206,901	158,104
A13-018 E2A	SRF Loan	\$5,264,306	1.75%	1-Dec-2037	4,816,527	229,810
A13-007 AW PH3	SRF Loan	\$1,154,472	1.75%	1-Dec-2037	883,681	43,572
A13-007 IDLHR N	SRF Loan	\$620,324	1.75%	1-Dec-2037	554,109	27,304
A13-002 Wolf Run Trk	SRF Loan	\$452,195	1.75%	1-Dec-2038	423,617	19,576
A13-002 Wolf Run WWS	SRF Loan	\$5,725,025	1.75%	1-Dec-2038	5,363,207	247,837
A12-016 Blue Sky	SRF Loan	\$1,594,026	2.00%	1-Dec-2036	1,393,429	69,572
A13-007 Walhampton Rogers	SRF Loan	\$719,816	1.75%	1-Dec-2037	642,952	31,696
A13-007 Cardinal-Laramie PH1-3	SRF Loan	\$226,247	1.75%	1-Dec-2037	202,077	9,967
A13-015 Town Branch*	SRF Loan	\$20,309,618	1.75%	1-Dec-2038	19,019,820	878,920
A14-001 Lower Cane Run WWS*	SRF Loan	\$12,168,449	1.75%	1-Dec-2038	11,392,137	526,439
A13-015 Marquis Ave*	SRF Loan	\$583,329	1.75%	1-Dec-2038	546,284	25,244
A13-015 UK Trunk*	SRF Loan	\$3,009,695	1.75%	1-Dec-2038	2,818,559	130,248
A15-026 West Hickman WWS*	SRF Loan	\$55,153,076	1.75%	1-Dec-2038	53,635,342	2,402,246
A13-007 Rodgers Rd	SRF Loan	\$1,780,179	1.75%	1-Dec-2037	1,590,056	78,399
A17-003 Lower Griffin Gate Trunk	SRF Loan	\$1,286,628	1.75%	1-Dec-2037	1,232,385	55,197
A17-005 Town Branch PH 1*	SRF Loan	\$9,969,585	1.75%	1-Dec-2040	4,367,248	
Premiums and Discounts					7,867,653	
Total Bonds, Notes, and Loans Payable					209,262,058	11,544,440
Other Liabilities:						
Compensated Absences					1,560,046	522,475
Landfill Closure & Postclosure Care Costs					12,405,492	441,121
Unfunded Other Post Employment Benefit Liability					10,519,306	
Unfunded Pension Liability					35,988,706	
Total Other Liabilities					60,473,550	963,596
Total Business-Type Activities					\$269,735,608	\$12,508,036

*Amounts represent draws as of 6/30/2019

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	\$363,050,000	\$42,055,000	(\$29,245,000)	\$375,860,000	\$31,840,000
Net of Bond Premiums and Discounts	25,996,016	2,804,065	(2,239,225)	26,560,856	
Total Bonds, Notes, and Loans Payable	389,046,016	44,859,065	(31,484,225)	402,420,856	31,840,000
Other Liabilities:					
Compensated Absences	26,123,842	1,571,920	(1,283,428)	26,412,334	3,697,727
Unfunded Other Post Employment Benefit Liability	413,934,415	36,844,090	(142,842,491)	307,936,013	
Unfunded Pension Liability	414,684,282	150,311,639	(121,346,096)	443,649,826	
Total Governmental Activities Long-Term Liabilities	\$1,243,788,555	\$233,586,714	(\$296,956,240)	\$1,180,419,029	\$35,537,727
Business-Type Activities					
Bonds, Notes, and Loans:					
Revenue Bonds	\$27,360,000	\$0	(\$2,665,000)	\$24,695,000	\$2,805,000
Mortgage Revenue Bonds	40,535,000		(2,165,000)	38,370,000	2,270,000
Notes and Loans	120,097,608	23,741,744	(5,509,946)	138,329,406	6,469,440
Bonds, Notes, and Loans Payable	187,992,608	23,741,744	(10,339,946)	201,394,406	11,544,440
Net of Bond Premiums and Discounts	8,737,880		(870,227)	7,867,653	
Total Bonds, Notes, and Loans Payable	196,730,488	23,741,744	(11,210,173)	209,262,058	11,544,440
Other Liabilities:					
Compensated Absences	1,469,458	190,503	(99,913)	1,560,046	522,475
Landfill Closure and Postclosure Care Costs	13,722,665		(1,317,173)	12,405,492	441,121
Unfunded Other Post Employment Benefit Liability	12,252,482	1,392,372	(3,125,548)	10,519,306	
Unfunded Pension Liability	35,073,479	2,624,291	(1,709,064)	35,988,706	
Total Business-Type Activities Long-Term Liabilities	\$259,248,572	\$27,948,910	(\$17,461,870)	\$269,735,608	\$12,508,036

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		
2020	\$15,416,726	\$31,840,000	\$3,608,028	\$9,274,441	\$1,684,181	\$2,270,000	\$20,708,935	\$43,384,441
2021	13,958,496	32,470,000	3,180,966	9,715,452	1,567,681	2,390,000	18,707,143	44,575,452
2022	12,492,589	31,760,000	2,908,088	9,987,541	1,445,181	2,510,000	16,845,858	44,257,541
2023	11,079,904	31,805,000	2,669,742	8,506,838	1,316,431	2,640,000	15,066,077	42,951,838
2024	9,656,879	32,515,000	2,474,170	8,703,384	1,181,056	2,775,000	13,312,105	43,993,384
2025-2029	28,682,083	137,650,000	9,375,921	46,496,679	3,637,506	16,145,000	41,695,510	200,291,679
2030-2034	8,067,829	56,590,000	4,461,874	42,734,519	473,304	9,640,000	13,003,007	108,964,519
2035-2040	1,285,556	21,230,000	1,035,902	27,605,552			2,321,458	48,835,552
Total	\$100,640,062	375,860,000	\$29,714,691	163,024,406	\$11,305,340	38,370,000	\$141,660,094	577,254,406
Less principal payable within one year		31,840,000		9,274,441		2,270,000		43,384,441
Long term principal due after one year		<u>\$344,020,000</u>		<u>\$153,749,965</u>		<u>\$36,100,000</u>		<u>\$533,869,965</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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	
2020	\$2,810,000	\$3,990,000	\$2,310,509	\$9,110,509
2021	3,625,000	4,100,000	2,364,999	10,089,999
2022	3,835,000	4,130,000	2,422,656	10,387,656
2023	4,085,000	4,210,000	2,477,613	10,772,613
2024	4,350,000	4,260,000	2,164,163	10,774,163
2025-2029	26,180,000	22,000,000	5,211,254	53,391,254
2030-2034	25,255,000	26,285,000	913,579	52,453,579
2035-2039	34,070,000	11,795,000		45,865,000
2040-2044	45,135,000		12,673,400	57,808,400
2045-2049	58,575,000			58,575,000
Total	207,920,000	80,770,000	30,538,173	319,228,173
Less payable within one year	(2,810,000)	(3,990,000)	(2,310,509)	(9,110,509)
Refinancing loss/premium-discount	12,445,145	3,634,503		16,079,648
Long term principal due after one year	<u>\$217,555,145</u>	<u>\$80,414,503</u>	<u>\$28,227,664</u>	<u>\$326,197,312</u>

Fiscal Year	Interest			Total
	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	
2020	\$9,621,625	\$2,919,652	\$0	\$12,541,277
2021	9,460,750	2,798,157	640,505	12,899,412
2022	9,274,250	2,703,097	589,152	12,566,499
2023	9,076,250	2,592,141	537,252	12,205,643
2024	8,865,375	2,469,560	486,883	11,821,818
2025-2029	40,669,125	10,215,675	430,393	51,315,193
2030-2034	34,503,538	5,340,431	1,380,218	41,224,187
2035-2039	27,323,250	909,345	1,022,558	29,255,153
2040-2044	18,091,775		925,629	19,017,404
2045-2049	6,718,125		1,110,755	7,828,880
Total	<u>\$173,604,063</u>	<u>\$29,948,058</u>	<u>\$7,123,345</u>	<u>\$210,675,466</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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:

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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 \$8,888,648, 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.
8. KIA Loan A13-18 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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9. KIA Loan A12-16 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 A13-15 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, 2019 the Government has received only a partial draw of \$55,153,076 with the remaining balance of \$12,791,112 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 principal 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.
14. KIA Loan A17-005 issued in the amount of \$9,969,585 for the replacement of 5,600 linear feet of 12 inch sewer pipes with 21 inch sewer pipes. Additionally a source water pump and a Bio-swale for surface water treatment from paved areas will be installed. As of June 30, 2019 the Government has received only a partial draw of \$4,367,248 with the remaining balance of \$5,602,337 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 principal 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 \$25,000 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. \$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.
2. \$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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3. \$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.
4. \$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.
5. \$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.
6. \$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.
7. \$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.
8. \$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.
9. \$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.
10. \$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 principal installments ranging from \$595,000 to \$1,195,000 plus interest over 20 years.
11. \$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.

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12. \$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, 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.
13. \$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.
14. \$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.
15. \$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.
16. \$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.
17. \$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

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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 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.

18. \$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.
19. \$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.
20. \$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.
21. \$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.
22. \$42,055,000 Series 2018A 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 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. Issued at a premium and payable in annual principal payments ranging from \$1,060,000 to \$3,595,000 plus interest over 20 years.

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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, 2019 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.

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, 2017	\$0
Claims and changes in estimates	34,704,123
Claims paid	(34,704,123)
Surplus at June 30, 2018	0
Claims and changes in estimates	35,632,336
Claims paid	(35,632,336)
Surplus at June 30, 2019	<u>\$0</u>

B. Insurance and Risk Management – The Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through the 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, 2019 the undiscounted estimated liability was \$32,676,912. The discounted estimated liability as of June 30, 2019 was \$26,749,031. Changes in the balances of

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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, 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
Claims and changes in estimates FY19	(1,578,434)	(611,908)	(602,624)	(4,758,053)	(7,551,019)
Claims Incurred FY 2019	1,627,493	(322,117)	648,157	7,452,777	9,406,310
Liability at June 30, 2019	\$1,759,830	\$3,695,230	\$207,831	\$21,086,140	\$26,749,031

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
Aviation Liability	1% of Value - In Motion	\$20,000,000 Per Occurrence

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, 2019 the Government has accrued approximately \$13,100,000 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

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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 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. Under the terms of a Lease Agreement dated June 15, 1993 and Supplemental Lease Agreement (Agreement) dated September 18, 2008, LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2008A 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 operational revenue. The Agreement grants LFUCG an exclusive option to renew the lease for additional 1-year periods through June 30, 2022, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. This Agreement was terminated and replaced on October 1, 2018.

New Lease Agreement dated October 1, 2018 (New Agreement), LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2018 Bonds. The New Agreement grants LFUCG an option to renew the lease for additional 1-year periods through June 30, 2049, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. LCC and LFUCG entered into a Management Contract dated June 15, 1993. Under this contract, LCC has full possession and control of the Project on behalf of LFUCG. The contract also provides that, in the event operating revenues exceed operating expenses in a given year, this excess may be used to establish reasonable reserves for efficient operation, depreciation, replacement of equipment, and repairs. Any remaining surplus shall be seasonably remitted to LFUCG. Accordingly, LCC has established a Capital Replacements Reserve Account to be used to fund expected replacements and major repairs of fixed assets. And a Current Operating Reserve Account to be used to provide a reasonable reserve for the operations of LCC. The Management Contract between LCC and LFUCG is coterminous with the term of the New Agreement and is automatically renewed from year to year with the New Agreement.

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 terminated 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

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in the amount of \$100,000 each successive fiscal year beginning in 2013, with a final contribution of \$48,000 in 2021. In an agreement signed September 20, 2018 an effective date of January 1, 2019. The new agreement establishes monthly contribution from Visit LEX of \$62,500 and LCC agrees to fund an "Incentive Fund" in the amount of \$250,000. The first three years of the agreement, LCC shall maintain an annual limit in the fund of \$125,000 thereafter. The agreement has a term of 66 months with 5-year automatic renewals and a final 54 month term for a total of 30 years.

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. In October 2018, LCC received approximately \$221 million through the sale of bonds for the Convention Project and the Commonwealth funded its \$60 million commitment.

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.

On December 4, 2018, LCC entered into a tri-party agreement between Town Branch Fund (the Fund), LFUCG and LCC to develop, construct and maintain the Town Branch Commons park project (Park Project). The Park Project will consist of approximately 9 acres of property that is now known as the Cox Street Parking Lot. LCC commits to leasing the property to the Fund under certain lease terms that will be finalized for least 75% of the total budget cost of construction of the Park Project. LFUCG will assist the Fund with the procurement of any permits and procedures for park construction and operations. If the Fund cannot raise sufficient funds as outlined in the agreement, the agreement will be terminated on December 4, 2023, with no further obligations from the Parties.

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 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.

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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. On March 29, 2019, the Court of Appeals affirmed the trial court’s judgment and the Plaintiff filed a Motion to Discretionary Review which is still pending.

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 \$259,273 to the Public Library Corporation to pay current debt service. As of June 30, 2019, the Library is committed to fund a total of \$260,359 through fiscal year 2020 for this purpose.

G. Lexington Convention and Visitors Bureau – The Bureau has pledged a portion of its occupancy tax receipts to the Lexington Center Corporation (LCC) to support the growth and expansion of the arena and convention facilities. The Bureau's original agreement pledged \$248,000 to the LCC for fiscal year 2019. A new agreement was executed effective January 1, 2019 that terminated the prior agreement and provides financial assistance through fiscal year 2024. The agreement includes five auto renewals to allows the agreement to extend through 2049. This agreement requires the Bureau to pay annually \$750,000 to help meet the LCC expansion project bond requirements. The amount is payable in equal monthly installments of \$62,500 being due the last day of each month. LCC may assign its rights to the Bureau's contributions to the bondholders or lenders and in such event, the Bureau would be required to make payments directly to the lender. As of June 30, 2019, the balance of funds payable under this agreement is \$3,372,502 and is recognized as a deferred outflows of resources in the Statement of Net Position. Annual contribution requirements are as follows:

Fiscal Year	
2020	\$747,502
2021	750,000
2022	750,000
2023	750,000
2024 & Beyond	375,000
Total Remaining Obligations	<u>\$3,372,502</u>

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

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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, 2019, there were 15 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$73,823,895.

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, 2019, the Lease Revenue Bonds outstanding total approximately \$110,250,000.

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, 2019 were as follows:

General Fund	\$2,729,815
Urban Service Fund	5,516,667
Nonmajor Governmental Funds	15,255,284

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2019 for these funds are as follows:

Sanitary Sewer System	\$43,655,786
Water Quality	5,409,006
Landfill	146,735
Nonmajor Enterprise Funds	366,819

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.

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As of June 30, 2019, 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 \$216,849 for tax credits related to fiscal year 2019 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, 2019, three state abatement agreements have been entered into with local businesses.
- *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 \$242,409 for tax credits related to fiscal year 2019 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, 2019, 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 2019 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, 2019, two state abatement agreements have been entered into with local businesses.

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 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, 2019, twenty seven (27) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of \$889,292.

L. Affordable Housing Loan Program – On May 8, 2014 the Government passed Ordinance 52-2014 establishing the affordable housing loan program to promote housing projects by developers to provide more affordable housing options to qualifying residents of Lexington, Kentucky. The Urban County Council also issued a memorandum on August 11, 2014 establishing funding in the amount of \$2,000,000 beginning in fiscal year 2015 and

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thereafter, for total funding as of June 30, 2019 of \$11,500,000. As of June 30, 2019, there are \$4,870,270 in outstanding loans for this program.

M. Jobs Fund Loan Program – On December 5, 2013 the Government passed Ordinance 153-2013 establishing a local economic development incentive program in order to attract or expand the level of employment in Lexington-Fayette County. The purpose of the program is to provide certain qualified businesses with local funding through grants, loans, or other agreements. The program is focused on attracting innovative businesses and promoting expansion of existing businesses involved in advanced manufacturing, technology, professional shared service operations, or healthcare, or which have or will be locating their primary base of operations or headquarters in Lexington-Fayette County. In addition, Ordinance 152-2013 establishes the “Economic Development Investment Board” to perform duties related to the program. The typical maximum of any funding agreement will not exceed \$50,000 for a grant agreement and \$250,000 for a loan or other agreement. Upon the recommendation of the Chief Development Officer and Economic Development Investment Board, the final approval is given by the Urban County Council. The Urban County Council established funding with ordinance 51-2014 on May 15, 2014, in the amount of \$1,000,000 beginning in fiscal year 2014 and thereafter for total funding as of June 30, 2019 of \$3,520,000. As of June 30, 2019, there are \$1,424,271 in outstanding loans for this program.

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 October 10, 2019, the Urban County Council approved the issuance of General Obligation bonds, Series 2019, with a par value of \$18.11 million to finance various projects including, but not limited to, (i) safety operations and other safety related projects, fleet vehicle replacement, voting machine replacement, road paving and maintenance, and various other improvements within departments of the Government, 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. In addition the Urban County Council approved the issuance of Sewer System Revenue Series 2019, for \$50 million to finance various sewer and storm water improvement projects within Lexington-Fayette County.

Component Unit

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

In July 2019, LCC completed a Request for Proposal procurement policy procedure for catering and concessions services for the new Convention Project along with the Rupp Arena and the Lexington Opera House venues. The Board of Directors (Board) appointed Committee selected Levy Premium Foodservice Limited Partnership (Levy) as its recommendation to provide the food services and to elevate a premium hospitality experience to LCC’s patrons. The Committee’s recommendation was ratified by the Executive Committee of the Board in July 2019. In August 2019, a Letter of Intent (LOI) was executed between Levy and LCC to formalize a contract between the two parties

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in the next sixty days. The LOI grants Levy the right and ability to incur a limited amount of pre-opening reimbursable expenses while the final contract is negotiated.

Per House Bill 1 passed during the 2019 legislative session, certain agencies, including the Health Department, were authorized to pay the reduced KERS non-hazardous employer contribution rate for the year ending June 30, 2020. The authorized participating employers will contribute 49.47% (41.06% to the pension fund and 8.41% to the insurance fund) as opposed to the contribution rate of 83.43% (71.03% to the pension fund and 12.40% to the insurance fund) other KERS non-hazardous employers pay.

On October 22, 2019, the Lexington Airport Board issued revenue and refunding bonds in the amount of \$32,000,000.

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 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,

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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, 2018:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,265
Active Plan Participants:	
Active members	1,144
Total	2,409

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.

C. Contributions

The contribution requirements and benefit provisions for the PFRF are established by state statute and Government ordinance. In fiscal year 2018, the Government contributed 37.53% 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	37.53%
Plan Member	12.00%

D. Net Pension Liability

The Government’s net pension liability/(asset) was measured as of June 30, 2018, 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, 2018	July 1, 2018
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 91	3.00%
Inflation	2.75%	N/A

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	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)
Balances at 6/30/2017	\$903,198,847	\$695,183,216	\$208,015,631	\$9,464,332	\$30,096,248	(\$20,631,916)
Changes for the year:						
Service Cost	19,289,452		19,289,452			
Interest	65,525,538		65,525,538	618,238		618,238
Differences between expected and actual experience	47,795,400		47,795,400	(70,751)		(70,751)
Changes of assumptions						
Contributions-employer		27,576,764	(27,576,764)			
Contributions-employee		10,750,008	(10,750,008)			
Net investment income		71,009,316	(71,009,316)		1,369,364	(1,369,364)
Benefit payments, including refunds of employee contributions	(59,050,010)	(59,050,010)		(1,264,711)	(1,264,711)	
Administrative expense		(306,716)	306,716		(4,994)	4,994
Other changes		8,396	(8,396)			
Net changes	73,560,380	49,987,758	23,572,622	(717,224)	99,659	(816,883)
Balances at 6/30/2018	\$976,759,227	\$745,170,974	\$231,588,253	\$8,747,108	\$30,195,907	(\$21,448,799)

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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
CEPF's net pension liability (asset)	(\$20,960,091)	(\$21,448,799)	(\$21,888,627)

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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PFRF's net pension liability	\$345,694,287	\$231,588,253	\$136,731,011

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

At June 30, 2018, the CEPF and PFRF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	CEPF	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$1,512,614	\$0
Total	\$1,512,614	\$0

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	PFRF	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$59,288,120	\$0
Changes of assumptions	32,254,351	
Net difference between projected and actual earnings on pension plan investments		19,893,656
Employer contributions subsequent to the Measurement date	30,389,591	
Total	\$121,932,062	\$19,893,656

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:

2020	\$665,062
2021	424,197
2022	284,767
2023	138,588
2024	0
Thereafter	0

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:

Year ended June 30:

2020	\$28,703,449
2021	22,662,778
2022	13,660,681
2023	6,431,487
2024	190,420
Thereafter	0

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.

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Plan membership – As of June 30, 2018 the plan membership data is as follows:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,006
Active Plan Participants:	
Active members	1,180
Total	<u>2,186</u>

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 FROM THE POLICEMEN’S & FIREFIGHTERS’ RETIREMENT FUND

Service Retirement – Employees are eligible to retire with twenty years of credited service. This can include both actual service and purchased time.

Occupational Disability Retirement – Total and permanent disability incurred while in the line of duty.

Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least five years of service in the fund and a disabling injury that results from non-occupational causes.

ELIGIBILITY FOR BENEFITS FROM CITY EMPLOYEE’S PENSION FUND

Service Retirement – Employees are eligible to retire with thirty years of credited service or at age 60 with twenty years of service.

Accidental Disability Retirement – Total and permanent disability incurred while in the line of duty.

Ordinary Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least ten years of service in the fund and a disabling injury that results from non-occupational causes that renders them totally and permanently disabled.

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 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.

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June 30, 2019

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, 2018:

Plan Option	Single	Two Party
Humana PPO-A	\$732.57	\$1,340.11
Humana PPO-B	542.12	991.71
Humana HSA1	493.41	902.59
Humana HSA2	484.07	769.84
Humana Seniors Medicare Advantage Plan	377.79	755.58
Anthem Seniors Standard Plan	163.31	326.62
Anthem Seniors Comprehensive Plan	212.66	425.32

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.

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	\$245,951,553
Fiduciary Net Position	0
Net OPEB Liability	<u>\$245,951,553</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018, 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	3.56%
Measurement Date	3.89%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Post-Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

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.

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.

Total OPEB Liability (TOL)	
Balances at 6/30/2017	\$341,737,302
Changes for the year:	
Service Cost	16,561,150
Interest on the TOL and Cash Flow	12,078,465
Differences between expected and actual experience	(103,220,151)
Changes of assumptions	(16,252,771)
Benefit payments	(4,952,442)
Net changes	(95,785,749)
Balances at 6/30/2018	\$245,951,553

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Government, calculated using the discount rate of 3.89%, 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	\$291,706,984	\$245,951,553	\$210,087,520

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
Net OPEB Liability	\$211,352,099	\$245,951,553	\$291,274,336

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

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

For the year ended June 30, 2018, the Government recognized OPEB expense of \$2,553,900. At June 30, 2018 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 expected and actual experience	\$0	\$85,695,624
Changes of assumptions	0	35,011,351
Total	\$0	\$120,706,975

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:	
2020	\$(26,085,715)
2021	(26,085,715)
2022	(26,085,715)
2023	(26,085,715)
2024	(16,364,115)
Thereafter	0

Payable to the OPEB Plan

At June 30, 2018, the Government had no payables for outstanding contributions to the Plan required for the year ended June 30, 2018.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

F. Pension Plan Financial Statements

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT			
June 30, 2019			
	PFRF	CEPF	Total Pension Trust Funds
ASSETS			
Cash and Cash Equivalents	\$900,738	\$499,429	\$1,400,167
Interest Receivable	3,303,416	50,991	3,354,407
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	448,434		448,434
Corporate Debt	93,508,479	7,257,837	100,766,316
Municipal Obligations	3,807,374		3,807,374
SL Comingled Funds	34,306,745		34,306,745
US Agencies	35,527,011	7,912,676	43,439,687
US Government Obligations	34,027,108	3,028,439	37,055,547
Other Investments:			
Equity Mutual Funds	388,205,114	12,234,575	400,439,689
Equity Real Estate	71,450,822		71,450,822
Equity Securities - Domestic	752,742		752,742
Equity Securities - International	134,851,712		134,851,712
Total Investments	<u>796,885,541</u>	<u>30,433,527</u>	<u>827,319,068</u>
Total Assets	<u>\$801,089,695</u>	<u>\$30,983,947</u>	<u>\$832,073,642</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$2,270	\$0	\$2,270
Securities Lending Transactions	34,306,745		34,306,745
Total Liabilities	<u>\$34,309,015</u>	<u>\$0</u>	<u>\$34,309,015</u>
NET POSITION			
Net position restricted for pensions	<u>\$766,780,680</u>	<u>\$30,983,947</u>	<u>\$797,764,627</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

STATEMENT OF CHANGES IN NET POSITION
June 30, 2019

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
Employer	\$30,277,170	\$0	\$30,277,170
Employer - Administration	5,059,394	44,707	5,104,101
Plan Members	10,356,318		10,356,318
Other	112,421	59	112,480
Total Contributions	<u>45,805,303</u>	<u>44,766</u>	<u>45,850,069</u>
Investment Income:			
Net Change in Fair Value of Investments	30,649,370	1,492,913	32,142,283
Interest	10,136,928	569,333	10,706,261
Dividends	2,840,439	55,430	2,895,869
Total Investment Income	<u>43,626,737</u>	<u>2,117,676</u>	<u>45,744,413</u>
Less Investment Expense	2,305,126	87,677	2,392,803
Net Investment Income	<u>41,321,611</u>	<u>2,029,999</u>	<u>43,351,610</u>
Income from Securities Lending Activities:			
Securities Lending Income	115,656		115,656
Securities Lending Expenses:			
Borrower Rebates	(803,866)		(803,866)
Management Fees	46,254		46,254
Total Securities Lending Expenses (Income)	<u>(757,612)</u>	<u>0</u>	<u>(757,612)</u>
Net Income on Securities Lending Activities	<u>873,268</u>	<u>0</u>	<u>873,268</u>
Total Additions	<u>88,000,182</u>	<u>2,074,765</u>	<u>90,074,947</u>
DEDUCTIONS			
Benefit Payments	66,073,436	1,279,516	67,352,952
Administrative Expense	317,040	7,210	324,250
Total Deductions	<u>66,390,476</u>	<u>1,286,726</u>	<u>67,677,202</u>
Net Increase	21,609,706	788,039	22,397,745
Net Position, Beginning	<u>745,170,974</u>	<u>30,195,908</u>	<u>775,366,882</u>
Net Position, Ending	<u>\$766,780,680</u>	<u>\$30,983,947</u>	<u>\$797,764,627</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 16.22%. 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 24.86%.

The contribution requirements and the amounts contributed to CERS were \$16,718,583 and \$18,775,515 respectively, for the years ended June 30, 2019 and 2018.

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, 2018, the Government reported a liability of \$248,050,278 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

plan relative to the projected contributions of all participating governmental agencies, as actuarially determined. At June 30, 2018, the Government's portion of nonhazardous and hazardous was 3.12% and 2.41%, respectively.

At June 30, 2018, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$10,829,215	\$2,777,420
Net difference between projected and actual earnings on pension plan investments	10,984,355	13,917,158
Change of assumptions	24,750,032	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	5,743,452	3,214,601
Government contributions subsequent to the measurement date	16,718,583	
Total	<u>\$69,025,637</u>	<u>\$19,909,179</u>

\$16,718,583 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$25,451,849
2020	11,268,066
2021	(3,040,357)
2022	(1,281,683)
2023	0
Thereafter	0

The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension liability as of June 30, 2018 is determined using these updated benefit provisions. It is our opinion that this procedure is reasonable, appropriate, and complies with applicable requirements under GASB Statement No. 67 and No. 68.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

The total pension liability in the June 30, 2018 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	\$238,865,353	\$189,741,862	\$148,584,980
Hazardous	73,056,629	58,308,416	46,116,258
CERS’s net pension liability	\$311,921,982	\$248,050,278	\$194,701,238

Payable to the Pension Plan

At June 30, 2019, the CERS reported payables of \$277,063 from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Relationship to Combining Financial Statements

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2018 using generally accepted actuarial principles. GASB 74 requires Kentucky Retirement Systems to disclose a 10-year history of certain information in the Required Supplementary Information within their comprehensive annual financial report. The exhibits provided in this report include the applicable information for historical years that were calculated in accordance with this accounting standard. Information disclosed for years prior to June 30, 2017 were prepared by KRS's prior actuary.

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB liability as of June 30, 2018 is determined using these updated benefit provisions. It is our opinion that this procedure is reasonable, appropriate, and complies with applicable requirements under GASB Statement No. 74.

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, 2018, 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, 2018. 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.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

The Schedule of Employer Allocations reflects employer contributions received for the fiscal year ended June 30, 2018, 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, 2018, calculated in accordance with GASB Statement No. 74, are as follows (dollars in thousands):

	CERS Non-Hazardous	CERS Hazardous
Total OPEB Liability	\$130,522,654	\$48,077,128
Fiduciary Net Position	75,209,488	30,886,527
Net OPEB Liability	<u>\$55,313,166</u>	<u>\$17,190,600</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, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan’s fiscal year ending June 30, 2018, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2017, 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, 2018:

Inflation	3.25%
Payroll Growth Rate	4.0% for CERS nonhazardous and hazardous
Salary Increase	4.0%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Post-65	Initial trend starting at 7.50% 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 (set-back for one year for females).

Discount Rate

The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous, and 5.97% 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 7.50%, and a municipal bond rate of

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

3.62%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. Future contributions are projected in accordance with the Board’s current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (25 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. These projected contributions are determined without regard to the enactment of SB 151 in 2018, which is currently being reviewed by the State Supreme Court. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following presents the net OPEB liability of the Government’s CERS OPEB Nonhazardous plan, calculated using the discount rate of 5.85%, 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 (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Nonhazardous	\$71,842,935	\$55,313,166	\$41,232,823

The following presents the net OPEB liability of the Government’s CERS OPEB Hazardous plan, calculated using the discount rate of 5.97%, 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 (4.97%) or 1-percentage-point higher (6.97%) than the current rate:

	1% Decrease (4.97%)	Current Discount Rate (5.97%)	1% Increase (6.97%)
Hazardous	\$23,895,780	\$17,190,600	\$11,822,927

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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Nonhazardous	\$41,181,199	\$55,313,166	\$71,970,685
Hazardous	11,707,628	17,190,600	23,981,488
CERS’s net OPEB liability	\$52,888,827	\$72,503,766	\$95,952,173

Contributions

The Government’s non-hazardous contribution rate was 5.26%. 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 10.47%.

The contribution requirements and the amounts contributed to CERS were \$5,762,562 and \$1,135,927 respectively, for the years ended June 30, 2019 and 2018.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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, 2018, is based on the June 30, 2017, 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, 2018, the Government reported deferred outflows if resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$8,367,118
Net difference between projected and actual earnings on pension plan investments		5,444,265
Change of assumptions	16,322,180	174,821
Changes in proportion and differences between Employer contributions and proportionate share of contributions		1,693,470
Government contributions subsequent to the measurement date	5,762,562	
Total	<u>\$22,084,742</u>	<u>\$15,679,674</u>

The \$5,762,562 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, 2019. Other amount reported 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:	
2019	\$884,081
2020	884,081
2021	(64,735)
2022	145,574
2023	(765,251)
Thereafter	(441,244)

Payable to the OPEB Plan

At June 30, 2019, the CERS reported payables credit balance of \$11,007 from the Government for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

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, 2019:

Statement No. 83, *Certain Asset Retirement Obligations*, this Statement addresses accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Assets addressed by this Statement include nuclear power plant decommissioning, contractually required land restoration, such as the removal of wind turbines, and other similar assets.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

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. The disclosures added by this Statement include the amount of unused lines of credit, assets pledged as collateral for debt, and terms specified in the debt agreement related to significant events of default with finance-related consequences and termination events with finance-related consequences and subjective acceleration clauses.

Standards that will Become Effective for FY 2020 and Later Year Financial Statements

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. 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)

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, this Statement was issued to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. (FY 2020)

Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement establishes that a conduit debt obligation is not a liability of the issuer. (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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$204,500,000	\$204,500,000	\$201,020,025	(\$3,479,975) a
Business Returns	45,870,000	45,870,000	43,584,527	(2,285,473) a
Insurance Premiums	33,090,000	33,090,000	34,086,330	996,330
Bond Deposits			(1,500)	(1,500)
Regulated License Fee	886,500	886,500	972,606	86,106
Franchise Fee	26,110,000	26,110,000	23,900,899	(2,209,101) a
Bank Franchise Fee	1,598,320	1,598,320	1,654,789	56,469
Vehicle License	240,000	240,000	474,743	234,743
Deed Tax Fee	2,000,000	2,000,000	2,158,042	158,042
Registration Fee	415,000	415,000	409,570	(5,430)
Filing Fee - Planning & Zoning	130,000	130,000	110,568	(19,432)
Animal License	48,000	48,000	47,357	(643)
Certificates of Occupancy	9,000	9,000	5,195	(3,805)
Hotel - Motel License Fee	35,000	35,000	38,877	3,877
Total Licenses and Permits	314,931,820	314,931,820	308,462,028	(6,469,792)
Taxes:				
Realty Taxes	21,499,000	21,855,170	21,973,820	118,650
Personal Taxes	1,668,000	1,602,000	1,640,783	38,783
PSC Taxes	886,000	922,000	719,182	(202,818)
Property Tax Discount	(400,000)	(400,000)	(422,460)	(22,460)
Property Tax Commission	(985,000)	(997,000)	(1,026,917)	(29,917)
Delinquent - Realty & Personal	200,000	200,000	105,857	(94,143)
Motor Vehicle Ad Valorem Tax	1,928,000	1,981,000	2,164,790	183,790
County Clerk Com - Motor Vehicle	(72,000)	(67,000)	(77,123)	(10,123)
Supplementary Tax Bills	15,000	15,000	7,953	(7,047)
Omitted Tax	100,000	100,000	136,042	36,042
Total Taxes	24,839,000	25,211,170	25,221,927	10,757
Charges for Services:				
Accident Report Sales	120,000	120,000	128,978	8,978
Administrative Collection Fees	7,000	7,000	4,925	(2,075)
Adult Probation Fees	41,725	41,725	53,498	11,773
Animal Shelter Collections	18,700	18,700	16,250	(2,450)
Building Permits	1,610,000	1,610,000	1,765,757	155,757
Computer Services Fees	3,000	3,000	3,033	33
Detention Center	8,004,500	8,754,500	9,376,782	622,282
Developer Landscape Fees	6,000	6,000	2,740	(3,260)
District Court Jail Fees	80,000	80,000	207,012	127,012
Domestic Relations Collection	1,000	1,000	335	(665)
Downtown Arts Center	96,800	96,800	96,058	(742)
EMS	8,000,000	8,000,000	8,086,672	86,672
Excess Fees and Collections	3,100,000	3,100,000	3,546,654	446,654
Golf Course Collections	2,800,000	2,800,000	2,448,529	(351,471)
Park Land Acquisition	275,000	275,000	270,894	(4,106)
Parks & Recreation Programs	1,092,220	1,092,220	1,149,375	57,155
Rent or Lease Income	674,144	674,144	1,038,907	364,763
Total Charges for Services	25,930,089	26,680,089	28,196,399	1,516,310 b
Fines and Forfeitures	239,000	239,000	230,914	(8,086)
Intergovernmental	825,422	897,422	975,875	78,453
Property Sales	250,000	250,000	236,248	(13,752)
Investments	477,000	477,000	1,604,513	1,127,513 c
Other Income:				
Contributions	3,650	74,023	158,316	84,293
Other Income	800,000	800,000	948,899	148,899
Penalties & Interest	1,827,500	1,827,500	1,784,080	(43,420)
School Board Tax Fee	15,000	15,000	15,000	
Payment in Lieu of Taxes			92,699	92,699
Miscellaneous	1,095,628	1,788,867	1,982,193	193,326
Total Other Income	3,741,778	4,505,390	4,981,187	475,797
Total Revenues	371,234,109	373,191,891	369,909,091	(3,282,800)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
Council Office	3,136,104	3,170,842	2,881,886	(288,956)
Office of the Mayor	1,667,689	1,732,664	1,745,904	13,240
Special Programs	239,217	239,652	233,447	(6,205)
Board of Elections	1,168,587	1,168,587	1,012,469	(156,118)
Clerk of the Urban County Council	542,746	537,269	456,993	(80,276)
County Attorney	1,161,116	1,161,116	1,143,810	(17,306)
Coroner	1,271,236	1,323,745	1,260,469	(63,276)
Property Valuation Administrator	366,800	366,800	366,800	
Contingency	3,750,000	1,213,517		(1,213,517)
Circuit Judges	427,796	427,796	438,354	10,558
County Court Clerk	105,917	105,917	68,865	(37,052)
Citizens' Advocate	37,251	37,251	34,382	(2,869)
Commonwealth Attorney	271,024	271,024	271,024	
County Judge Executive	17,804	17,804	14,259	(3,545)
Indirect Cost Allocation	(5,101,420)	(5,101,420)	(4,804,609)	296,811
Total General Government	9,061,867	6,672,564	5,124,053	(1,548,511)
Administrative Services:				
Office of the Chief Administrative Officer	2,107,413	1,923,537	1,987,169	63,632
Government Communications	970,309	969,921	966,642	(3,279)
Grants & Special Projects	698,573	631,336	703,343	72,007
Human Resources	3,474,099	3,574,707	3,452,688	(122,019)
Internal Audit Office	629,671	633,502	631,917	(1,585)
Neighborhood Programs		44,018	31,581	(12,437)
Total Administrative Services	7,880,065	7,777,021	7,773,340	(3,681)
Chief Development Officer				
Chief Development Officer	1,060,376	1,440,016	1,305,739	(134,277)
Total Chief Development Officer	1,060,376	1,440,016	1,305,739	(134,277)
Department of Information Technology:				
Office of the CIO	1,432,515	1,556,406	1,579,724	23,318
Computer Services	8,168,972	8,040,047	7,912,593	(127,454)
Enterprise Solutions	1,147,450	1,173,409	1,246,463	73,054
Total Information Technology	10,748,937	10,769,862	10,738,780	(31,082)
Department of Finance:				
Accounting	1,614,935	1,653,345	1,509,036	(144,309)
Budgeting	577,316	595,780	562,835	(32,945)
Central Purchasing	626,299	689,662	674,565	(15,097)
Revenue	2,398,187	2,394,110	2,333,831	(60,279)
Finance Administration	852,673	870,329	795,034	(75,295)
Total Finance	6,069,410	6,203,226	5,875,301	(327,925) d
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	282,167	279,403	253,237	(26,166)
Division of Water & Air Quality			13	13
Division of Environmental Services	2,492,755	2,965,876	2,743,533	(222,343)
Streets & Roads	3,987,589	4,046,995	3,825,695	(221,300)
Traffic Engineering	4,926,367	4,934,401	4,618,920	(315,481)
Total Environmental Quality & Public Works	11,688,878	12,226,675	11,441,398	(785,277) d
Department of Planning, Preservation, & Development:				
Building Inspection	2,807,267	2,831,980	2,685,931	(146,049)
Code Enforcement	2,258,284	2,253,598	2,145,037	(108,561)
Engineering	1,679,145	1,778,789	1,715,776	(63,013)
Planning, Preservation, & Development Admin	2,695,209	3,084,729	2,889,030	(195,699)
Historic Preservation	456,867	451,538	406,958	(44,580)
Planning	2,414,913	2,461,929	2,356,127	(105,802)
Purchase of Development Rights	206,843	166,233	167,124	891
Total Planning, Preservation, & Development	12,518,528	13,028,796	12,365,983	(662,813) d
Department of Public Safety:				
Police	77,703,345	78,510,953	77,522,942	(988,011)
Fire & Emergency Services	78,589,913	79,594,084	79,727,449	133,365
Community Corrections	38,702,133	39,605,365	38,601,335	(1,004,030)
Public Safety Administration	7,191,332	7,131,660	7,084,416	(47,244)
DEEM/Enhanced 911	4,352,441	4,332,109	4,221,073	(111,036)
Security	904,121	938,979	806,093	(132,886)
Total Public Safety	207,443,285	210,113,150	207,963,308	(2,149,842) d
Department of Social Services:				
Youth Services	2,554,651	2,574,982	2,512,535	(62,447)
Family Services	3,122,523	3,122,793	2,795,131	(327,662)
Adult Services	1,363,740	1,397,833	1,317,739	(80,094)
Social Services Administration	2,573,865	2,587,800	2,442,396	(145,404)
Total Social Services	9,614,779	9,683,408	9,067,801	(615,607) d

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of General Services:				
Parks & Recreation	22,012,352	22,324,901	20,804,105	(1,520,796)
Fleet & Facilities Management	6,556,496	6,585,530	5,673,775	(911,755)
General Services Administration	2,631,622	2,603,297	2,238,881	(364,416)
Total General Services	<u>31,200,470</u>	<u>31,513,728</u>	<u>28,716,761</u>	<u>(2,796,967) d</u>
Department of Law:				
Law	2,612,784	2,688,462	2,548,860	(139,602)
Total Law	<u>2,612,784</u>	<u>2,688,462</u>	<u>2,548,860</u>	<u>(139,602)</u>
Outside Agencies:				
Commerce Lexington	457,000	457,000	457,000	
Downtown Lexington Partnership	363,470.00	363,470	363,470	
Environmental Commission	5,900	5,650	5,550	(100)
World Trade Center	55,000	55,000	55,000	
Grants & Special Projects Agencies	682,550	707,120	702,320	(4,800)
Social Service Agencies	3,243,095	3,233,100	3,184,490	(48,610)
LexArts	489,050	489,050	489,050	
Lexington Public Library	16,092,960	16,574,576	16,577,574	2,998
Explorium of Lexington	225,000	225,000	225,000	
Carnegie Literacy Center	106,900	106,900	79,989	(26,911)
Lyric Theatre	150,000	150,000	150,000	
Total Outside Agencies	<u>21,870,925</u>	<u>22,366,866</u>	<u>22,289,443</u>	<u>(77,423)</u>
Debt Service:				
Principal	29,378,863	28,575,677	28,329,993	(245,684)
Interest	15,160,309	15,847,295	15,721,258	(126,037)
Total Debt Service	<u>44,539,172</u>	<u>44,422,972</u>	<u>44,051,251</u>	<u>(371,721)</u>
Total Expenditures	<u>376,309,476</u>	<u>378,906,746</u>	<u>369,262,018</u>	<u>(9,644,728)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,075,367)	(5,714,855)	647,073	6,361,928
OTHER FINANCING SOURCES (USES)				
Transfers In	7,679,710	9,204,588	9,301,386	96,798
Transfers Out	(4,349,831)	(6,944,771)	(6,427,009)	517,762
Total Other Financing Sources	<u>3,329,879</u>	<u>2,259,817</u>	<u>2,874,377</u>	<u>614,560</u>
Net Change in Fund Balance	(1,745,488)	(3,455,038)	3,521,450	6,976,488
Fund Balance, Beginning	3,500,000	3,500,000	64,362,714	60,862,714
Adjustment to Opening Fund Balance (Note 2.D.)			30,401	30,401
Fund Balances - Restated July 1	<u>3,500,000</u>	<u>3,500,000</u>	<u>64,393,115</u>	<u>60,893,115</u>
Fund Balance, Ending	<u>\$1,754,512</u>	<u>\$44,962</u>	<u>\$67,914,565</u>	<u>\$67,869,603</u>

a-revenue estimates for payroll withholdings were over by approximately \$6.5 million
b-total charges for services in various categories exceeded the estimates by \$1.5 million
c-investment income exceeded the estimate by \$1.1 million
d-budget savings in personnel from vacant positions of \$2.8 million and operating from diligent management oversight of \$6.4 million

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,598,320	\$1,598,320	\$1,654,789	\$56,469
Total Licenses and Permits	1,598,320	1,598,320	1,654,789	56,469
Taxes:				
Realty Taxes	38,901,000	39,644,000	39,848,637	204,637
PSC Taxes	347,000	347,000	408,240	61,240
Property Tax Discount	(640,000)	(670,000)	(708,782)	(38,782)
Property Tax Commission	(350,000)	(350,000)	(350,123)	(123)
Delinquent - Realty & Personal	268,000	268,000	130,627	(137,373)
Supplementary Tax Bills	2,500	2,500	23,423	20,923
Total Taxes	38,528,500	39,241,500	39,352,022	110,522
Charges for Services:				
Rent or Lease Income			4,684	4,684
Commodities	2,537,600	2,537,600	1,476,881	(1,060,719)
Dumpster Permit Fees	10,300	10,300	9,545	(755)
Total Charges for Services	2,547,900	2,547,900	1,491,110	(1,056,790)
Property Sales	150,000	150,000	306,614	156,614
Fines and Forfeitures	200	200	949	749
Investments	178,000	178,000	592,808	414,808
Other Income:				
Penalties & Interest	65,000	65,000	75,601	10,601
Miscellaneous	7,900	8,331	12,536	4,205
Total Other Income	72,900	73,331	88,137	14,806
Total Revenues	43,075,820	43,789,251	43,486,429	(302,822)
EXPENDITURES				
General Government:				
Contingency	80,000			
Indirect Cost Allocation	2,189,240	2,189,240	2,072,089	(117,151)
Total General Government	2,269,240	2,189,240	2,072,089	(117,151)
Administrative Services:				
Government Communications	583,127	884,488	571,017	(313,471)
Human Resources	7,000	6,778	3,321	(3,457)
Total Administrative Services	590,127	891,266	574,338	(316,928)
Department of Information Technology:				
Computer Services	628,118	636,200	439,908	(196,292)
Office of the CIO	200,000	200,000	174,096	(25,904)
Total Information Technology	828,118	836,200	614,004	(222,196)
Department of Finance:				
Central Purchasing		3,920	4,159	239
Finance	28,483	24,483	19,292	(5,191)
Total Finance	28,483	28,403	23,451	(4,952)
Division of Environmental Quality & Public Works:				
Waste Management	30,621,990	30,720,329	26,554,677	(4,165,652) a
Division of Environmental Services	742,042	769,811	776,490	6,679
Environmental Quality	692,579	924,628	608,138	(316,490)
Streets & Roads	2,680,395	2,687,776	2,762,869	75,093
Traffic Engineering	6,505,959	6,686,334	6,155,742	(530,592)
Total Environmental Quality & Public Works	41,242,965	41,788,878	36,857,916	(4,930,962)
Department of General Services:				
Fleet & Facilities Management	5,173,409	6,529,266	4,765,144	(1,764,122) b
Total General Services	5,173,409	6,529,266	4,765,144	(1,764,122)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of Law:				
Law	16,824	16,824	16,818	(6)
Total Law	16,824	16,824	16,818	(6)
Debt Service:				
Principal	669,237	669,237	669,237	
Interest	238,503	238,503	238,503	
Total Debt Service	907,740	907,740	907,740	0
Total Expenditures	51,056,906	53,187,817	45,831,500	(7,356,317)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,981,086)	(9,398,566)	(2,345,071)	7,053,495
OTHER FINANCING SOURCES (USES)				
Transfers In		150,950	150,950	
Transfers Out	820	(128,057)	(145,119)	(17,062)
Total Other Financing Sources (Uses)	820	22,893	5,831	(17,062)
Net Change in Fund Balance	(7,980,266)	(9,375,673)	(2,339,240)	7,036,433
Fund Balance, Beginning	23,865,000	23,865,000	28,182,062	4,317,062
Fund Balance, Ending	\$15,884,734	\$14,489,327	\$25,842,822	\$11,353,495

a-savings of approximately \$1.1 million in personnel, \$1.7 million savings in capital expenditures, operating savings of \$1.5 million primarily repairs & maintenance and professional services
b-operating savings of \$1.2 million primarily repairs & maintenance and \$433,000 savings in capital expenditures

See Independent Auditor's Report

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

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	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Total pension liability										
Service cost	\$15,273,403	\$0	\$15,682,820	\$0	\$15,545,613	\$0	\$15,736,332	\$0	\$19,289,452	\$0
Interest	53,365,849	852,811	54,617,104	805,933	56,566,064	736,800	58,934,015	712,334	65,525,538	618,238
Changes of benefit terms										
Differences between expected and actual experience			7,523,715	(345,366)	14,500,618	291,530	17,343,653	(756,397)	47,795,400	(70,751)
Changes of assumptions							53,757,251			
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)	(59,050,010)	(1,264,711)
Net change in total pension liability	15,041,900	(721,783)	27,509,302	(1,009,825)	33,251,614	(397,653)	89,052,706	(1,376,620)	73,560,380	(717,224)
Total pension liability-beginning	738,343,325	12,970,313	753,385,225	12,248,530	780,894,527	11,238,705	814,146,141	10,841,052	903,198,847	9,464,432
Total pension liability-ending (a)	\$753,385,225	\$12,248,530	\$780,894,527	\$11,238,705	\$814,146,141	\$10,841,052	\$903,198,847	\$9,464,432	\$976,759,227	\$8,747,208
Plan fiduciary net position										
Contributions-employer	\$27,636,473	\$0	\$22,705,036	\$0	\$24,755,620	\$0	\$29,667,706	\$0	\$27,576,764	\$0
Contributions-member	9,730,115		9,881,338		9,493,378		11,186,704		10,750,008	
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	71,009,316	1,369,365
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)	(59,050,010)	(1,264,711)
Administrative Expense	(598,923)	(27,178)	(665,175)	(28,356)	(178,943)	(15,639)	(226,211)	(7,240)	(306,716)	(4,994)
Other					80,010		141,051	(2)	8,396	
Net change in plan fiduciary net position	79,557,071	2,754,276	(1,565,163)	(600,686)	(14,814,576)	(76,435)	75,282,074	(10,149)	49,987,758	99,660
Plan fiduciary net position-beginning	556,723,810	28,029,242	636,280,881	30,783,518	634,715,718	30,182,832	619,901,142	30,106,397	695,183,216	30,096,248
Plan fiduciary net position-ending (b)	\$636,280,881	\$30,783,518	\$634,715,718	\$30,182,832	\$619,901,142	\$30,106,397	\$695,183,216	\$30,096,248	\$745,170,974	\$30,195,908
Net pension liability-ending (a) - (b)	\$117,104,344	(\$18,534,988)	\$146,178,809	(\$18,944,127)	\$194,244,999	(\$19,265,345)	\$208,015,631	(\$20,631,816)	\$231,588,253	(\$21,448,700)
Plan fiduciary net position as a percentage of the total pension liability	84.46%	251.32%	81.28%	268.56%	76.14%	277.71%	76.97%	317.99%	76.29%	345.21%
Covered payroll	\$63,248,485	\$0	\$62,102,632	\$0	\$65,934,339	\$0	\$73,360,313	\$0	\$73,131,137	\$0
Net pension liability as a percentage of covered payroll	185.15%	0.00%	235.38%	0.00%	294.60%	0.00%	283.55%	0.00%	316.68%	0.00%

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

Actuarial Assumptions:

	7/1/2013	7/1/2013	7/1/2014	7/1/2014	7/1/2015	7/1/2015	7/1/2016	7/1/2016	7/1/2017	7/1/2017
Valuation date	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Actuarial cost method	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open
Amortization method	30 years	15 years	29 years	15 years	28 years	15 years	27 years	15 years	26 years	15 years
Actuarial asset valuation method	5-year smoothed market	Market Value	5-year smoothed market	Market Value	year smoothed marl	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value
Investment rate of return	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation
Cost of living benefit increases (maximum)	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%
Inflation	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA
Projected salary increase	4% to 10.50%	NA	4% to 10.50%	NA	4% to 10.50%	NA	4% to 10.50%	NA	4% to 10.50%	NA
Mortality table	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB	RP-2000 Combined Table projected to the valuation date using scale BB

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.

See Independent Auditor's Report

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

	Fiscal Year									
	2010		2011		2012		2013		2014	
	Police & Fire	City*	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$30,665,280	\$0	\$28,216,938	\$0	\$30,665,280	\$0	\$22,322,068	\$0	\$23,217,413	\$0
Contributions in relation to the actuarially determined contribution	** 30,665,280	7,864	** 28,216,938	74,488	** 30,665,280		22,322,068		23,217,413	
Contribution deficiency (excess)	\$0	(\$7,864)	\$0	(\$74,488)	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$60,512,412	\$43,416	\$64,258,162	\$0	\$54,595,799	\$0	\$62,455,725	\$0	\$63,248,485	\$0
Contributions as a percentage of covered payroll	50.68%	18.11%	43.91%	NA	56.17%	NA	35.74%	NA	36.71%	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

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

	Fiscal Year									
	2015		2016		2017		2018		2019	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$22,705,036	\$0	\$24,755,620	\$0	\$29,808,757	\$0	** \$27,585,160	\$0	\$30,277,170	\$0
Contributions in relation to the actuarially determined contribution	22,705,036		24,755,620		29,808,757		** 27,585,160		30,277,170	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$62,102,632	\$0	\$65,934,339	\$0	\$73,360,313	\$0	\$73,131,137	\$0	\$76,974,393	\$0
Contributions as a percentage of covered payroll	36.56%	NA	37.55%	NA	40.63%	NA	37.72%	NA	39.33%	NA

Changes in Assumption:
 2017

Inflation was lowered from 3.00% to 2.75%, and wage inflation was lowered from 4.00% to 3.50%. Adopted RP-2000 Combined Table projected to the valuation date using scale BB. Pre-Retirement and Disability retiree mortality rates are assumed to be the same as the postretirement mortality rates. Retirement rates were increased to better match experience. Termination rates were increased at the early years of service. Disability rates were increased to better match experience. The percentage of disabled members who retire as a result of in-service disability was increased from 75% to 95%.

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

**Corrected by Actuary

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

See Independent Auditor's Report

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		2019	
	Police & Fire	City	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%	11.09%	6.18%

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.

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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	Fiscal Year
	2017	2018
	Police & Fire	Police & Fire
Total OPEB liability		
Service cost	\$18,518,517	\$16,561,150
Interest	10,445,265	12,078,465
Changes of benefit terms		
Differences between expected and actual experience	(1,289,809)	(103,220,151)
Changes of assumptions	(30,781,223)	(16,252,771)
Benefit payments, including refunds of member contributions	(5,638,286)	(4,952,442)
Net change in total OPEB liability	(8,745,536)	(95,785,749)
Total OPEB liability-beginning	350,482,838	341,737,302
Total OPEB liability-ending	341,737,302	245,951,553
Covered payroll	\$73,360,313	\$73,131,137
Net OPEB liability as a percentage of covered payroll	465.83%	336.32%

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

See Independent Auditor's Report

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	2018
The Government's proportion of the net pension liability (asset)	\$115,215,078	\$155,544,394	\$187,010,198	\$241,742,130	\$248,050,278
The Government's proportionate share of the net pension liability (asset)					
Nonhazardous	2.71%	2.76%	2.96%	3.20%	3.12%
Hazardous	2.28%	2.39%	2.41%	2.44%	2.41%
Covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740
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%	294.61%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.12%	55.19%	55.19%	55.19%
Actuarial Assumptions:					
Valuation date	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	30 years	28 years	28 years	28 years	27 years
Actuarial asset valuation method				20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	5-year smoothed market 7.75%	5-year smoothed market 7.50%	5-year smoothed market 7.50%	5-year smoothed market 7.50%	5-year smoothed market 7.50%
Cost of living benefit increases (maximum)	3.50%	3.25%	3.25%	3.25%	3.25%
Inflation	4.5%, average, including inflation	4%, average, including inflation	4%, average, including inflation	4%, average, including inflation	4%, average, including inflation
Projected salary increase	1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members.	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)
Mortality table					

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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.

See Independent Auditor's Report

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

	2014	2015	2016	2017	2018
Contractually required contribution	\$15,852,724	\$10,836,390	\$10,952,366	\$13,388,248	\$14,087,247
Contribution in relation to the contractually required contribution	16,161,747	16,354,078	16,954,959	13,767,651	14,162,524
Contribution deficiency (excess)	<u>(\$309,023)</u>	<u>(\$5,517,688)</u>	<u>(\$6,002,593)</u>	<u>(\$379,403)</u>	<u>(\$75,277)</u>
Government's covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740
Contributions as a percentage of covered payroll	22.27%	21.82%	20.14%	15.50%	15.88%

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Changes in Assumption:

2015

The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%. 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). 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.

2017

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

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	2018
The Government's proportion of the collective net OPEB liability (asset)	\$62,469,796	\$84,449,594	\$72,503,766
The Government's proportionate share of the net OPEB liability (asset)			
Nonhazardous	50,412,648	64,271,500	55,313,166
Hazardous	12,057,148	20,178,094	17,190,600
Covered payroll	84,194,948	88,823,610	89,177,740
The Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.20%	95.08%	81.30%
Plan fiduciary net position as a percentage of the total OPEB liability	359.01%	272.62%	317.54%

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	2018
Contractually required contribution	\$5,205,891	\$5,090,084
Contribution in relation to the contractually required contribution	4,934,657	4,885,000
Contribution deficiency (excess)	<u>\$271,234</u>	<u>\$205,084</u>
Government's covered payroll	\$88,823,610	\$89,177,740
Contributions as a percentage of covered payroll	5.56%	5.48%

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: 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 **2019 Bond Projects** will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, and building improvements, fleet replacement, and the Lexington Convention Center renovations.

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, 2019

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	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								
ASSETS												
Current Cash	\$3,331,672	\$3,306,844	\$205,725	\$153,703	\$233,400	\$1,595,660	\$539,901	\$824,542	\$10,191,447	\$4,309	\$35,864	\$0
Current Investments	197,095	318,855		65,699					581,649	39,542		
Receivables:												
Other	51,761	1,017,731		78,422		7,120		67,893	1,222,927			
Restricted Investments									0			946
Total Assets	<u>\$3,580,528</u>	<u>\$4,643,430</u>	<u>\$205,725</u>	<u>\$297,824</u>	<u>\$233,400</u>	<u>\$1,602,780</u>	<u>\$539,901</u>	<u>\$892,435</u>	<u>\$11,996,023</u>	<u>\$43,851</u>	<u>\$35,864</u>	<u>\$946</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts and Contracts Payable	\$349,424	\$75,980	\$0	\$52,847	\$4,451	\$39,729	\$2,410	\$0	\$524,841	\$0	\$0	\$0
Unearned Revenue & Other						1,563,051			1,563,051			
Total Liabilities	<u>349,424</u>	<u>75,980</u>	<u>0</u>	<u>52,847</u>	<u>4,451</u>	<u>1,602,780</u>	<u>2,410</u>	<u>0</u>	<u>2,087,892</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:												
Nonspendable									0			
Restricted for:												
Public Works	3,231,104	4,567,450	205,725		228,949				8,233,228			
Public Safety							537,491	892,435	1,429,926			
Capital Projects									0	43,851	35,864	946
Assigned				244,977					244,977			
Total Fund Balances	<u>3,231,104</u>	<u>4,567,450</u>	<u>205,725</u>	<u>244,977</u>	<u>228,949</u>	<u>0</u>	<u>537,491</u>	<u>892,435</u>	<u>9,908,131</u>	<u>43,851</u>	<u>35,864</u>	<u>946</u>
Total Liabilities and Fund Balances	<u>\$3,580,528</u>	<u>\$4,643,430</u>	<u>\$205,725</u>	<u>\$297,824</u>	<u>\$233,400</u>	<u>\$1,602,780</u>	<u>\$539,901</u>	<u>\$892,435</u>	<u>\$11,996,023</u>	<u>\$43,851</u>	<u>\$35,864</u>	<u>\$946</u>

* Prior period adjustments were made to assets in the Exactions Area Master Plan (EAMP). There is no impact on total Governmental Funds.

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

Capital Projects Funds

	2010 Bond Projects	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	QECB Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	2019 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS														
Current Cash	\$46,374	\$361,937	\$11,985	\$3,074	\$1,688	\$0	\$0	\$0	\$0	\$0	\$494,458	\$4,218,044	\$5,177,733	\$15,369,180
Current Investments											324,053		363,595	945,244
Receivables:														
Other													0	1,222,927
Inventories and Prepaid Items									4,291	4,589			8,880	8,880
Due from Other Funds								229,932					229,932	229,932
Restricted Investments	203,559	238,568	12,429	374,525	673,567		4,685,476	7,587,524	13,136,300	14,088,905			41,001,799	41,001,799
Total Assets	<u>\$249,933</u>	<u>\$600,505</u>	<u>\$24,414</u>	<u>\$377,599</u>	<u>\$675,255</u>	<u>\$0</u>	<u>\$4,685,476</u>	<u>\$7,817,456</u>	<u>\$13,140,591</u>	<u>\$14,093,494</u>	<u>\$818,511</u>	<u>\$4,218,044</u>	<u>\$46,781,939</u>	<u>\$58,777,962</u>
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts and Contracts Payable	\$0	\$0	\$0	\$398	\$9,620	\$0	\$181,287	\$501,355	\$278,373	\$1,240,714	\$0	\$31,597	\$2,243,344	\$2,768,185
Due to Other Funds							353,620		310,127				663,747	663,747
Unearned Revenue & Other													0	1,563,051
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>398</u>	<u>9,620</u>	<u>0</u>	<u>534,907</u>	<u>501,355</u>	<u>588,500</u>	<u>1,240,714</u>	<u>0</u>	<u>31,597</u>	<u>2,907,091</u>	<u>4,994,983</u>
Fund Balances:														
Restricted for:														
Public Works													0	8,233,228
Public Safety													0	1,429,926
Capital Projects	249,933	600,505	24,414	377,201	665,635		4,150,569	7,316,101	12,552,091	12,852,780	818,511	4,186,447	43,874,848	43,874,848
Assigned													0	244,977
Total Fund Balances	<u>249,933</u>	<u>600,505</u>	<u>24,414</u>	<u>377,201</u>	<u>665,635</u>	<u>0</u>	<u>4,150,569</u>	<u>7,316,101</u>	<u>12,552,091</u>	<u>12,852,780</u>	<u>818,511</u>	<u>4,186,447</u>	<u>43,874,848</u>	<u>53,782,979</u>
Total Liabilities and Fund Balances	<u>\$249,933</u>	<u>\$600,505</u>	<u>\$24,414</u>	<u>\$377,599</u>	<u>\$675,255</u>	<u>\$0</u>	<u>\$4,685,476</u>	<u>\$7,817,456</u>	<u>\$13,140,591</u>	<u>\$14,093,494</u>	<u>\$818,511</u>	<u>\$4,218,044</u>	<u>\$46,781,939</u>	<u>\$58,777,962</u>

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* Prior period adjustments were made to assets in the Exactions Area Master Plan (EAMP). There is no impact on total Governmental Funds.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	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							
REVENUES												
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Intergovernmental	739,850	5,852,928		285,936	56,703	337,553	536,105	241,263	8,050,338			
Income on Investments	4,093	6,624		1,364					12,081			
Total Revenues	743,943	5,859,552	0	287,300	56,703	337,553	536,105	241,263	8,062,419	0	3,089	11,132
EXPENDITURES												
Current:												
Environmental Quality & Public Works					14,000				14,000			
Police						237,861	204,871		442,732			
Parks and Recreation				338,383					338,383			
Capital:												
Equipment						99,692	29,700	66,443	195,835		2,298	
Acquisitions and Construction	1,248,127	1,560,904		94,881					2,903,912			
Total Expenditures	1,248,127	1,560,904	0	433,264	14,000	337,553	234,571	66,443	3,894,862	0	0	2,298
Excess (Deficiency) of Revenues over (under) Expenditures	(504,184)	4,298,648		(145,964)	42,703	0	301,534	174,820	4,167,557	0	3,089	8,834
OTHER FINANCING SOURCES (USES)												
Transfers Out		(3,369,524)						(300,000)	(3,669,524)			
Total Other Financing Sources (Uses)	0	(3,369,524)	0	0	0	0	0	(300,000)	(3,669,524)	0	0	0
Net Change in Fund Balances	(504,184)	929,124	0	(145,964)	42,703	0	301,534	(125,180)	498,033	0	3,089	8,834
Fund Balances (Deficits), Beginning	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)
Adjustment to Opening Fund Balance (Note 2.D.)												28,504
Fund Balances, Beginning - Restated	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	(7,888)
Fund Balances (Deficits), Ending	\$3,231,104	\$4,567,450	\$205,725	\$244,977	\$228,949	\$0	\$537,491	\$892,435	\$9,908,131	\$43,851	\$35,864	\$946

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

Capital Projects Funds

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	2010 Bond Projects	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	QECB Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	2019 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
REVENUES														
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental													0	8,050,338
Exactions												243,198	243,198	243,198
Other								7,048			256,427		263,475	263,475
Income on Investments	10,007	2,613	82	3,723	7,719		44,716	93,325	154,129	124,501	6,874	44,604	506,514	518,595
Total Revenues	10,007	2,613	82	3,723	7,719	0	44,716	100,373	154,129	124,501	263,301	287,802	1,013,187	9,075,606
EXPENDITURES														
Current:														
General Government									750,082			31,597	781,679	781,679
Administrative Services														
Finance							31,745				383		32,128	32,128
Information Technology					6,339			5,328	479,417	224,914			715,998	715,998
Environmental Quality & Public Works							35,050			35,783			70,833	84,833
Planning, Preservation, & Development							84,761		91,433				176,194	176,194
Police		85,707			192,645		264,283						542,635	985,367
Community Corrections									1,677,506				1,677,506	1,677,506
General Services								1,662,762	408,342				2,071,104	2,071,104
Parks and Recreation													0	338,383
Debt Service:														
Principal											245,770		245,770	245,770
Interest											11,323		11,323	11,323
Other Debt Service								16,804		179,786			196,590	196,590
Capital:														
Equipment	228	18,132		3,786	9,540		78,838	28,253	1,373,285	4,952,330			6,466,690	6,662,525
Acquisitions and Construction	41,931	4	2,108	60,003	61,250		884,271	3,934,617	3,802,598	26,737,973			35,524,755	38,428,667
Total Expenditures	42,159	103,843	2,108	63,789	269,774	0	1,378,948	5,647,764	8,582,663	32,130,786	257,476	31,597	48,513,205	52,408,067
Excess (Deficiency) of Revenues over (under) Expenditures	(32,152)	(101,230)	(2,026)	(60,066)	(262,055)	0	(1,334,232)	(5,547,391)	(8,428,534)	(32,006,285)	5,825	256,205	(47,500,018)	(43,332,461)
OTHER FINANCING SOURCES (USES)														
Transfers In									220,812				220,812	220,812
Transfers Out						(90,712)	(60,994)		(530,939)				(682,645)	(4,352,169)
Issuance of Debt										42,055,000			42,055,000	42,055,000
Premium on Bonds										2,804,065			2,804,065	2,804,065
Total Other Financing Sources (Uses)	0	0	0	0	0	(90,712)	(60,994)	0	(310,127)	44,859,065	0	0	44,397,232	40,727,708
Net Change in Fund Balances	(32,152)	(101,230)	(2,026)	(60,066)	(262,055)	(90,712)	(1,395,226)	(5,547,391)	(8,738,661)	12,852,780	5,825	256,205	(3,102,786)	(2,604,753)
Fund Balances (Deficits), Beginning	218,303	685,251	26,440	437,267	927,690	90,712	5,545,795	12,863,492	21,290,752	0	812,686	4,069,413	47,008,035	56,418,133
Adjustment to Opening Fund Balance (Note 2.D.)	63,782	16,484										(139,171)	(30,401)	(30,401)
Fund Balances, Beginning - Restated	282,085	701,735	26,440	437,267	927,690	90,712	5,545,795	12,863,492	21,290,752	0	812,686	3,930,242	46,977,634	56,387,732
Fund Balances (Deficits), Ending	\$249,933	\$600,505	\$24,414	\$377,201	\$665,635	\$0	\$4,150,569	\$7,316,101	\$12,552,091	\$12,852,780	\$818,511	\$4,186,447	\$43,874,848	\$53,782,979

See Independent Auditors Report

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/19

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2018	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2019
US Department of Agriculture:							
Direct Programs:							
Child Care Food Program	10.558	11475	\$8,869	\$21,498	\$0	\$12,629	\$0
Child Care Food Program	10.558	11475		44,554		47,231	2,677
Urban Forestry	10.675	PON2-128-1900001567				5,379	5,379
Purchase of Development Rights (PDR)	10.931	545C161501JPC	702,043	896,211		194,168	
Purchase of Development Rights (PDR)	10.931	68-5C16-16-828				90,714	90,714
Total US Department of Agriculture			<u>710,912</u>	<u>962,263</u>	<u>0</u>	<u>350,121</u>	<u>98,770</u>
US Department of Housing and Urban Development:							
Direct Programs:							
Community Dev Block Grant	14.218	B14MC210004	121,001	253,380		132,730	351
Community Dev Block Grant	14.218	B15MC210004	50,085	715,992	58,651	612,429	5,173
Community Dev Block Grant	14.218	B16MC210004	643,646	1,511,827	96,754	773,697	2,270
Community Dev Block Grant	14.218	B17MC210004	429,399	1,276,403	160,696	692,283	5,975
Community Dev Block Grant	14.218	B18MC210004		773,933	470,446	355,184	51,697
Emergency Solutions	14.231	E16MC210004	27,746	27,746			
Emergency Solutions	14.231	E17MC210004	85,982	172,449	28,851	59,776	2,160
Emergency Solutions	14.231	E18MC210004		72,935		72,144	791
HOME	14.239	M14MC210201	60,798	363,215	185,587	116,830	
HOME	14.239	M15MC210201	11,554	135,758	65,061	64,143	5,000
HOME	14.239	M16MC210201	34,758	567,338	433,073	110,537	11,030
HOME	14.239	M17MC210201	2,603	118,563	116,060		100
HOME	14.239	M18MC210201		106,317	22,059		87,031
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H17-0017-00	83,142	477,183	416,760	6,218	28,937
Continuum of Care	14.267	KY0179L4I021600	2,172	26,327		24,155	
Continuum of Care	14.267	KY0193L4I021700		8,147		16,441	8,294
Total US Department of Housing and Urban Development			<u>1,552,886</u>	<u>6,607,513</u>	<u>2,126,142</u>	<u>3,052,245</u>	<u>123,760</u>
US Department of Justice:							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,426,296)	474,308		337,553	(1,563,051)
SCAAP	16.606	2013-AP-BX-0161	(944)			910	(34)
SCAAP	16.606	2014-AP-BX-0607	(30,888)			11,342	(19,546)
SCAAP	16.606	2015-AP-BX-0465	(42,100)			20,927	(21,173)
SCAAP	16.606	2016-AP-BX-0337	(44,231)				(44,231)
SCAAP	16.606	2019-AP-BX-0086		30,869			(30,869)
Cops Hire	16.710	2011ULWX0015	55,142	55,142			
Justice Assistance Grant	16.738	2015-DJ-BX-0335	(726)			726	
Justice Assistance Grant	16.738	2016-DJ-BX-0185	(14,171)				(14,171)
Justice Assistance Grant	16.738	2017-DJ-BX-0808		149,540		149,485	(55)
Comprehensive Opioid Abuse Program (COAP)	16.838	2018-AR-BX-K059				22,082	22,082
Passed through Commonwealth of Kentucky:							
Office Justice Delinquency Prevention	16.540	2016-JF-FX-0029	6,545	10,907		4,362	
Lexington Police Victim Advocate Project	16.575	VOCA-2017-LFUCG-STRE-00039	4,324	15,066		10,742	
Lexington Police Victim Advocate Project	16.575	VOCA-2018-LFUCG-STRE-00030		11,101		11,101	
Underserved Minority Victim	16.575	VOCA-2017-LFUCG-STRE-00058	12,971	29,929		16,958	
Underserved Minority Victim	16.575	VOCA-2018-LFUCG-STRE-00087		42,243		68,101	25,858
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2017-LFUCG-ST-00531	3,953	27,228		23,275	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2018-LFUCG-ST-00614		4,409		10,373	5,964
Street Sales (Confiscated Funds)	16.738	2017-JAG-LFUCG-STRE-01160		14,081		14,081	
Street Sales	16.738	2017-JAG-LFUCG-STRE-01160		49,599	64,455	9,766	24,622
Total US Department of Justice			<u>(1,476,421)</u>	<u>914,422</u>	<u>64,455</u>	<u>711,784</u>	<u>(1,614,604)</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/19

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2018	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2019
US Department of Transportation:							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	1700006017	62,611	62,611			
Air Quality Planning	20.205	SC-625-1900000323		70,492		101,200	30,708
Armstrong Mill Sidewalks	20.205	PO2-628-1700004143	29,700	90,854		61,154	
Beaumont YMCA Trail Project	20.205	PO2-628-1700004155	5,000	10,280		7,280	2,000
Bicycle and Pedestrian Planning	20.205	1700006017	17,967	17,967			
Bicycle and Pedestrian Planning	20.205	SC-625-1900000323		37,807		52,800	14,993
Citation Trail	20.205	PO2-628-1700004156	38,459	79,759		35,439	(5,861)
Clays Mill Road	20.205	C-03328686					
Clays Mill Road	20.205	PO2-625-1500002693	78,948	159,011		80,063	
CNG Fueling Station (Compressed Nat.Gas)	20.205	PO2-628-1600005819		482,160		482,160	
Federal Highway Planning	20.205	1700005044	93,327	93,327			
Federal Highway Planning	20.205	SC-625-1900000307		322,473		392,000	69,527
Fiber Optic Cable Installation	20.205	PO2-628-1600004546	3,277	268,629		282,504	17,152
Forbes Road	20.205	PO2-628-1700002506	251	251		18,220	18,220
Four Side	20.205	PO2-628-1600005725	5,461	9,110		6,456	2,807
Intelligent Transpor. System (ITS)	20.205	PO2-625-1700002191	362,723	107,036			255,687
Intelligent Transpor. System (ITS)	20.205	SC-625-1700002191		767		478,623	477,856
Legacy Trail Enhancements	20.205	PO2-625-1200003879	2,195	65,160		62,965	
Legacy Trail Phase III	20.205	PO2-628-1400005764		16,801		16,801	
Lexington Community Land Trust	20.205	PO2-625-1500000828	55,358				55,358
Liberty Road/Todds Road	20.205	C-04073306	7,686			(7,686)	
W. Loudon Avenue Streetscape	20.205	PO2-628-1800002729		4,000		8,000	4,000
Man O' War & Alumni Intersection Project	20.205	PO2-625-1400004868		23,199		23,199	
Man O' War & Richmond Intersection Project	20.205	PO2-625-1400004869		152,541		172,931	20,390
Mercer Rd/Greendale Rd Turn lanes	20.205	PO2-628-1800001345	12,215	22,299		31,777	21,693
Mobility Office	20.205	1700006017	100,681	100,681			
Mobility Office	20.205	SC-625-1900000323		31,525		122,000	90,475
Newtown Pike	20.205	C-00343167	21,326	21,326			
Newtown Pike Supplement #1	20.205	C-00343167	696,833	696,833			
Newtown Pike Supplement #2	20.205	C-00343167	773,860	1,332,321		91,680	(466,781)
Old Frankfort Pike Scenic Byway Viewing Area	20.205	PO2-628-1500003392	2,442			3,399	5,841
Oxford Circle Sidewalks	20.205	PO2-628-1700004160	2,100	4,678		2,578	
Polo Club Boulevard Project	20.205	PO2-625-1300001036	18,084	27,662		14,471	4,893
Rose Street Bike Lanes	20.205	C-01099430					
Rosemont Garden Sidewalks	20.205	PO2-628-1700004171	7,540	7,540			
South Elkhorn Trail	20.205	PO2-628-1700004176	7,296	15,260		8,876	912
Squires Road Sidewalks	20.205	PO2-628-1600003546		2,765		2,765	
Todds Road Sidewalks	20.205	PO2-628-1700004177	52,110	76,032		27,665	3,743
Town Branch	20.205	PO2-628-1200004353	15,550	26,625		26,444	15,369
Town Branch Commons Corridor-Zone 2	20.205	PO2-628-1600003719	63,874	130,941		69,775	2,708
Town Branch Trail Commons-Midland Section	20.205	PO2-628-1600005544	38,201	362,054		350,466	26,613
Town Branch Trail Crossing	20.205	PO2-628-1500004792		9,526		12,566	3,040
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706	35,959	42,391		212,049	205,617
Transit Route Facilities Inventory	20.205	PO2-620-1700000432					
West Hickman Trail	20.205	PO2-628-1600005956	7,516	8,173		149,250	148,593
Wilson Downing Sidewalks	20.205	PO2-628-1700004178	20,632	119,393		98,761	
Winchester/Liberty Intersection Improvements	20.205	PO2-628-1600003038		53,600		214,400	160,800
MCSAP (Motor Carrier Safety Asst.Prog.)	20.218	No Number	10,767	25,156		14,389	
MCSAP2 (Motor Carrier Safety Asst.Prog.)	20.218	No Number		36,345		50,286	13,941
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number					
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number	2,135	16,884		15,698	949
Brighton Rail Trail Phase 4	20.219	RTP 484-13					
Fed Transit Admin Section 5303	20.505	P030217442	29,896	29,896			
Fed Transit Admin Section 5303	20.505	P030217442		16,438		48,400	31,962
Traffic Safety Supplement	20.600	PO2-625-18000010731	10,126	17,044		6,918	
Traffic Safety Supplement	20.600	SC-625-19000008211		31,386		47,457	16,071
Traffic Safety Supplement	20.600	PO2-625-18000045321	2,684	42,984		40,300	
Traffic Safety Supplement	20.600	SC-625-19000015351				7,276	7,276
Traffic Safety Occupant Protection Prog.	20.616	SC-625-19000009091		17,648		21,499	3,851
Traffic Safety	20.616	PO2-625-18000009371	7,467	10,980		3,513	
Traffic Safety	20.616	SC-625-19000008141		17,833		22,305	4,472
Town Branch Tiger	20.933	SC-628-1800005041		6,792		890,041	883,249
Total US Department of Transportation			2,702,257	5,435,246	0	4,881,113	2,148,124

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/19

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2018	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2019
US Environmental Protection Agency							
Passed through Commonwealth of Kentucky:							
Bob O Link	66.458	A13-002 SWR		54,230		54,230	
Lower Cane Run WWS	66.458	A14-001 SWR		127,420		127,420	
Lower Griffin Gate Trunk	66.458	A17-003 SWR					
Marquis Ave	66.458	A13-015 SWR					
Town Branch Commons Phase I	66.458	A17-005 SWR		4,367,248		4,367,248	
Town Branch WWS	66.458	A13-015 SWR					
UK Trunk Sewer A	66.458	A13-015 SWR		11,000		11,000	
West Hickman Wet Weather Storage	66.458	A15-026 SWR	226,495	19,153,076		20,336,512	1,409,931
Wolf Run Wet Weather Storage	66.458	A13-002 SWR		28,770		28,770	
Total US Environmental Protection Agency			<u>226,495</u>	<u>23,741,744</u>	<u>0</u>	<u>24,925,180</u>	<u>1,409,931</u>
US Department of Health and Human Services:							
Direct Programs:							
Substance Abuse & Mental Health Serv.	93.243	1H79SP080309-01				323,563	323,563
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	AS-2017-2018	2,170	2,170			
Senior Citizens	93.044	AS-2018-2019		55,284		55,284	
Wellness Edge Program	93.325	90PRRC0001-01-01				15,765	15,765
Refugee Targeted Assistance Program	93.584	257-107042-2018		9,504		17,090	7,586
Home Network	93.597	2016-2017-PUBLIC-R	(279,210)			290,883	11,673
Home Network	93.597	2017-2018-PUBLIC-R	(236,540)	46,950			(283,490)
Home Network	93.597	2018-2019-PUBLIC-R		248,290			(248,290)
Head Start Program	93.600	No Number	3,033				
Head Start Program	93.600	No Number		28,487		31,811	3,324
Total US Department of Health and Human Services			<u>(510,547)</u>	<u>393,718</u>	<u>0</u>	<u>734,396</u>	<u>(169,869)</u>
US Department of Homeland Security Office of Domestic Preparedness:							
Direct Programs:							
Assistance to Firefighters	97.044	EMW-2016-FO-04181	110,286	251,369		141,083	
Fire Prevention	97.044	EMW-2017-FP-00614				47,618	47,618
Passed through Commonwealth of Kentucky:							
Hazard Mitigation Grant Prog.(HMGP_EOC)	97.039	PON2-095-13000000082					
Hazard Mitigation Grant Prog.(HMGP_PLAN)	97.039	PON2-095-17000013341	31,593	53,494		23,042	1,141
Hazard Mitigation Grant Prog.(Thompson Rd)	97.039	PON2-095-17000013341		52,196		52,196	
Chemical Stockpile Emergency (CSEPP)	97.040	PO2-095-16000047103	54,674	133,501		88,081	9,254
Chemical Stockpile Emergency (CSEPP)	97.040	PO2-095-17000054304	121,400	222,399		178,881	77,882
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-17000054303		143,677		346,841	203,164
Emergency Management Assistance	97.042	PO2-095-18000015671	30,970	37,617		6,647	
Emergency Management Assistance	97.042	SC-095-19000009781		36,305		76,892	40,587
State Homeland Bomb Squad	97.067	SC-094-1900001087				9,240	9,240
State Homeland Police	97.067	PO2-094-18000022321	8,453	8,453			
State Homeland Personal Protection Equip.	97.067	PO2-094-18000025391		17,668		24,000	6,332
State Homeland Fire	97.067	PO2-094-17000023251		39,200		39,200	
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>396,576</u>	<u>995,879</u>	<u>0</u>	<u>994,521</u>	<u>395,218</u>
Total Federal Financial Assistance			<u>\$3,602,158</u>	<u>\$39,050,785</u>	<u>\$2,190,597</u>	<u>\$35,649,360</u>	<u>\$2,391,330</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.

See Independent Auditors' Report

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2019**

<u>Grantor/Program Title</u>	<u>Grantor's Number</u>	<u>Grantor</u>	<u>Accrued or (Deferred) Revenue at July 1, 2018</u>	<u>Revenue Received</u>	<u>Passed Through to Sub recipients Expenditures</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2019</u>
Day Treatment	PON25231600003082	Kentucky Dept. of Juvenile Justice	\$33,013	\$33,013	\$0	\$0	\$0
Day Treatment	PON25231900001089	Kentucky Dept. of Juvenile Justice		136,694		198,070	61,376
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	(40,800)				(40,800)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		10,000		10,000	
Federal Highway Planning	1700005044	Kentucky Transportation Cabinet	5,834	5,834			
Federal Highway Planning	1900000307	Kentucky Transportation Cabinet		20,155		24,500	4,345
Fire Training Incentive	155	Kentucky Fire Commission		3,047,881		3,047,881	
Fire Training Administration	155	Kentucky Fire Commission		37,631		7,047	(30,584)
Hazard Mitigation Grant Prog.(HMGP_Plan)	PON20951700001334	Kentucky Emergency Management Agency	5,056	8,563		3,690	183
Hazard Mitigation Grant Prog.(HMGP_Thom)	PON20951700001334	Kentucky Emergency Management Agency		8,351		8,351	
Home Network	2016-2017-PUBLIC-R	Lexington Fayette County Health Dept	(122,379)			122,379	
Home Network	2017-2018-PUBLIC-R	Lexington Fayette County Health Dept	(129,759)	22,870		6,892	(145,737)
Home Network	2018-2019-PUBLIC-R	Lexington Fayette County Health Dept		79,370			(79,370)
Kentucky Fire Commission Training Facility	N/A	Kentucky Fire Commission	(65,000)			57,113	(7,887)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(109,767)			109,704	(63)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		156,910		43,605	(113,305)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management	(3,334)	(3,334)			
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		88,749		86,596	(2,153)
LPS Settlement	N/A	Kentucky Office of the Attorney General	(213,603)		213,603		
Law Enforcement Protection Program	SC-094-1900001258	Kentucky Office Homeland Security				39,423	39,423
Law Enforcement Protection Program (2)	SC-094-1900001294	Kentucky Office Homeland Security				64,378	64,378
Lexington Community Land Trust	PO2-625-1500000828	Kentucky Transportation Cabinet	5,766				5,766
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	1,921			(1,921)	
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	5,331	5,331			
Local Records Grant Project	SY1903LR16	Kentucky Dept. for Libraries & Archives				4,665	4,665
Paula Nye Memorial Education	2016-02	Kentucky Bicycle and Bikeway Commission	(399)			399	
Paula Nye Memorial Education	2017-13	Kentucky Bicycle and Bikeway Commission	(8,363)			8,353	(10)
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	245,344	245,344			
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		3,010,103		3,279,947	269,844
Police Training Administration	N/A	Kentucky Law Enforcement Foundation		37,556		823	(36,733)
SANE3 (Sexual Assault Treatment Project)	VAWA-2017-LFUCG-ST-00531	Kentucky Justice Cabinet	3,600	6,600		3,000	
SANE3 (Sexual Assault Treatment Project)	VAWA-2018-LFUCG-ST-00614	Kentucky Justice Cabinet				2,600	2,600
Senior Citizens	AS-2018-2019	Bluegrass Area Development District		81,334		81,334	
State Homeland Commercial Mobile Radio	PO2 094 1800001186 1	Kentucky Office Homeland Security	29,921	29,921			
State Homeland Commercial Mobile Radio (2)	PO2 094 1800001195 1	Kentucky Office Homeland Security	71,460	80,689		58,789	49,560
State Homeland Commercial Mobile Radio	SC-094-1900000504	Kentucky Office Homeland Security		66,080		66,080	
Waste Tire	PO2-625-1800095883	Kentucky Energy & Environmental Cabinet		4,000		4,000	
Total State Financial Assistance			<u>(\$970,158)</u>	<u>\$7,219,645</u>	<u>\$213,603</u>	<u>\$7,337,698</u>	<u>(\$638,502)</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 **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, 2019

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
ASSETS								
Current Assets:								
Cash	\$2,003,225	\$1,056,029	\$0	\$5,340,212	\$324,118	\$154,640	\$503	\$8,878,727
Investments				1,456,216		16,749		1,472,965
Receivables:								
Other Receivables	53,941	259		161,992	46,850	35,867		298,909
Less Allowance for Uncollectible Accounts						(35,867)		(35,867)
Inventories and Prepaid Expenses				12,867	3,133			16,000
Total Current Assets	<u>2,057,166</u>	<u>1,056,288</u>	<u>0</u>	<u>6,971,287</u>	<u>374,101</u>	<u>171,389</u>	<u>503</u>	<u>10,630,734</u>
Noncurrent Assets:								
Land Improvements		10,000						10,000
Buildings				7,514				7,514
Vehicles, Equipment, and Furniture	107,245	103,481		2,746,570				2,957,296
Intangibles				1,490,573				1,490,573
Less Accumulated Depreciation	(68,067)	(102,595)		(3,766,624)				(3,937,286)
Total Noncurrent Assets	<u>39,178</u>	<u>10,886</u>	<u>0</u>	<u>478,033</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>528,097</u>
Total Assets	<u>\$2,096,344</u>	<u>\$1,067,174</u>	<u>\$0</u>	<u>\$7,449,320</u>	<u>\$374,101</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$11,158,831</u>
Deferred outflows of resources:								
Deferred Pension Amounts	\$160,918	\$406,766	\$0	\$1,132,121	\$0	\$0	\$0	\$1,699,805
Deferred Other Post Employment Benefit Amounts	52,616	132,994		370,111				555,721
Total Deferred Outflows of Resources	<u>213,534</u>	<u>539,760</u>	<u>0</u>	<u>1,502,232</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,255,526</u>
Total Assets & Deferred Outflows of Resources	<u>\$2,309,878</u>	<u>\$1,606,934</u>	<u>\$0</u>	<u>\$8,951,552</u>	<u>\$374,101</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$13,414,357</u>
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	\$2,341	\$39,583	\$0	\$60,702	\$342	\$0	\$0	\$102,968
Accrued Payroll	5,194	35,775		35,984				76,953
Compensated Absences	6,858	1,592		42,121				50,571
Total Current Liabilities	<u>14,393</u>	<u>76,950</u>	<u>0</u>	<u>138,807</u>	<u>342</u>	<u>0</u>	<u>0</u>	<u>230,492</u>
Noncurrent Liabilities:								
Compensated Absences	6,858	51,470		42,121				100,449
Unfunded Other Post Employment Benefit Liability	170,875	428,533		1,176,317				1,775,725
Unfunded Pension Liability	584,597	1,466,099		4,024,423				6,075,119
Total Noncurrent Liabilities	<u>762,330</u>	<u>1,946,102</u>	<u>0</u>	<u>5,242,861</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,951,293</u>
Total Liabilities	<u>\$776,723</u>	<u>\$2,023,052</u>	<u>\$0</u>	<u>\$5,381,668</u>	<u>\$342</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,181,785</u>
Deferred inflows of resources:								
Deferred Pension Amounts	\$46,921	\$117,673	\$0	\$323,011	\$0	\$0	\$0	\$487,605
Deferred Other Post Employment Benefit Amounts	36,953	92,675		254,391				384,019
Total Deferred Inflows of Resources	<u>83,874</u>	<u>210,348</u>	<u>0</u>	<u>577,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>871,624</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$860,597</u>	<u>\$2,233,400</u>	<u>\$0</u>	<u>\$5,959,070</u>	<u>\$342</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,053,409</u>
NET POSITION								
Net Investment in Capital Assets	\$39,178	\$10,887	\$0	\$478,035	\$0	\$0	\$0	\$528,100
Restricted for:								
Capital Projects								
Unrestricted (Deficits)	1,410,103	(637,353)		2,514,447	373,759	171,389	503	3,832,848
Total Net Position	<u>\$1,449,281</u>	<u>(\$626,466)</u>	<u>\$0</u>	<u>\$2,992,482</u>	<u>\$373,759</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$4,360,948</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, 2019

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Operating Revenues								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		2,126,040		4,172,108	498,913			6,797,061
License Fees and Permits	682,221							682,221
Other		62		4,494				4,556
Total Operating Revenues	<u>682,221</u>	<u>2,126,102</u>	<u>0</u>	<u>4,176,602</u>	<u>498,913</u>	<u>0</u>	<u>0</u>	<u>7,483,838</u>
Operating Expenses								
Right of Way	587,152							587,152
Extended School Program		1,917,735						1,917,735
Enhanced 911				4,426,308				4,426,308
CKY Network					421,115			421,115
Administration		231,281						231,281
Depreciation	6,324	3,111		371,095				380,530
Total Operating Expenses	<u>593,476</u>	<u>2,152,127</u>	<u>0</u>	<u>4,797,403</u>	<u>421,115</u>	<u>0</u>	<u>0</u>	<u>7,964,121</u>
Operating Income (Loss)	88,745	(26,025)	0	(620,801)	77,798	0	0	(480,283)
Nonoperating Revenues (Expenses)								
Income on Investments				30,237		427		30,664
Total Nonoperating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,237</u>	<u>0</u>	<u>427</u>	<u>0</u>	<u>30,664</u>
Income (Loss) Before Transfers	88,745	(26,025)	0	(590,564)	77,798	427	0	(449,619)
Transfers In								0
Transfers Out	4,420	11,084		23,083			(1,398,000)	(1,359,413)
Transfer of assets to Component Units								0
Transfer of assets to LexTran								0
Change in Net Position	93,165	(14,941)	0	(567,481)	77,798	427	(1,398,000)	(1,809,032)
Net Position, Beginning	1,356,116	(611,525)	627,876	3,559,963	295,961	170,962	1,398,503	6,797,856
Net Position, Beginning - Restated			(627,876)					(627,876)
Net Position, Ending	<u>\$1,449,281</u>	<u>(\$626,466)</u>	<u>\$0</u>	<u>\$2,992,482</u>	<u>\$373,759</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$4,360,948</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2019

	<u>Right of Way</u>	<u>Extended School Program</u>	<u>Prisoners' Account System</u>	<u>Enhanced 911</u>	<u>CKY Network</u>	<u>Small Business Development</u>	<u>Public Parking Corporation</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents:								
Cash Flows from Operating Activities:								
Receipts from Customers	\$628,280	\$2,128,523	\$0	\$4,275,057	\$482,842	\$0	\$0	\$7,514,702
Payments to Suppliers	(121,573)	(192,661)	(226,529)	(1,069,403)	(420,225)			(2,030,391)
Payments to Employees	(386,278)	(1,508,064)		(2,792,979)				(4,687,321)
Payments for Interfund Services Used	(3,487)	(231,281)		(8,594)				(243,362)
Net Cash Provided by (Used in) Operating Activities	116,942	196,517	(226,529)	404,081	62,617	0	0	553,628
Cash Flows from Noncapital Financing Activities:								
Transfers Out	4,420	11,084		23,083			(1,398,000)	(1,359,413)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	4,420	11,084	0	23,083	0	0	(1,398,000)	(1,359,413)
Cash Flows from Capital and Related Financing Activities:								
Purchases of Capital Assets				(132,725)				(132,725)
Net Cash Flows Used in Capital and Related Financing Activities	0	0	0	(132,725)	0	0	0	(132,725)
Cash Flows Provided by Investing Activities:								
Purchases of Investments				(30,237)		(427)		(30,664)
Income on Investments				30,237		427		30,664
Net Cash Flows Provided by (Used in) Investing Activities	0	0	0	0	0	0	0	0
Net Increase (Decrease)	121,362	207,601	(226,529)	294,439	62,617	0	(1,398,000)	(938,510)
Cash at Beginning of Year	1,881,863	848,428	226,529	5,045,773	261,501	154,640	1,398,503	9,817,237
Cash at End of Year	\$2,003,225	\$1,056,029	\$0	\$5,340,212	\$324,118	\$154,640	\$503	\$8,878,727
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:								
Operating Income (Loss)	\$88,745	(\$26,025)	\$0	(\$620,801)	\$77,798	\$0	\$0	(\$480,283)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	6,324	3,111		371,095				380,530
(Increase) Decrease in Assets:								
Other Receivables	(53,941)	2,421		98,455	(16,071)			30,864
Inventories and Prepaid Expenses	48,152	1,238		33,642	1,307			84,339
(Increase) Decrease in Deferred Outflows:								
Deferred Other Post Employment Benefit Amounts	1,805	3,487		4,526				9,818
Deferred Pension Amounts	67,596	166,319		440,989				674,904
Increase (Decrease) in Liabilities:								
Accounts Payable	(47,989)	25,258	(226,529)	18,665	(417)			(231,012)
Accrued Payroll	628	8,347		(1,652)				7,323
Compensated Absences	(1,394)	(5,234)		10,862				4,234
Unfunded Other Post Employment Benefit Liability	(28,153)	(70,606)		(193,812)				(292,571)
Unfunded Pension Liability	14,867	37,284		102,345				154,496
Increase (Decrease) in Deferred Inflows:								
Deferred Other Post Employment Benefit Amounts	25,918	65,001		178,427				269,346
Deferred Pension Amounts	(5,616)	(14,084)		(38,660)				(58,360)
Total Adjustments	28,197	222,542	(226,529)	1,024,882	(15,181)	0	0	1,033,911
Net Cash Provided by (Used In) Operating Activities	\$116,942	\$196,517	(\$226,529)	\$404,081	\$62,617	\$0	\$0	\$553,628

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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, 2019

	Health, Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$2,006,010	\$30,387,206	\$32,393,216
Due from Other Funds		2,925,415	2,925,415
Receivables	765	26,895	27,660
Inventories and Prepaid Expenses	331,694		331,694
Total Current Assets	\$2,338,469	\$33,339,516	\$35,677,985
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$1,179,099	\$77,367	\$1,256,466
Claims Payable:			
Reported		12,384,245	12,384,245
Incurred But Not Reported	1,159,370	14,364,786	15,524,156
Total Current Liabilities	2,338,469	26,826,398	29,164,867
Total Liabilities	\$2,338,469	\$26,826,398	\$29,164,867
NET POSITION			
Unrestricted	\$0	\$6,513,118	\$6,513,118

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019

	<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>		
Operating Revenues						
Premiums	\$33,085,968	\$2,356,858	\$189,510	\$35,632,336	\$6,838,834	\$42,471,170
Total Operating Revenues	<u>33,085,968</u>	<u>2,356,858</u>	<u>189,510</u>	<u>35,632,336</u>	<u>6,838,834</u>	<u>42,471,170</u>
Operating Expenses						
Claims and Benefit Payments	29,975,564	2,191,999	193,000	32,360,563	9,728,795	42,089,358
Operating Supplies and Expense	3,271,773			3,271,773		3,271,773
Total Operating Expenses	<u>33,247,337</u>	<u>2,191,999</u>	<u>193,000</u>	<u>35,632,336</u>	<u>9,728,795</u>	<u>45,361,131</u>
Operating Income (Loss)	(161,369)	164,859	(3,490)	0	(2,889,961)	(2,889,961)
Change in Net Position	<u>(161,369)</u>	<u>164,859</u>	<u>(3,490)</u>	<u>0</u>	<u>(2,889,961)</u>	<u>(2,889,961)</u>
Net Position, Beginning	<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>
Net Position, Ending	<u><u>\$213,663</u></u>	<u><u>(\$213,525)</u></u>	<u><u>(\$138)</u></u>	<u><u>\$0</u></u>	<u><u>\$6,513,118</u></u>	<u><u>\$6,513,118</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019

	Health, Dental and Vision Care	Insurance and Risk Management	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Employees and Other Sources	\$35,632,336	\$0	\$35,632,336
Receipts from Interfund Services Provided	959	23,114,902	23,115,861
Refunds from/(Payments to) Suppliers	(2,837,493)	4,333	(2,833,160)
Payments for Claims	(32,166,349)	(7,873,504)	(40,039,853)
Net Cash Provided by Operating Activities	<u>629,453</u>	<u>15,245,731</u>	<u>15,875,184</u>
Net Increase in Cash and Cash Equivalents	629,453	15,245,731	15,875,184
Cash at Beginning of Year	<u>1,376,557</u>	<u>15,141,475</u>	<u>16,518,032</u>
Cash at End of Year	<u><u>\$2,006,010</u></u>	<u><u>\$30,387,206</u></u>	<u><u>\$32,393,216</u></u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:			
Operating Income (Loss)	\$0	(\$2,889,961)	(\$2,889,961)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Decrease in Assets:			
Due from Other Funds		16,269,899	16,269,899
Other Receivables	959	6,169	7,128
Inventories and Prepaid Expenses	7,140		7,140
Increase in Liabilities:			
Accounts Payable	427,140	4,333	431,473
Claims Payable	194,214	1,855,291	2,049,505
Total Adjustments	<u>629,453</u>	<u>18,135,692</u>	<u>18,765,145</u>
Net Cash Provided by Operating Activities	<u><u>\$629,453</u></u>	<u><u>\$15,245,731</u></u>	<u><u>\$15,875,184</u></u>

FIDUCIARY FUNDS

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

INVESTMENT TRUST FUND

The **Sanitary Sewer Investment Trust** is an investment trust fund. In fiscal year 2014, the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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 deposited into the Bond Account, which is held by a Trustee.

CUSTODIAL FUNDS

The **Neighborhood Sewer Projects Fund** is a custodial 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.

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.

**Statement of Net Position
Investment Trust Funds
For the Year Ended June 30, 2019**

	<u>Sewer</u>
ASSETS	
Cash and Cash Equivalents	\$28,704,846
Total Assets	<u>\$28,704,846</u>
NET POSITION	
Net position restricted for pool participants	<u>\$28,704,846</u>

STATEMENT OF CHANGES IN NET POSITION
Investment Trust Funds
For the Year Ended June 30, 2019

	Sewer
ADDITIONS	
Contributions:	
Employer	\$10,166,059
Total Contributions	10,166,059
Investment Income:	
Interest	630,076
Total Investment Income	630,076
Less Investment Expense	2,400
Net Investment Income	627,676
Total Additions	10,793,735
DEDUCTIONS	
Benefit Payments	11,359,028
Total Deductions	11,359,028
Net Decrease	(565,293)
Net Position, Beginning	0
Adjustment to Opening Fund Balance (Note 2.D.)	29,270,139
Fund Balances, Beginning - Restated	29,270,139
Net Position, Ending	\$28,704,846

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
 For the Year Ended June 30, 2019

	<u>Domestic Relations Fund</u>	<u>Juvenile and Adult Probation</u>	<u>Neighborhood Sewer Projects Fund</u>	<u>Representative Payee Program</u>	<u>Property & Evidence Fund</u>	<u>Prisoner Account</u>	<u>Total Custodial Funds</u>
ASSETS							
Cash and Cash Equivalents	\$314,226	\$330,433	\$714	\$25,196	\$1,011,518	\$1,010,335	\$2,692,422
Interest Receivable	51						51
Total Assets	<u>\$314,277</u>	<u>\$330,433</u>	<u>\$714</u>	<u>\$25,196</u>	<u>\$1,011,518</u>	<u>\$1,010,335</u>	<u>\$2,692,473</u>
LIABILITIES							
Accounts Payable and Accrued Expenses	\$0	\$0	\$0	\$1,994	\$0	\$246,149	\$248,143
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,994</u>	<u>\$0</u>	<u>\$246,149</u>	<u>\$248,143</u>
NET POSITION							
Individuals, organizations, and Other Governments	<u>\$314,277</u>	<u>\$330,433</u>	<u>\$714</u>	<u>\$23,202</u>	<u>\$1,011,518</u>	<u>\$764,186</u>	<u>\$2,444,330</u>

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
For the Year Ended June 30, 2019

	<u>Domestic Relations Fund</u>	<u>Juvenile and Adult Probation</u>	<u>Neighborhood Sewer Projects Fund</u>	<u>Representative Payee Program</u>	<u>Property & Evidence Fund</u>	<u>Prisoner Account</u>	<u>Total Custodial Funds</u>
ADDITIONS							
Contributions:							
Plan Members	\$40,857	\$157,161	\$0	\$0	\$333,365	\$2,827,879	\$3,359,262
Other Governments				247,166		406,039	653,205
Total Contributions	<u>40,857</u>	<u>157,161</u>	<u>0</u>	<u>247,166</u>	<u>333,365</u>	<u>3,233,918</u>	<u>4,012,467</u>
Total Additions	<u>40,857</u>	<u>157,161</u>	<u>0</u>	<u>247,166</u>	<u>333,365</u>	<u>3,233,918</u>	<u>4,012,467</u>
DEDUCTIONS							
Benefit Payments	40,857	147,951		300,218	352,938	6,702	848,666
Administrative Expense						3,090,907	3,090,907
Total Deductions	<u>40,857</u>	<u>147,951</u>	<u>0</u>	<u>300,218</u>	<u>352,938</u>	<u>3,097,609</u>	<u>3,939,573</u>
Net Increase (Decrease)	0	9,210	0	(53,052)	(19,573)	136,309	72,894
Net Position, Beginning			714				714
Adjustment to Opening Fund Balance (Note 2.D.)	314,277	321,223		76,254	1,031,091	627,877	2,370,722
Fund Balances, Beginning - Restated	<u>314,277</u>	<u>321,223</u>	<u>714</u>	<u>76,254</u>	<u>1,031,091</u>	<u>627,877</u>	<u>2,371,436</u>
Net Position, Ending	<u>\$314,277</u>	<u>\$330,433</u>	<u>\$714</u>	<u>\$23,202</u>	<u>\$1,011,518</u>	<u>\$764,186</u>	<u>\$2,444,330</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.

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

	June 30, 2019			
	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Total Nonmajor Component Units
ASSETS				
Cash	\$12,095,657	\$8,440,510	\$732,723	\$21,268,890
Investments		5,031,034		5,031,034
Receivables:				
Accounts Receivable	435,084		157,262	592,346
Other	101,272	24,906		126,178
Due from Primary Government			1,474,552	1,474,552
Due from Other Governments	4,127,370			4,127,370
Inventories and Prepaid Expenses	673,623	123,493	149,749	946,865
Restricted Current Assets:				
Cash	1,154,162	161,472	763	1,316,397
Investments		368,722	3,351,090	3,719,812
Capital Assets:				
Non-depreciable	4,578,833	5,051,757	22,602	9,653,192
Depreciable (Net)	34,032,366	19,682,003	1,949,337	55,663,706
Other Assets	8,355,000			8,355,000
Total Assets	\$65,553,367	\$38,883,897	\$7,838,078	\$112,275,342
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Amounts	\$2,322,983	\$3,298,452	\$1,206,632	\$6,828,067
Deferred Other Post Employment Benefit Amounts on pension plan investments		1,128,018	388,357	1,516,375
Deferred Amount on Note Payable			3,372,502	3,372,502
Total Deferred Outflows of Resources	2,322,983	4,426,470	4,967,491	11,716,944
Total Assets and Deferred Outflows of Resources	\$67,876,350	\$43,310,367	\$12,805,569	\$123,992,286
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$1,009,733	\$1,328,603	\$306,226	\$2,644,562
Interest Payable		138		138
Unearned Revenue and Other		501	763	1,264
Non-Current Liabilities:				
Due Within One Year:				
Compensated Absences	148,821		98,648	247,469
Bonds and Notes Payable	939,334	347,768	747,502	2,034,604
Due in More Than One Year:				
Compensated Absences	335,596			335,596
Bonds and Notes Payable	17,578,078	8,300,490	2,625,000	28,503,568
Unfunded Other Post Retirement Benefit Liability		3,914,916	1,039,881	4,954,797
Unfunded Pension Liability	1,102,712	13,429,548	3,567,213	18,099,473
Total Liabilities	\$21,114,274	\$27,321,964	\$8,385,233	\$56,821,471
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	\$1,808,400	\$1,196,111	\$260,867	\$3,265,378
Deferred Other Post Employment Benefit Amounts		769,894	197,178	967,072
Total Deferred Inflows of Resources	1,808,400	1,966,005	458,045	4,232,450
Total Liabilities and Deferred Inflows of Resources	\$22,922,674	\$29,287,969	\$8,843,278	\$61,053,921
NET POSITION				
Net Investment in Capital Assets	\$21,247,949	\$16,085,502	\$1,971,940	\$39,305,391
Restricted for:				
Governmental and Program Funds		497,037		497,037
Unrestricted	23,705,727	(2,560,141)	1,990,351	23,135,937
Total Net Position	\$44,953,676	\$14,022,398	\$3,962,291	\$62,938,365

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Total Nonmajor Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	
Lexington Transit Authority								
Transit Operations	\$25,376,939	\$4,124,564	\$4,756,824	\$179,730	(\$16,315,821)			(\$16,315,821)
Depreciation	3,576,752				(3,576,752)			(3,576,752)
Interest on Long-Term Debt	190,412				(190,412)			(190,412)
Total Lexington Transit Authority	<u>29,144,103</u>	<u>4,124,564</u>	<u>4,756,824</u>	<u>179,730</u>				<u>(20,082,985)</u>
Lexington Public Library								
Library Operations	16,012,414	553,367	656,169	105,000		(\$14,697,878)		(14,697,878)
Depreciation	1,546,216					(1,546,216)		(1,546,216)
Interest on Long-Term Debt	361,227					(361,227)		(361,227)
Total Lexington Public Library	<u>17,919,857</u>	<u>553,367</u>	<u>656,169</u>	<u>105,000</u>				<u>(16,605,321)</u>
Lexington Convention and Visitors Bureau								
Convention and Tourism Operations	8,462,966		325,437				(\$8,137,529)	(8,137,529)
Depreciation	289,866						(289,866)	(289,866)
Total Lexington Convention and Visitors Bureau	<u>8,752,832</u>	<u>0</u>	<u>325,437</u>	<u>0</u>				<u>(8,427,395)</u>
Total Nonmajor Component Units	<u>\$55,816,792</u>	<u>\$4,677,931</u>	<u>\$5,738,430</u>	<u>\$284,730</u>	<u>(\$20,082,985)</u>	<u>(\$16,605,321)</u>	<u>(\$8,427,395)</u>	<u>(\$45,115,701)</u>
General Revenues:								
Taxes					\$18,797,657	\$16,577,574	\$7,821,671	\$43,196,902
Income on Investments						183,074	17,057	200,131
Miscellaneous					(856,446)	95,862	84,294	(676,290)
Total General Revenues					<u>17,941,211</u>	<u>16,856,510</u>	<u>7,923,022</u>	<u>42,720,743</u>
Change in Net Position					<u>(2,141,774)</u>	<u>251,189</u>	<u>(504,373)</u>	<u>(2,394,958)</u>
Net Position, Beginning					<u>47,095,450</u>	<u>13,771,209</u>	<u>4,466,664</u>	<u>65,333,323</u>
Net Position, Ending					<u>\$44,953,676</u>	<u>\$14,022,398</u>	<u>\$3,962,291</u>	<u>\$62,938,365</u>

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STATISTICAL SECTION

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

Financial Trends: Tables 1 – 6

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

Revenue Capacity: Tables 7 – 12

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

Debt Capacity: Tables 13 – 17

These schedules present information to help the reader assess the affordability of the Government's current level of outstanding debt and 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$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	\$667,270,316
Restricted	(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	67,240,794
Unrestricted (Deficit)		(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)	(403,166,799)	(741,550,665)	(766,027,807)
Total governmental activities net position	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	(31,516,697)
Business-type Activities										
Net Investment in Capital Assets	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	275,607,655
Restricted	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	15,450,619
Unrestricted (Deficit)	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	54,867,555
Total business-type activities net position	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	345,925,829
Primary Government										
Net Investment in Capital Assets	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	942,877,971
Restricted	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	82,691,413
Unrestricted (Deficit)	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) **	(711,160,252)
Total primary government net position	\$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	\$314,409,132

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

** In 2018, the Government implemented GASB Statement No. 74 which revised the reporting for its liability related to other paid employee benefits (OPEB).

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
Administrative Services	\$1,299,382	\$1,386,040	\$21,143,480	\$11,761,053	\$5,342,699	\$7,433,487	\$7,800,854	\$9,578,189	\$10,332,453	\$10,124,062
Chief Development Officer			470,018	620,665	192,555	513,854	2,074,348	207,793	263,297	1,207,709
Community Corrections	30,894,261	31,104,781	31,286,365	32,631,937	34,000,937	30,066,104	30,814,432	33,771,433	40,748,826	42,468,842
Environmental Quality	21,516,034	23,500,067								
Environmental Quality & Public Works			80,559,723	83,878,537	45,339,718	54,933,912	60,134,890	61,270,031	65,541,170	64,882,901
Finance	24,047,223	28,515,655	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165	49,393,398	36,669,013	36,311,239
Fire & Emergency Services	63,116,000	67,106,441	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053	84,838,719	92,898,310	89,329,598
General Government	22,726,537	24,197,239	22,985,046	23,692,990	26,973,537	25,480,664	30,180,917	45,598,791	24,040,021	45,808,696
General Services**	14,629,238	14,242,698	10,041,709	10,898,533	10,551,162	11,827,132	12,486,401	22,964,722	13,442,525	12,376,066
Health, Dental and Vision Insurance	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	28,505,869
Information Technology**	9,161,677	9,713,226		6,983,029	8,401,242	8,401,242	9,464,131	11,174,379	11,011,888	12,247,559
Law	9,301,249	10,227,268	3,497,483	4,006,240	3,811,867	2,650,481	2,109,025	5,652,482	2,602,304	2,886,923
Parks & Recreation	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	24,799,178
Planning, Preservation, & Development*				3,767,295	47,343,980	42,415,735	53,776,224	45,359,659	46,217,442	46,408,689
Police	70,694,372	71,714,415	68,164,371	69,945,322	69,822,219	56,418,416	64,145,155	74,436,600	94,799,943	87,225,335
Public Safety**	11,259,687	11,162,765	13,042,036	14,666,437	10,776,283	12,593,479	12,560,199	14,759,631	14,913,489	14,632,438
Public Works	61,841,096	63,671,436								
Social Services	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	15,086,794
Interest on Long-Term Debt	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	16,044,874
Total governmental activities	408,047,873	434,166,244	405,175,480	401,365,596	413,673,193	391,551,819	460,655,438	537,647,840	534,867,022	550,346,772
Business-type Activities:										
Sanitary Sewer System	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	63,106,251
Public Facilities	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	6,915,288
Public Parking	927,900	906,926	847,894	84,866	265,226	66,994	66,987	1,965,274		
Landfill	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	4,799,382
Right of Way	313,383	312,770	298,896	284,470	308,683	280,214	336,415	493,872	529,580	593,476
Extended School Program	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	2,152,127
Prisoners' Account System	1,421,523	1,287,139	1,373,473	1,393,543	1,844,393	1,253,423	1,716,855	3,002,164	2,930,224	
Enhanced 911	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	4,797,403
CKY Network	57,644	84,242	29,307	10,668	450,919	1,307,829	879,328	412,763	266,242	421,115
Water Quality	4,528,403	6,280,081	9,182,669	8,308,501	9,139,302	8,618,921	11,290,945	12,062,937	13,618,632	13,628,042
Total Business-Type Activities	72,241,187	73,957,704	72,773,734	67,744,654	74,990,804	70,580,846	79,903,243	86,838,220	89,659,549	96,413,084
Total Primary Government	\$480,289,060	\$508,123,948	\$477,949,214	\$469,110,250	\$488,663,997	\$462,132,665	\$540,558,681	\$624,486,060	\$624,526,571	\$646,759,856

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Program Revenues										
Governmental Activities:										
Administrative Services	\$0	\$1,000	\$1,603,453	\$559,050	\$367,363	\$351,158	\$498,615	\$769,505	\$2,123,003	\$395,756
Chief Development Officer					6,281	76,504	2,500	6,569	9,159	40,428
Community Corrections	6,319,484	7,429,351	7,707,225	8,286,565	9,161,315	8,574,892	9,330,723	9,263,554	9,309,583	10,424,478
Environmental Quality	1,850,487	2,406,997								
Environmental Quality & Public Works			2,912,917	2,757,405	2,681,977	3,140,243	2,485,454	3,113,988	3,005,644	3,180,175
Finance	3,807,077	3,145,043	2,511,142	2,413,363	3,358,781	1,912,603	472,126	55,401	462,509	459,930
Fire & Emergency Services	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	8,178,353
General Government	13,541,123	15,644,382	15,086,369	23,141,015	17,046,255	19,035,778	19,035,469	18,642,898	19,438,510	21,877,626
General Services**	113,498	97,898	63,132	28,827	4,155	97,971	18,346	1,700	16,548	4,139
Health, Dental, and Vision	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	28,505,869
Information Technology**	14,368	20,876			4,271	3,821	3,096	981	213	3,376
Law	34,444	18,217	35,293	36,944	49,006	15,013	31,416	17,700	1,087	2,638
Parks & Recreation	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	4,483,856
Planning, Preservation, & Development*				240,168	2,245,228	2,709,381	3,114,354	3,119,969	3,134,064	3,100,837
Police	2,007,988	2,402,840	1,528,342	1,942,297	2,039,209	1,640,754	1,513,686	1,717,739	2,068,459	1,987,333
Public Safety**	445,029	329,460	2,045,401	1,857,059	64,898	247,994	69,522	73,187	69,023	73,867
Public Works	5,770,608	4,088,338								
Social Services	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	2,129,603
Operating Grants & Contributions	20,192,672	13,849,522	14,139,426	13,065,758	15,108,425	15,087,470	13,383,964	13,146,822	10,617,000	11,596,202
Capital Grants & Contributions	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	5,188,577
Total Governmental Activities	104,974,788	105,547,184	96,078,664	98,573,466	98,840,995	100,429,782	96,193,389	95,431,225	96,743,087	101,633,043
Business-Type Activities:										
Charges for Services										
Sanitary Sewer System	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	75,961,739
Public Facilities	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	5,949,941
Public Parking	1,203,102	859,874	977,414	4,560			705			
Landfill	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	7,173,603
Right of Way	479,012	483,196	419,676	392,466	520,812	475,126	495,490	703,959	656,344	682,221
Extended School Program	2,097,145	2,038,391	2,338,243	2,379,751	2,202,171	2,229,896	2,289,089	1,904,620	2,060,463	2,126,102
Prisoners' Account System	1,915,910	1,121,799	1,524,127	1,619,626	2,372,285	1,227,415	1,621,110	3,146,187	3,165,206	
Enhanced 911	4,069,027	3,749,409	3,999,658	3,517,634	4,273,106	3,810,087	4,126,861	4,429,699	4,542,449	4,176,602
CKY Network	91,090	140,699	51,798	25,738	111,576	1,269,890	815,110	400,735	319,414	498,913
Water Quality	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	14,784,064
Total Business-Type Activities	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	111,353,185
Total Primary Government	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	212,986,228
Net (Expense)/Revenue										
Governmental Activities	(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)	(448,713,729)
Business-Type Activities	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	14,940,101
Total Primary Government	(297,761,284)	(319,414,536)	(298,836,052)	(284,697,139)	(303,302,696)	(273,723,201)	(348,921,802)	(426,650,005)	(425,332,623)	(433,773,628)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	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	64,573,949
Licenses and Permits	215,196,838	224,399,866	230,580,201	238,924,158	248,271,270	265,596,253	275,539,490	288,771,661	304,625,553	303,562,887
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	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	3,352,871
Income on Investments	300,149	129,839	589,967	(509,890)	263,242	1,941,282	1,341,333	602,208	1,029,385	2,733,373
Sale of Assets	(45,882)	2,300,242	311,259	283,406		1,941,282	413,379	1,144,379	149,226	421,745
Transfers	1,737,854	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,546)	(313,102)	1,210,302	(800,072)	564,725
Total Governmental Activities	270,582,937	282,803,509	286,167,661	293,364,435	304,431,384	324,496,198	341,750,628	351,520,132	369,027,899	375,209,550
Business-Type Activities:										
Income on Investments	96,285	540,692	1,029,866	(215,314)	1,021,558	(604,800)	547,366	159,737	962,755	1,730,075
Sale of Assets	(401,697)	39,149	7,824			10,168		536,905	28,641	19,254
Transfers	(1,737,854)	(1,249,888)	346,507	(11,902,981)	871,447	2,546	313,102	(1,210,302)	800,072	(564,725)
Total Business-Type Activities	(2,043,266)	(670,047)	1,384,197	(12,118,295)	1,893,005	(592,086)	860,468	(513,660)	1,791,468	1,184,604
Total Primary Government	268,539,671	282,133,462	287,551,858	281,246,140	306,324,389	323,904,112	342,611,096	351,006,477	370,819,367	376,394,154
Change in Net Position										
Governmental activities	(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)	(73,504,179)
Business-type activities	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	16,124,705
Prior Period Adjustment - Government Activities	(12,655,128)	225,143		(1,548,751)	(541,157)	(309,138,212)	1,743,623	(166,283)	(296,037,183)	(4,291,473)
Prior Period Adjustment-Business-Type Activities		(5,214,453)		378,175		(17,074,699)	(690,596)		(8,215,642)	(31,421,064)
Total Primary Government	(\$41,876,741)	(\$42,270,384)	(\$11,284,194)	(\$4,621,575)	\$2,480,536	(\$276,032,000)	(\$5,257,679)	(\$75,809,811)	(\$358,766,081)	(\$93,092,011)

*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 3

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$12,019,893	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved										
Designated for Economic Contingency	14,470,569									
Designated for Payroll	2,923,169									
Undesignated	2,106,483									
Nonspendable		1,493,737	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194	2,343,585	2,480,783	2,290,430
Restricted for:										
Public Safety						198,175	397,688	602,807	812,350	1,026,212
Energy Improvement Projects				408,227	636,874	552,989	552,011	676,218	595,075	628,995
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	4,228,784
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	35,345,181
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	2,318,361
General Government			11,583,075	10,325,000	12,700,000	14,500,000	21,200,000	14,000,000	15,400,000	16,145,000
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	5,931,602
Total	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	67,914,565
Urban Services										
Reserved	8,842,245									
Designated for Payroll	154,622									
Undesignated	16,986,960									
Nonspendable		4,031	604	175	11,112	2,735	2,603	22,900	62,543	94,468
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	25,745,424
Energy Improvement Projects				10,383	13,314	2,930	2,930	5,860	11,720	2,930
Total	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	25,842,822
All Other Governmental Funds										
Reserved	12,702,665									
Undesignated, 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	8,233,228
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	1,429,926
Special Revenue Funds	13,742,070									
Capital Projects	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	43,874,848
Grants Projects	116,485	546,461	1,262,100	1,262,100	1,262,100	210,880	232,138	241,043	250,200	259,010
Committed for:										
General Government		410,544	447,605							
Assigned to:										
General Government				445,690	1,721,084	1,327,774	720,741	457,767	390,941	244,977
Unassigned		(974,484)	(370,103)				(82,433)		(36,392)	
Total	\$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	\$54,041,989

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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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Licenses and Permits	\$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	\$310,116,817
Taxes	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	64,573,949
Charges for Services	21,182,005	24,158,224	26,262,822	26,365,849	26,797,087	28,036,635	29,175,200	27,222,202	27,327,074	29,687,509
Fines and Forfeitures	268,459	220,449	176,319	311,930	258,112	235,626	222,201	234,820	185,061	231,863
Intergovernmental	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	29,163,862
Exactions	601,993	96,613	129,603	532,410	486,643	2,074,477	317,370	514,337	148,447	243,198
Grant Match	2,619,353									
Property Sales	499,119	2,681,463	453,540	462,570	181,052	529,770	585,626	1,766,593	332,635	542,862
Income on Investments	300,149	129,839	589,902	(509,785)	263,298	1,941,301	1,341,478	602,208	1,029,385	2,733,373
Other	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	5,953,044
Total Revenues	347,278,343	351,272,328	354,826,290	360,218,020	378,594,310	399,669,714	412,402,881	417,661,425	435,424,305	443,246,477
Expenditures										
Administrative Services	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	9,524,646
Chief Development Officer			458,932	613,743	190,339	537,986	1,107,841	963,105	1,322,146	1,305,739
Environmental Quality	20,398,457	22,544,214								
Environmental Quality & Public Works			36,315,403	37,037,311	36,407,046	40,387,589	42,819,684	43,305,223	46,744,561	47,066,717
Finance	11,979,265	9,271,854	5,405,089	5,115,502	5,020,225	5,225,806	5,536,971	5,977,862	6,004,097	5,872,974
General Government	6,962,873	7,382,550	5,059,177	5,647,407	5,678,539	6,306,980	6,542,424	6,556,907	6,354,511	7,962,989
General Services**	26,370,443	25,763,110	24,095,490	26,517,790	24,348,481	26,139,238	29,278,819	30,038,997	30,457,511	30,817,638
Information Technology**	10,287,205	8,450,628			6,018,607	7,513,809	9,187,214	9,964,616	13,127,259	12,010,209
Law	9,327,861	10,237,207	3,571,448	3,994,327	4,035,393	2,844,757	2,275,312	10,462,417	2,590,350	2,904,061
Outside Agencies	18,123,297	19,244,315	20,571,727	20,260,096	24,739,506	23,623,807	28,736,538	22,958,277	23,470,932	25,103,810
Planning, Preservation, & Development*					3,659,901	8,670,017	10,436,351	12,486,736	14,614,512	13,339,484
Public Safety**	191,233,566	160,552,216	193,328,465	172,413,558	173,507,393	177,216,505	186,290,364	209,591,012	211,574,153	216,669,362
Public Works	22,514,826	21,858,996								
Social Services	9,615,423	8,402,054	7,804,749	8,222,664	8,196,041	8,422,005	9,190,567	10,296,721	10,852,548	11,188,437
Debt Service:										
Principal	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	29,245,000
Interest and Other	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	16,167,674
Capital	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	61,177,621
Total Expenditures	434,492,756	377,664,929	377,401,672	353,153,928	386,234,545	400,586,967	448,310,292	505,606,546	462,490,008	490,356,361
Excess (Deficiency) of Revenues over (under) Expenditures	(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)	(47,109,884)
Other Financing Sources (Uses)										
Transfers In	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	11,979,061
Transfers Out	(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)	(11,141,975)
Debt Proceeds (net of bond refunding)	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	42,055,000
Premium (Discount) on Bonds Issued	(7,130,168)	(4,580,255)	(6,014,921)	(4,549,025)	(60,617,275)	(19,150,513)	3,362,960	(27,626,773)	(15,467,353)	2,804,065
Total Other Financing Sources (Uses)	114,122,686	15,210,279	30,869,623	16,031,851	16,878,261	30,847,313	59,242,087	42,431,770	39,016,090	45,696,151
Net Change in Fund Balances	\$26,908,273	(\$11,182,322)	\$8,294,241	\$23,095,943	\$9,238,026	\$29,930,060	\$23,334,676	(\$45,513,351)	\$11,950,387	(\$1,413,733)
Debt Service as a Percentage of Noncapital Expenditures*	9.5%	10.2%	8.7%	9.1%	10.1%	9.1%	9.0%	7.8%	9.9%	9.4%

*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.

TABLE 5

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Licenses and Permits	\$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	\$308,462,028
Taxes	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	25,221,927
Charges for Services	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	28,196,399
Fines and Forfeitures	262,040	215,493	170,001	309,442	257,039	234,615	220,612	234,363	184,729	230,914
Intergovernmental	1,156,085	2,441,417	1,942,553	1,978,891	1,720,761	797,537	858,600	546,939	775,621	975,875
Property Sales	473,784	1,985,318	152,194	137,719	56,688	318,536	205,560	1,265,147	248,629	236,248
Income on Investments	62,901	(2,381)	390,823	(556,777)	432,454	1,564,895	775,012	339,889	556,641	1,604,513
Other	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	4,981,187
Total Revenues	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	369,909,091
Expenditures and Other										
Financing Sources (Uses)										
Administrative Services	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	7,773,340
Chief Development Officer			158,932	163,743	182,074	267,683	1,001,763	845,523	1,288,532	1,305,739
Environmental Quality	3,217	6,407								
Environmental Quality & Public Works			8,380,410	8,103,750	7,366,215	9,814,924	11,746,025	11,730,796	12,369,277	11,441,398
Finance	8,297,391	7,936,589	5,387,968	5,101,158	5,022,088	5,350,469	5,494,593	5,909,131	5,938,150	5,875,301
General Government	3,206,859	3,872,271	1,700,098	3,476,730	3,664,554	4,109,338	4,265,335	4,333,737	3,444,293	5,124,053
General Services**	26,464,121	25,414,155	24,165,031	26,774,613	29,847,860	27,906,695	31,355,145	31,546,178	30,722,576	28,716,761
Information Technology**	7,366,977	7,820,811			6,018,605	8,213,083	8,887,236	10,471,207	10,804,309	10,738,780
Law	8,601,967	9,607,308	3,494,863	3,926,008	3,974,171	2,315,205	2,182,164	10,186,108	2,454,494	2,548,860
Outside Agencies	16,786,200	16,935,373	17,206,291	17,121,904	18,935,337	19,540,759	20,264,359	20,528,503	20,987,191	22,289,443
Planning, Preservation, & Development*				2,738,011	7,742,329	9,540,472	11,872,258	13,588,891	13,399,720	12,365,983
Public Safety**	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	207,963,308
Public Works	18,296,963	16,628,445								
Social Services	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	9,067,801
Debt Service	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	44,051,251
Other Financing (Sources) Uses	(40,465,809)	(3,207,654)	(37,031,128)	2,332,547	2,541,672	643,862	1,181,014	694,993	366,171	(2,874,377)
Financing Sources (Uses)	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	366,387,641
Net Change in Fund Balance	(\$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	\$3,521,450

*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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Sewer Service Charges	\$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	\$61,524,855
Sewer Tap on Fees	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	2,119,925
Exactions	287,677	885,730	150,120	4,002,945	801,569	426,085	411,513	294,332	329,120	273,763
Other Income	448,880	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145	912,835	82,988	12,257,683
Total Revenues	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	76,534,529
Operating Expenses										
Treatment Plant	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	7,745,135
Collection System	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	2,467,916
Administration	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	37,748,088
Depreciation	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	12,517,562
Total Operating Expenses	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	60,478,701
Operating Income	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	16,055,828
Net Nonoperating Revenues/(Expenses)	(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)	(1,444,433)
Transfers In		3,010,299	422,187	1,208,935	88,369,088	6,230			150,000	172,823,976
Transfers Out	(394,869)	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)	(185,026)	56,435	(172,680,119)
Net Income/Change in Net Position	\$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	\$14,755,252

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

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)
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
2019	17,859,282	752,367	8,789,535	1,889	5,810,802		33,213,875		33,213,875	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
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%	1,551,084	54,623,226	99.7%
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%
2019	63,891,892	62,113,756	97.2%		62,113,756	97.2%

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
	General	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	
		Refuse	Street Lights	Street Cleaning								
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
2019	0.0800	0.1426	0.0210	0.0097	0.2533	0.8100	0.1220	0.0035	0.0006	0.0280	0.0600	1.2774

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	2019			2011		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Hap Property Owner, LP	\$139,500,000	1	0.46%	\$0		
Fayette Mall SPE LLC	138,573,200	2	0.45%	117,000,000	1	0.43%
Fritz Farm Retail Company LLC	86,260,000	3	0.28%			
Passco Fritz Farm Mngr LLC TTEE	64,157,000	4	0.21%			
Fayette Middle Anchor LLC	63,000,000	5	0.21%			
Healthsouth Kentucky Real Estate	56,446,100	6	0.18%			
Newtown Crossing II LLC	53,000,000	7	0.17%			
War Admiral Place	54,662,000	8	0.18%			
Strata Racquet LLC	51,500,000	9	0.17%			
Sir Forty 57 LLC	50,000,000	10	0.16%			
Fourth Quarter Properties*				94,605,300	2	0.35%
Lexmark International Inc.				55,806,600	3	0.20%
Weingarten Realty Inc.				48,274,200	4	0.18%
War Admiral Place				44,970,900	5	0.16%
Fayette Plaza CMBS LLC				40,000,000	6	0.15%
Ball Realty Inc.				38,488,100	7	0.14%
Diamondrock Griffin				35,950,000	8	0.13%
Meijer Stores, Ltd				33,573,600	9	0.12%
Mid American Apts LLC				32,700,000	10	0.12%
Total	<u>\$757,098,300</u>		<u>2.47%</u>	<u>\$541,368,700</u>		<u>1.98%</u>

*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 Rate	Fayette County School	Total
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%
2019	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	2019 Rank	2011 Rank
University of Kentucky	1	1
Fayette County Board of Education	2	3
Baptist Healthcare	3	7
Lexmark International	4	2
Lexington-Fayette Urban County Government	5	4
St. Joseph Hospital	6	6
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	7	5
Amazon.com	8	
Valvoline International, Inc.	9	
Lexington Clinic	10	9
L3 Communications		8
Ashland, Inc.		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	QECCB Bond	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable			
2010	\$308,355,000	\$0	\$0	\$8,000,000	\$64,565,000	\$63,890,000	\$0	\$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	3.5%	1,699
2018	386,251,016	2,795,000 **			30,129,000	46,578,000	120,023,000	585,776,016	3.6%	1,809
2019	399,625,856	2,795,000 **			30,129,000	43,965,000	522,444,000	998,958,856	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 2019 not available at time of publication.
Population data for 2019 not available at time of publication.

* Updated in 2017

** Moved the Qualified Energy Conservation Bond (QECCB) 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
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	322,636,652 ***	1.09%	1,025 *
2016	359,049,549 ***	1.24%	1,127
2017	378,407,126 ***	1.24%	1,174
2018	389,046,016 ***	1.21%	1,202
2019	402,420,856 ***	1.21%	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 2019 not available at time of publication.

***Updated formual to include QECB bond on Table 13

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, 2019

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Mortgage Revenue Bonds, Series 2018	\$110,855,000	4.37%	\$4,844,334
Mortgage Revenue Bonds, Series 2018A	83,605,000	4.37%	3,653,517
Mortgage Revenue Bonds, Series 2018B	13,460,000	4.37%	588,198
Lexington Public Library			
Variable Rate, Revenue Bonds Series 2014A	709,583	2.37%	16,814
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue, and Refunding Bond 2009A (non-AMT)	2,300,000	5.18%	119,058
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	5.18%	279,528
Fixed Rate General Airport, Revenue, and Refunding Bond 2012A (AMT)	6,770,000	5.18%	350,446
Fixed Rate General Airport, Revenue, and Refunding Bond 2012B (non-AMT)	11,230,000	5.18%	581,315
Fixed Rate General Airport, Revenue, and Refunding Bond 2016A (non-AMT)	4,450,000	5.18%	230,352
Fixed Rate General Airport, Revenue, and Refunding Bond 2016B (AMT)	4,500,000	5.18%	232,940
Fixed Rate General Airport, Revenue, and Refunding Bond 2016C (Fed Taxable)	36,525,000	5.18%	1,890,698
Fixed Rate General Airport, Revenue, and Refunding Bond 2016D (non-AMT)	5,345,000	5.18%	276,681
Fixed Rate General Airport, Revenue, and Refunding Bond 2016E (AMT)	4,250,000	5.18%	219,999
Fayette County School & Kentucky School Commission Bonds	431,275,134	100.00%	431,275,134
Subtotal, Overlapping Debt			<u>444,559,014</u>
LFUCG, Direct Debt			<u>402,420,856</u>
Total Direct and Overlapping Indebtedness			<u><u>\$846,979,870</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed Value	\$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	\$32,177,070
Debt limit (10% of Assessed Value)	\$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	\$3,217,707
Total net debt applicable to limit	171,510	108,710	203,817	194,414	200,820	171,917	162,861	184,801	183,990	362,029
Legal debt margin	\$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	\$2,855,678
Total net debt applicable to the limit as a percentage of debt limit	6.32%	3.99%	7.41%	6.95%	7.08%	5.80%	5.64%	6.04%	5.72%	11.25%

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

TABLE 17

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

Fiscal Year	Sanitary Sewer System						Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2010	\$47,446	\$31,774	\$15,672	\$4,040	\$1,849	2.66	\$6,431	\$2,670	\$3,761	\$2,643	\$2,661	0.71
2011	49,383	32,198	17,185	4,510	2,608	2.41	7,159	2,789	4,370	1,900	2,570	0.98
2012	48,023	30,140	17,883	11,117	3,181	1.25	7,157	2,697	4,460	1,970	2,495	1.00
2013	52,769	28,839	23,930	3,413	2,400	4.12	5,830	2,305	3,525	2,050	2,416	0.79
2014	51,542	33,170	18,372	3,505	2,348	3.14	6,376	2,111	4,265	2,130	2,334	0.96
2015	51,440	31,626	19,814	2,067	1,917	4.97	6,406	2,436	3,970	2,215	2,247	0.89
2016	58,234	32,694	25,540	3,094	2,536	4.54	6,988	2,708	4,280	2,310	2,646	0.86
2017	63,289	35,664	27,625	3,688	2,644	4.36	7,305	2,625	4,680	2,405	2,274	1.00
2018	64,355	38,253	26,102	5,220	3,039	3.16	6,149	2,960	3,189	2,055	1,875	0.81
2019	77,698	47,961	29,737	7,922	2,673	2.81	5,956	2,158	3,798	2,165	1,673	0.99

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2010	\$1,203	\$539	\$664	\$750	\$36	0.84	\$0	\$0	\$0	0.00
2011	861	600	261							
2012	978	540	438							
2013	5	4	1							
2014										
2015										
2016	1		1							
2017										
2018										
2019										

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force			
				Employed	Unemployed	Unemployment Rate	
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	322,193	** 15,602,893	** 48,427	** 167,944	6,360	3.6%	*
2018	323,780	** 16,247,217	** 50,180	** 169,048	5,801	3.3%	
2019	na	na	na	na	na	na	

* Updated in 2018

** Updated in 2019

Note:

Population, Personal Income and Per Capita Personal Income data for 2019 not available at time of publication.

Employed, Unemployed and Unemployment Rate date for 2019 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	2019			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	12,800	1	7.57%	12,278	1	7.99%
Fayette County Public Schools	6,181	2	3.66%	5,500	2	3.58%
Lexington-Fayette Urban County Government	2,945	3	1.74%	3,300	4	2.15%
Amazon.com	2,700	4	1.60%			
Conduent	2,500	5	1.48%			
Veterans Medical Center	2,086	6	1.23%			
Baptist Healthcare	1,852	7	1.10%	2,496	7	1.62%
KentuckyOne Health	1,847	8	1.09%			
Lemark International	1,600	9	0.95%	3,000	5	1.95%
Lockheed Martin	1,100	10	0.65%	1,800	9	1.17%
St.Joseph Hospital				3,500	3	2.28%
ACS a Zerox Company				2,700	6	1.76%
Wal-Mart				2,027	8	1.32%
Kroger				1,655	10	1.08%
	<u>35,611</u>		<u>21.07%</u>	<u>38,256</u>		<u>24.90%</u>

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	229	142,233
2009 *	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	24	137,332
2010 *	6,491	21,983	8,226	5,711	19,930	12,632	1,881	5,444	25,106	33,256	54	140,714
2011 *	6,790	23,640	8,266	5,680	19,495	11,962	2,088	5,383	25,988	33,620	40	142,952
2012 *	6,733	24,230	8,000	5,396	20,318	12,226	2,010	5,347	27,515	34,619	61	146,455
2013 *	7,144	23,727	7,875	5,030	21,186	12,214	1,906	5,303	32,376	35,860	101	152,722
2014 *	7,545	23,527	7,638	5,218	22,346	12,229	2,000	4,926	30,600	37,218	43	153,290
2015 *	8,742	24,995	7,734	4,891	23,556	12,244	1,957	5,024	32,858	37,885	53	159,939
2016 *	9,591	25,165	7,859	2,335	23,579	11,911	1,775	5,328	30,942	39,458	47	157,990
2017 *	9,633	25,918	7,858	2,173	23,971	11,445	2,001	5,319	30,750	40,767	46	159,881
2018	9,497	26,777	7,987	2,216	24,056	11,506	1,948	5,421	27,592	38,887	49	155,936

*The Government has corrected years 2001-2017 to reflect the correct employment numbers per category. In addition, fiscal years 2001-2006 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	%
Population and Number of Households						
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	
Economic and Education						
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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administrative Services	91	86	129	94	47	49	76	78	79	74
General Government	73	70	66	66	67	69	65	67	67	71
Finance & Administration	103	94	68	65	69	70	73	74	73	71
Information Technology					44	52	52	51	49	54
General Services										
Parks & Recreation	138	132	140	139	138	144	146	144	139	139
Other	134	130	97	93	98	102	102	97	92	93
Law	26	26	37	40	39	42	23	23	23	21
Planning, Preservation, & Development				39	128	137	143	146	147	133
Public Safety										
Fire & Emergency Services										
Firefighters & Officers	522	520	500	520	566	560	565	558	568	623
Civilians	15	18	17	16	16	18	18	26	25	16
Police										
Officers	542	511	504	524	542	518	554	572	604	597
Civilians	102	93	127	126	122	112	87	104	112	105
Community Corrections	294	284	321	312	330	298	293	340	320	313
Other	75	79	81	80	68	74	73	92	91	74
Public Works & Development	244									
Other		240								
Environmental Quality & Public Works			508	484	451	453	468	475	488	504
Waste Management	206	196								
Water & Air Quality	149	151								
Other	15	16								
Social Services	113	99	94	96	96	98	108	109	114	111
	<u>2,842</u>	<u>2,745</u>	<u>2,689</u>	<u>2,694</u>	<u>2,821</u>	<u>2,796</u>	<u>2,846</u>	<u>2,956</u>	<u>2,991</u>	<u>2,999</u>

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Fire and Emergency Services											
Emergency Medical Calls	32,199	34,197	37,000	36,619	37,971	42,151	43,076	46,476	47,930	51,245	
False Calls	2,653	2,870	2,673	2,585	2,983	3,077	2,898	2,915	3,108	3,154	
Fire Incidents	1,129	1,337	1,564	1,293	1,226	1,249	1,248	1,364	1,125	1,028	
Good Intent Calls	1,265	1,271	1,153	1,107	1,108	1,180	1,180	1,128	169	1,252	
Hazardous Materials Calls	1,192	1,118	1,248	1,451	1,686	1,766	2,021	1,976	1,827	1,900	
Other	62	79	60	44	54	40	34	46	32	25	
Rescues	451	460	421	449	443	462	501	545	570	740	
Rupture - Gas, Water, etc.	45	47	36	34	31	35	41	44	45	40	
Service Calls	1,227	1,529	1,707	1,598	2,209	1,968	2,099	2,336	2,838	3,061	
Police											
Physical Arrests	17,126	15,248	20,214	14,592	13,773	17,442	16,356	* 10,990	** 12,481	** 14,801	**
Parking Violations	46,949	42,675	41,849	47,201	46,709	43,055	45,360	48,776	43,305	44,488	
Traffic Violations	64,954	63,546	52,086	40,478	48,193	44,795	36,561	37,635	37,173	47,019	
Parks and Recreation											
Rounds of Golf	107,565	89,291	95,382	96,607	90,410	91,407	101,535	102,082	90,915	85,906	
Pool Visits	188,389	185,421	205,353	169,820	142,062	145,911	167,351	152,466	137,855	141,382	
Building Inspection											
Permits Issued	13,646	13,090	13,623	13,860	16,141	15,363	16,653	*** 13,343	*** 9,752	*** 9,188	***
Inspections	28,915	24,563	23,957	24,518	23,262	21,909	27,406	*** 13,517	*** 15,850	*** 18,951	***
Sanitary Sewers											
Tap-on Inspections	946	625	644	861	897	930	786	811	573	584	
Average daily sewage treatment (mgd)	36	41	39	39	42	41	41	33	35	47	
Solid Waste											
Annual Tons of Refuse Collected	141,831	138,331	134,788	135,595	137,728	138,714	149,226	155,493	159,320	175,537	
Annual Tons of Recyclables Collected	18,831	20,402	21,834	22,446	22,583	22,509	21,436	21,041	19,502	15,052	
Annual Tons of Yard Waste Collected	18,199	18,049	21,801	20,492	19,984	21,609	21,933	24,053	21,425	29,181	
Other Public Works											
Street Resurfacing (miles)	30	15	28	22	27	27	51	61	41	106	

* 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	23	23
Number of Engines	23	23	22	22	22	22	22	22	22	22
Number of Aerials	7	7	7	7	7	7	7	7	7	7
Number of EC Units	10	10	10	10	10	11	11	11	12	12
Number of Haz-Mat Units	2	2	2	2	2	2	2	2	2	2
Number of Special Operations*							1	1	1	1
Police										
Stations	3	3	3	3	3	3	3	2	2	2
Patrol Units	444	440	429	424	424	430	457	480	517	550
Parks and Recreation										
Acres of Parks	4,917	4,917	4,282	4,282	4,282	4,282	4,282	4,282	4,273	4,273
Number of Golf Courses	6	6	5	5	5	5	5	5	5	5
Number of Swimming Pools	9	9	7	7	7	7	7	7	7	6
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	119	113	119	119	116	118	123	135	127	128
Other Public Works										
Streets (miles)	1,628	1,634	1,636	1,638	1,641	1,652	1,663	1,667	1,673	1,669
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,761
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,662
Traffic Signals	376	380	382	376	378	365	374	377	379	384

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



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020



Cover by: Amy Wallot/Communications

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020

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INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Linda Gorton
Mayor

November 23, 2020

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020, reflects fiscal discipline and strong financial management in the face of significant economic fallout from the COVID-19 pandemic.

The impact of the pandemic on our economy and on the city budget was sudden and deep. Beginning in early March, when Lexington reported its first case of COVID-19, virtually all economic activity slowed in our city, throughout our state, and across our nation.

In March 2020, over 18,200 Lexington citizens filed first-time claims for unemployment. A year earlier, in March 2019, Fayette's initial unemployment claims numbered 408. Naturally, there was a significant drop in fourth quarter revenues.

Before the pandemic struck, we were following a tight budget designed to maintain and protect the basic services our citizens value. We funded a continuation budget for FY 20 ... a continuation of excellent government services through a fiscally responsible budget that reset our spending. We tightened our belt, and limited borrowing to the lowest level since 2013. The pandemic required that we cut expenses to tighten that belt even more.

The success of our financial management is reflected in a bond rating that has remained unchanged despite the change in our economy. Bond rating agencies measured the health of our city and affirmed our excellent rating in spite of economic upheaval. We have recently refinanced several bonds, saving \$500,000 this year in debt costs, and a total savings over several years of \$4.7 million. Those savings would have not been possible without a low bond rating.

Sincerely,

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

Linda Gorton
Mayor

FOLLOW MAYOR GORTON:
www.facebook.com/MayorGorton www.twitter.com/MayorGorton

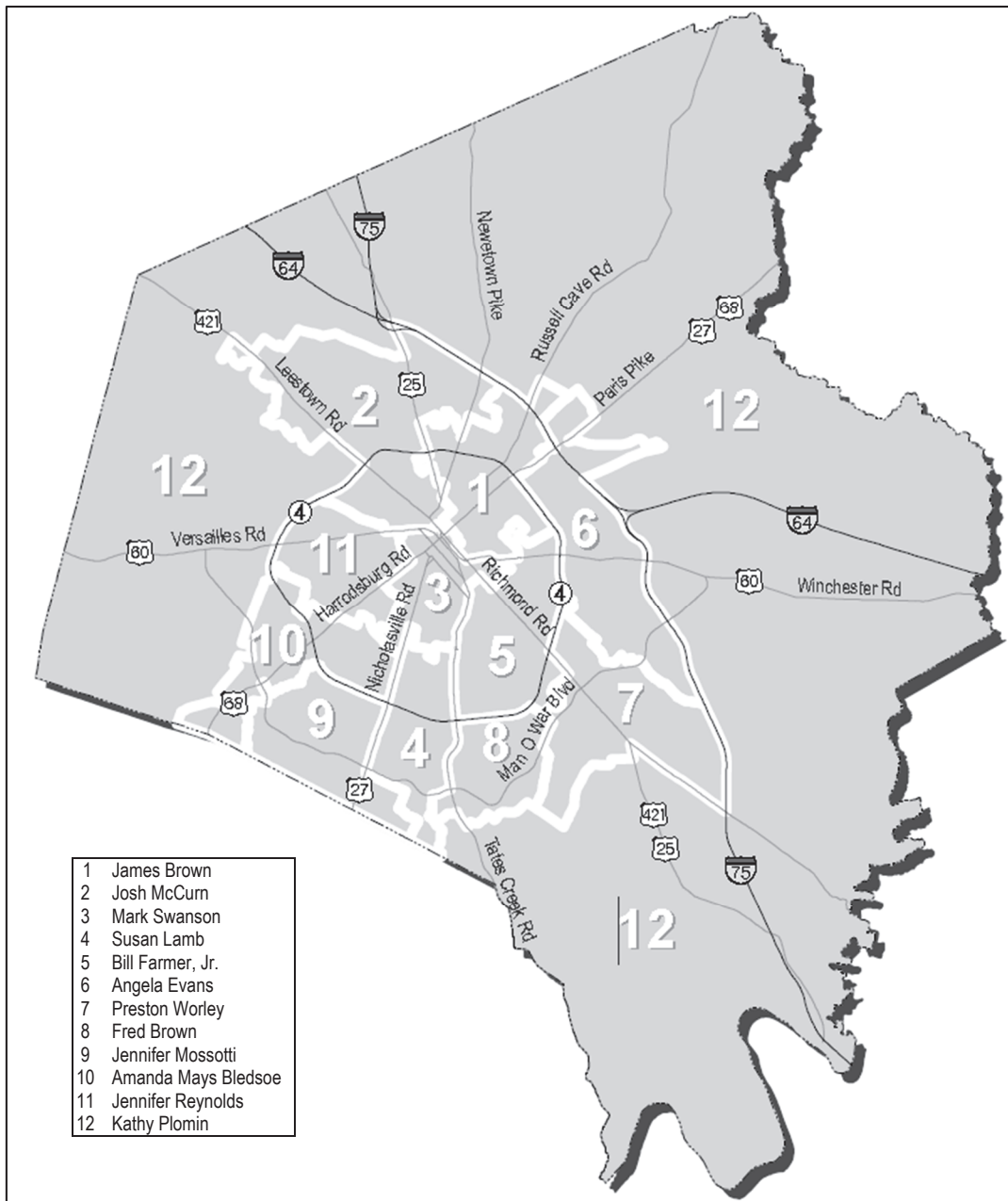
ELECTED OFFICIALS

MAYOR
Linda Gorton

COUNCILMEMBERS-AT-LARGE

Steve Kay – Vice Mayor
Richard Moloney
Chuck Ellinger

DISTRICT COUNCILMEMBERS



MAYOR LINDA GORTON



LEXINGTON

ERIN HENSLEY
COMMISSIONER
FINANCE

November 23, 2020

Citizens of Lexington-Fayette Urban County
Honorable Mayor Linda Gorton
Members of the Urban County Council
Lexington-Fayette Government

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

As Commissioner of Finance, it is my pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) (LFUCG) for the fiscal year ended June 30, 2020. 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. The 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 auditors' 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, performed the audit for the fiscal year ended June 30, 2020. 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, 2020 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, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

Additionally, the audit engagement also included an audit of federal grants 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 Uniform Guidance. 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, 2020)

Demographic Profile

The City of Lexington, with a population of 323,152, 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 to the state's flagship university, the University of Kentucky, with 30,545 postsecondary 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 the Chief of Staff, a Chief Administrative 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, Chief Administrative Officer, Chief Development Officer, Council Clerk, Office of Bluegrass Farm to Table, Office of Diversity and Inclusion, Office of Economic Development, Office of Homelessness Prevention & Intervention, Office of Multicultural Affairs, Office of Purchase of Development Rights, Division of Government Communications, Division of Grants & Special Programs, Division of Historic Preservation, Division of Human Resources, Division of Internal Audit, Division of LexCall, and the Division of Planning
- Information Technology – Divisions of Computer Services and Enterprise Solutions
- Environmental Quality & Public Works – Divisions of Building Inspection, Engineering, 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
- Public Safety – Divisions of Code Enforcement, Community Corrections, Emergency Management, Enhanced 911, Fire & Emergency Services, and Police
- Social Services – Divisions of Community and Resident Services, Aging and Disability Services, Family Services, and Youth Services.



Significant Events (as of November 1, 2020)

Response to COVID-19

Lexington-Fayette County began to see the impacts of the COVID-19 global pandemic in March 2020. During the third and fourth quarters of fiscal year 2020, the City's main revenue sources, Occupational License Tax and Net Profits Tax, showed noticeable signs of decline as businesses adjusted operations to meet state and local guidelines. To assist local businesses and residents, Lexington-Fayette County created grant programs for small businesses and emergency financial assistance programs for residents facing evictions or utility shutoffs. These actions were combined with expenditure controls within the local government to ensure fiscal soundness and stability. The effects of COVID-19 and subsequent needs of the community will continue to have an impact throughout fiscal year 2021.

Lexington Convention Center

In July 2018, the Lexington Convention Center broke ground on a more than \$240 million renovation and expansion, which is the single largest capital project in Lexington's history. The project is scheduled for completion in November 2021. In March 2020, when the spread of COVID-19 worsened, the convention center and arena began to see a sharp decline in hotel tax revenues which backed the bonds issued for this project. In response to the decline in revenue and less favorable financial outlook, the Government took an active management approach and sought to restructure the existing debt. The refunding bonds issued will pay for capitalized interest through and including March 1, 2023, with the debt maturing from 2049 to 2053, a period that will include the useful life of the renovated facilities. The GO pledge earned the deal ratings of Aa2 from Moody's Investors Service and AA from S&P Global Ratings, matching the GO ratings of Lexington-Fayette County. Both rating agencies said the outlook is stable.

Town Branch Commons and Trail

Construction began in July 2018 for the Town Branch Commons. The project is 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. Water is featured along the path in interactive fountains and planting areas work to collect storm water. 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 \$5.2M federal CMAQ Grant, a \$2.3M federal TAP Grant, a \$1M SLX Grant, a \$5.6M Kentucky Infrastructure Loan, and \$11.8M of local dollars. Completion of the project is expected in 2022.

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 incurred no penalties for missing a Consent Decree imposed 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 FY 2020, three new wet weather storage facilities were completed. The 24 million gallon West Hickman WWTP storage tank was completed in conjunction with the adjacent new head works facility. This



\$64 M project received a 2019 Performance and Innovation award from US EPA. Additionally, the 5 million gallon West Hickman 7 storage tank was completed at a total project cost of \$16.97 M, which is 88% of the originally projected cost contained in the RMP schedule. Upon completion of the West Hickman 7 project, Lexington was able to subdivide surplus property left over from the project site, recovering an additional \$1.3 million in site acquisition costs. Finally, the 6 million gallon East Hickman wet weather facility has been placed into service, mitigating Lexington's 4th most frequent pump station Sanitary Sewer Overflow (SSO). By the end of 2020, Lexington will have over 70 MG of storage completed as part of the RMP.

As of September 2020, a total of 35 RMP projects have been completed and another twenty four (24) are in the construction phase, totaling approximately \$278.7 million in capital expenditures. The most recent projections show total RMP capital project expenses trending approximately 20% 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 has now begun to transition away from the storage tank projects and into the pipeline upgrade projects.

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. In FY20, the Government hired two employees to provide daily management for the CMOM program. Utilizing internal staff and support from an external consulting firm, they have begun conducting gap analysis on existing program elements to proactively identify and correct compliance issues before they escalate.

All four (4) Supplemental Environmental Projects (SEPs) that were specifically required by the Consent Decree are now complete. The flood mitigation Commonwealth SEP completion report was submitted for state review and approval on October 13, 2020. The completion report documents a total expenditure equaling \$20,222,602 over a 10-year period for the mitigation of priority flood control projects in Fayette County.

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 June 2020, Lexington submitted a formal notice to EPA and the Department of Justice (DOJ) that documents Lexington's full compliance with the stormwater program provisions of the Consent Decree. That notice also contained Lexington's request to be dismissed from further stormwater program obligations under the Consent Decree.

The city is awaiting EPA / DOJ response. In regards to the KPDES permit, Lexington has submitted the required permit renewal application and is waiting for the state to complete the public notice process for a new permit. In the meantime, the city continues to operate under the permit that expired in May 2020.

Finally, as with many other municipal utilities, the COVID-19 pandemic has negatively impacted some project delivery schedules. Lexington has requested and received regulatory relief for several near-term project schedule milestones. Lexington will continue to work closely with US EPA and state government to ensure compliance with the term and conditions in these unprecedented times.

Parks and Recreation

In the past year, the Division of Parks and Recreation continued to prioritize many projects that stemmed directly from the 2018 Parks Master Plan. Projects included building improvements, improved access to new trails, increased shade



and interpretive signage, new basketball courts and water fountains. Under the goal of Great Stewardship, the Bring Back the Bluegrass naturalization effort includes system-wide and riparian improvement at Wellington Park. These projects allowed the department to preserve and restore sensitive areas while conserving resources. Additionally, the department continued their commitment to the goal of Great Engagement by completing an ADA Implementation Plan and upgrading accessible play equipment at Masterson Station and Shilito Park. The onset of the COVID-19 pandemic forced parks to pivot programming, events, and facility offerings to maintaining green space and community engagement for the health and well-being of the community.

Strengthening Fiscal Management

Introduction

In the past several years, 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. This restructuring is anticipated to create a savings of over \$4 million during the 15-year issue period. As the Federal Reserve considers future rate changes, 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 4.5% in June 2020, as compared to 3.9% in June 2019. However, it should be noted that in April and May 2020, the unemployment rate was measured at 14.1% and 9.0% respectively. This increase shows the vast impact of the coronavirus on the local employment economy during 2020. Still, Fayette County compared favorably to the State rate of 16.2% and 10.7% in April and May 2020. Fayette County has begun to see some positive signs in employment as the area begins to slowly recover.

Total employment remains well above levels seen during The Great Recession. Employment, as measured by the Bureau of Labor Statistics, was 199,993 for the quarter ended December 31, 2019. By comparison, total employment was 194,528 for the quarter ended December 31, 2018 and 179,182 for the quarter ended December 31, 2007 (pre-recession). Average annual pay has also increased in Lexington-Fayette County during that time period. In 2019, the average annual pay was \$50,432 as compared to \$39,823 in 2007.

Budget Control and Financial Management

The Mayor of the Government submits a proposed annual operating 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



Budget, Finance & Economic Development committee, 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.

As an added control, during 2020 Lexington-Fayette began encumbering unused budgetary funds to help manage expenses. This practice will continue as needed through 2021, and will help ensure financial security throughout the uncertainty of the pandemic.

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 2020 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.

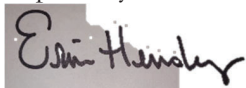
Awards and Acknowledgements

For the 28th consecutive year, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended July 30, 2019. 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 (GAAP) and applicable legal requirements.

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,



Erin Hensley, Commissioner
Department Of Finance





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Lexington-Fayette Urban County
Kentucky**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

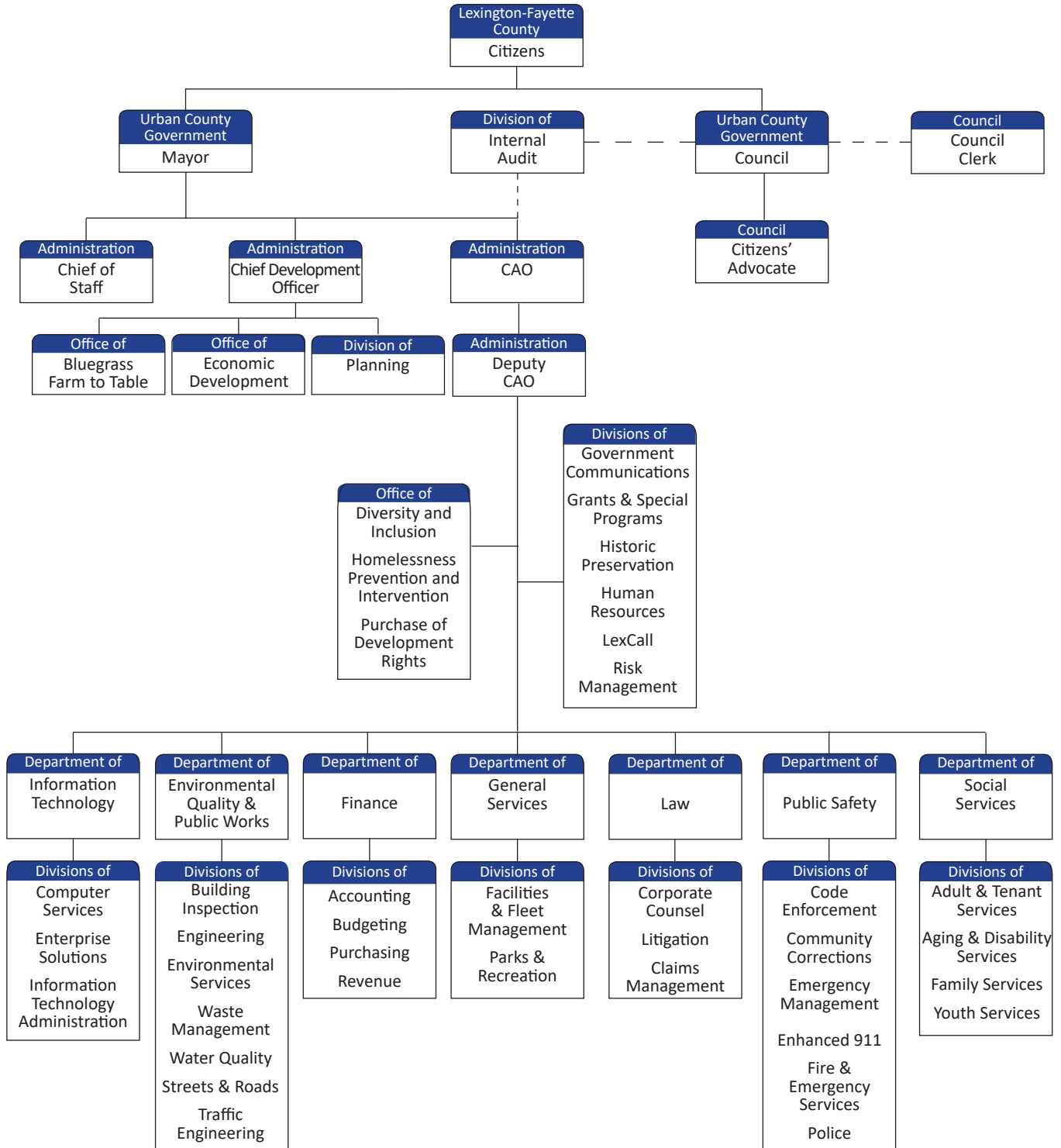
June 30, 2019

Christopher P. Morrill

Executive Director/CEO



Lexington-Fayette Urban County Government Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office

Citizens' Advocate Office

Stacey Maynard, Council Administrator

Amber Deitz, Citizens' Advocate

Council Clerk's Office

Abigail Allen, Director

Office of the Mayor

Linda Gorton, Mayor

Internal Audit

Bruce Sahli, Director

Office of the Chief Administrative Officer

Grants and Special Programs
Risk Management
Public Information Office
LexCall
GTV3
Human Resources
Office of Homelessness Prevention & Intervention
Purchase of Development Rights
Historic Preservation

Sally Hamilton, Chief Administrative Officer

Charlie Lanter, Director
Vacant, Director
Stacey Dimon, Supervisor
Kendra Carter, Director
Chris Edwards, Supervisor
John Maxwell, Director
Polly Ruddick, Director
Elizabeth Overman, Program Manager
Bettie L. Kerr, Director

Chief Development Office

Planning

Kevin Atkins, Chief Development Officer

Jim Duncan, Director

Chief Information Office

Computer Services
Enterprise Solutions

Aldona Valicenti, Chief Information Officer

Mike Nugent, Director
Phillip Stiefel, Director

Finance

Accounting and Payroll
Purchasing
Revenue
Budgeting

William O'Mara, Commissioner

Phyllis Cooper, Director
Todd Slatin, Director
Jeffrey Lewis, Acting Director
Melissa Lueker, Director

Environmental Quality and Public Works

Environmental Services
Water Quality
Waste Management
Streets and Roads
Traffic Engineering
Building Inspection
Engineering

Nancy Albright, Commissioner

Susan Plueger, Director
Charles H. Martin, Director
Tracey Thurman, Director
Rob Allen, Director
Jeff Neal, Director
Dewey Crowe, Director
Doug Burton, Director

Law

Susan Speckert, Commissioner

Public Safety

Community Corrections
Division of Emergency Management
E911
Fire and Emergency Services
Police
Code Enforcement

Ken Armstrong, Commissioner

Steven Haney, Director
Patricia Dugger, Director
Robert Stack, Director
Kristin Chilton, Chief
Lawrence Weathers, Chief
Alex Olszowy, Director

Social Services

Adult Services
Aging Services
Family Services
Youth Services

Chris Ford, Commissioner

Connie Godfrey, Director
Kristina Stambaugh, Director
Joanna Rodes, Director
Stephanie Hong, Director

General Services

Facilities and Fleet Management
Parks and Recreation

Monica Conrad, Acting Commissioner

Jamshid Baradaran, Director
Monica Conrad, Director



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FINANCIAL SECTION

Strothman and Company
Certified Public Accountants and Advisors
1600 Waterfront Plaza
325 West Main Street
Louisville, KY 40202
502 585 1600



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, 2020, 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 amounts included for 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, 2020, 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.

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 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 23, 2020, 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.

Strothman and Company

Louisville, Kentucky
November 23, 2020

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, 2020. 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

- In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the financial statements were available to be issued, the Government's operations have been adversely impacted by the COVID-19 outbreak. The currently known impacts are:
 - Revenues for license fees and permits are down \$9.74 million from the final budgeted amount.
 - The Government received grant funds from the Coronavirus Aid, Relief, and Economic Security Act (CARES) in fiscal year 2020 of \$20.92 million. Of that amount, \$20.77 million was Governmental Activities and \$0.15 million was Business-Type Activities expenditures. The Government anticipates receipt of additional grant funds of \$4.08 million in fiscal year 2021.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$276.07 million at the close of fiscal year 2020. This amount includes a deficit of approximately (\$798.86) million in unrestricted net position.
- Governmental Activities' net position was (\$85.28) million at the end of fiscal year 2020. Of this amount, \$693.35 million was the net investment in capital assets. The net investment in capital assets comprises 813.05% of total net position.
- Business-Type Activities held a balance of \$361.35 million in net position. The unrestricted fund balance at June 30, 2020 is \$43.00 million, or 43.04% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2020, the Government's governmental funds reported combined ending fund balances of \$158.05 million, an increase of \$10.26 million compared to the previous fiscal year. Of this total amount, \$75.31 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 \$4.07 million or 1.17% 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 \$47.79 million. The committed fund balance designation for economic stabilization held a balance of \$42.48 million, available for spending in the event of an economic downturn or unforeseen event. There is one category of assigned fund balance; general government. Assignments for general government represent planning for various projects combined with management's intent to complete these projects. These assignments total \$28.20 million for fiscal year 2020.

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, 2020. 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 \$276.07 million as of June 30, 2020, a decrease of \$53.76 million from the previous year. Total depreciation expense government wide was \$76.23 million.

The largest proportion of the Government's net position, \$994.84 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)

	Total Net Position		
	FY 2020	Restated FY 2019	Change
ASSETS			
Current and other assets	\$413,599	\$365,639	\$47,960
Capital assets	1,430,751	1,428,817	1,934
Total assets	<u>1,844,350</u>	<u>1,794,456</u>	<u>49,894</u>
DEFERRED OUTFLOWS OF RESOURCES	236,187	222,116	14,071
LIABILITIES			
Current and other liabilities	81,754	85,587	(3,833)
Long-term liabilities	1,575,906	1,441,411	134,495
Total liabilities	<u>1,657,660</u>	<u>1,526,998</u>	<u>130,662</u>
DEFERRED INFLOWS OF RESOURCES	146,805	176,189	(29,384)
NET POSITION			
Net Investment in Capital Assets	994,842	942,878	51,964
Restricted for:			
Capital Projects	43,530	47,789	(4,259)
Energy Improvement Projects	1,115	1,377	(262)
Debt Service	3,958	3,762	196
Capital Replacement	2,286	1,794	492
Pension	21,930	21,449	481
Water Quality Incentive Program	5,794	5,336	458
Grants	266	259	7
Maintenance and Operations	1,215	925	290
Unrestricted	<u>(798,864)</u>	<u>(712,184)</u>	<u>(86,680)</u>
Total net position	<u>\$276,072</u>	<u>\$313,385</u>	<u>(\$37,313)</u>

Approximately \$80.09 million, or 29.01% 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 (\$85.28) million, or 7.36% of total assets, a decrease of \$52.60 million from the previous year. Of this total, \$693.35 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)

	Governmental Activities		
	FY 2020	Restated FY 2019	Change
ASSETS			
Current and other assets	\$246,842	\$233,922	\$12,920
Capital assets	911,308	939,782	(28,474)
Total assets	<u>1,158,150</u>	<u>1,173,704</u>	<u>(15,554)</u>
DEFERRED OUTFLOWS OF RESOURCES	219,997	206,043	13,954
LIABILITIES			
Current and other liabilities	58,529	60,704	(2,175)
Long-term liabilities	1,263,611	1,180,692	82,919
Total liabilities	<u>1,322,140</u>	<u>1,241,396</u>	<u>80,744</u>
DEFERRED INFLOWS OF RESOURCES	141,285	171,026	(29,741)
NET POSITION			
Net Investment in Capital Assets	693,353	667,270	26,083
Restricted for:			
Capital Projects	39,554	43,875	(4,321)
Energy Improvement Projects	265	632	(367)
Debt Service	1,223	1,026	197
Pension	21,930	21,449	481
Grants	266	259	7
Maintenance and Operations			
Unrestricted	<u>(841,869)</u>	<u>(767,186)</u>	<u>(74,683)</u>
Total net position	<u>(\$85,278)</u>	<u>(\$32,675)</u>	<u>(\$52,603)</u>

Table 3 shows the net position of Business-Type Activities totaled \$361.35 million at the end of fiscal year 2020, an increase of \$15.29 million from the previous fiscal year. Of total net position, \$301.49 million, or 83.43%, 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.

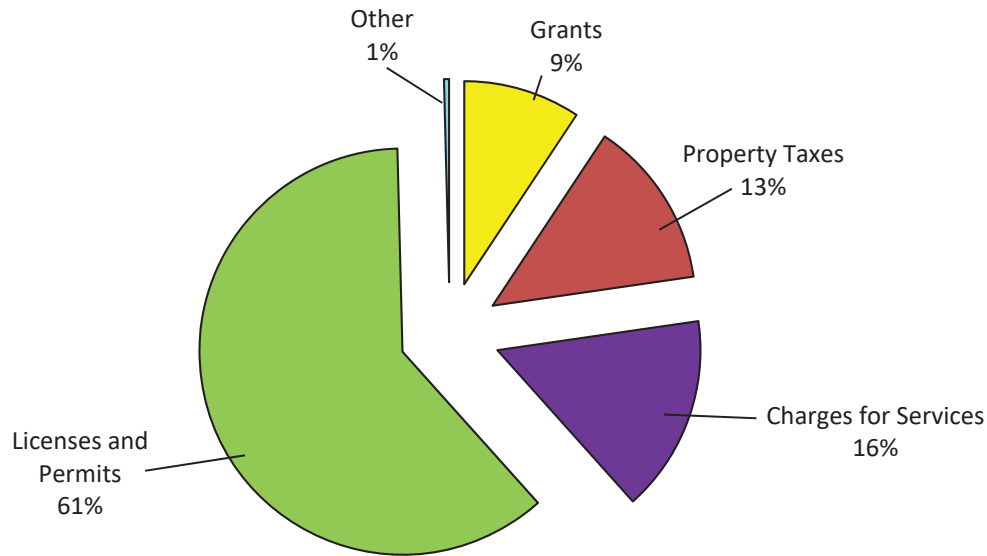
Table 3
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

	Business-Type Activities		
	FY 2020	Restated FY 2019	Change
ASSETS			
Current and other assets	\$166,756	\$131,718	\$35,038
Capital assets	519,443	489,035	30,408
Total assets	<u>686,199</u>	<u>620,753</u>	<u>65,446</u>
DEFERRED OUTFLOWS OF RESOURCES	16,190	16,073	117
LIABILITIES			
Current and other liabilities	23,224	24,883	(1,659)
Long-term liabilities	312,295	260,719	51,576
Total liabilities	<u>335,519</u>	<u>285,602</u>	<u>49,917</u>
DEFERRED INFLOWS OF RESOURCES	5,520	5,163	357
NET POSITION			
Net Investment in Capital Assets	301,489	275,608	25,881
Restricted for:			
Capital Projects	3,976	3,914	62
Energy Improvement Projects	850	746	104
Debt Service	2,736	2,736	
Capital Replacement	2,286	1,794	492
Water Quality Incentive Program	5,794	5,336	458
Maintenance and Operations	1,215	925	290
Unrestricted	43,004	55,002	(11,998)
Total net position	<u>\$361,350</u>	<u>\$346,061</u>	<u>\$15,289</u>

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 61%, 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 16%, 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 9% of governmental revenue. The remaining 1% in 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 \$497.32 million, which was an increase of \$21.04 million, or 4.42%, from the previous fiscal year. Licenses and permits totaled \$304.49 million, representing 61.23% of total revenues. As stated earlier, this category includes employee withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 2.25% on the total wages received by individuals employed in Lexington-Fayette County and an assessment of 2.25% on the net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$0.93 million, or 0.31% from the previous fiscal year. This is primarily due to an increase in insurance premiums collected during the fiscal year. Property taxes increased by \$2.05 million, due to an increase in realty taxes collected. Charges for services decreased by \$6.95 million from the previous fiscal year, or 8.19%. Operating and Capital grants increased by \$27.11 million from the previous fiscal year, or 161.51%. Both of these changes year over year are due to the impact of COVID-19.

As noted on Table 4, total expenses of Governmental Activities were \$547.83 million; a decrease of \$1.22 million from the previous fiscal year. This is primarily due to the Government’s commitment to control budgets during the pandemic. In addition, the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition, the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased by \$1.75 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$1.85 million and other general revenues decreased \$0.97 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2019, by \$3.84 million. Primarily Sanitary Sewer and Water Quality increased \$2.93 million and \$1.10 million, respectively. Public Facilities, Landfill and Other Business-Type Activities expenses decreased \$0.02 million, \$0.12 million, and \$0.05 million, respectively. The largest program among these activities is the Sanitary Sewer system, with expenses of \$65.67 million during the fiscal year, representing 65.73% 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	
	2020	Restated 2019	2020	Restated 2019	2020	Restated 2019
Revenues						
Program Revenues:						
Charges for Services	\$77,903	\$84,848	\$113,200	\$111,353	\$191,103	\$196,201
Operating Grants & Contributions	34,184	11,596			34,184	11,596
Capital Grants & Contributions	9,710	5,189			9,710	5,189
General Revenues:						
Property Taxes	66,620	64,574			66,620	64,574
Licenses & Permits	304,493	303,563			304,493	303,563
Grants & Unrestricted Contributions	2,433	3,353			2,433	3,353
Other General Revenues	1,974	3,155	1,652	1,749	3,626	4,904
Total Revenues	497,317	476,278	114,852	113,102	612,169	589,380
Program Expenses						
General Government	32,299	43,228			32,299	43,228
Administrative Services*	11,694	10,304			11,694	10,304
Health, Dental, Vision, Workers Comp, General Insurance	28,528	28,506			28,528	28,506
Chief Development Officer*	4,475	1,218			4,475	1,218
Information Technology	11,933	12,251			11,933	12,251
Finance	38,587	36,315			38,587	36,315
Environmental Quality & Public Works*	99,635	64,931			99,635	64,931
Planning, Preservation, & Development*	659	46,409			659	46,409
Public Safety*	15,882	14,640			15,882	14,640
Police	98,571	88,198			98,571	88,198
Fire & Emergency Services	97,422	89,345			97,422	89,345
Community Corrections	40,830	42,490			40,830	42,490
Social Services	14,413	15,095			14,413	15,095
General Services	13,772	12,382			13,772	12,382
Parks & Recreation	21,974	24,809			21,974	24,809
Law	2,277	2,889			2,277	2,889
Interest on Long-Term Debt	15,587	16,045			15,587	16,045
Sanitary Sewer System			65,670	62,740	65,670	62,740
Public Facilities			6,899	6,915	6,899	6,915
Landfill			4,678	4,801	4,678	4,801
Right of Way			627	595	627	595
Extended School Program			1,803	2,156	1,803	2,156
Enhanced 911			5,074	4,799	5,074	4,799
CKY Network			417	421	417	421
Water Quality			14,745	13,647	14,745	13,647
Total Expenses	548,538	549,055	99,913	96,074	648,451	645,129
Increase (Decrease) in Net Position before Transfers	(51,221)	(72,777)	14,939	17,028	(36,282)	(55,749)
Transfers	(350)	565	350	(565)	0	0
Increase (Decrease) in Net Position	(51,571)	(72,212)	15,289	16,463	(36,282)	(55,749)
Net Position, July 1	(33,707)	38,505	346,061	329,598	312,354	368,103
Net Position, June 30	(\$85,278)	(\$33,707)	\$361,350	\$346,061	\$276,072	\$312,354

*In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

PERSONNEL COSTS

During the year, personnel related expenses for salaries and wages covered by collective bargaining agreements increased approximately \$0.23 million. Police and Community Corrections increased by \$0.01 million and \$0.68 million, respectively. Fire & Emergency Services decreased by \$.50 million. This is primarily due to CARES grant reimbursements of \$20.77 million. Salary and wage costs, including benefits, for non-collective bargaining employees increased 0.96%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2020.

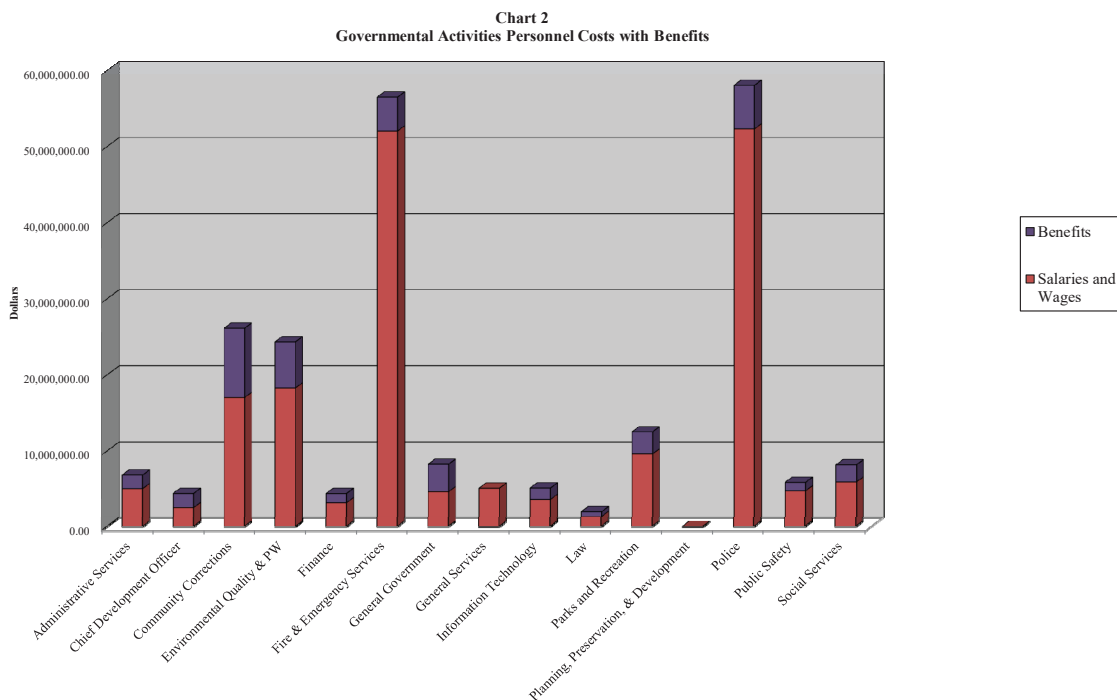
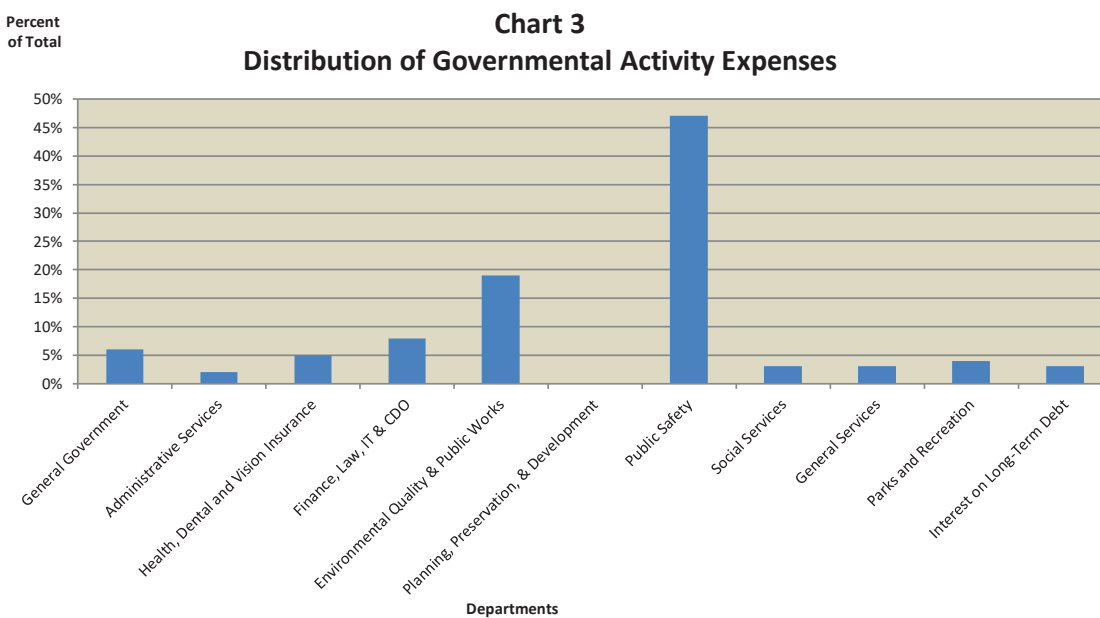


Chart 3 displays the distribution of total costs by governmental activity.



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, 2020 reflect a combined ending fund balance of \$158.05 million, an increase of \$10.26 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 \$6.19 million, offset by net transfers out and proceeds from the issuance of bonds of \$20.03 million.

The Government had \$4.07 million of unassigned fund balance available in the General Fund at June 30, 2020. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.17% of total general fund expenditures for fiscal year 2020. At the end of fiscal year 2020, the fund balance held by the General Fund totaled \$83.91 million, an increase of \$16.0 million, or 23.56%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$19.37 million, offset by other financing uses of \$0.08 million. In addition, there is a decrease from a prior period adjustment of \$3.29 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 \$23.87 million, a decrease of \$1.97 million over the prior fiscal year. This decrease is primarily due to expenditures in excess of revenues of \$3.54 million, offset by transfers in of \$1.87 million. In addition, there is a decrease from a prior period adjustment of \$0.31 million (see footnote 2.D. for additional details). Operating expenditures increased \$1.97 million over the prior fiscal year. This was primarily due to an increase in equipment, acquisitions, and construction of \$0.99 million and an increase in department expenditures of \$1.23 million offset by a decrease in debt expenditures of \$0.24 million.

The Federal and State Grants Fund held a balance of \$0.27 million for fiscal year ended June 30, 2020, 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 2020, \$28.06 million was expended on these projects. Bonds in the amount of \$20.28 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 \$361.35 million as of June 30, 2020, an increase of \$15.23 million from the prior fiscal year. Revenues from charges for services increased \$1.85 million and total expenses increased \$3.84 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held a total net position of \$271.34 million, an increase of \$12.86 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$4.94 million is restricted by bond covenants for capital replacement, projects, and debt service. In addition, \$0.85 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 \$19.02 million, a decrease of \$0.65 million from the prior fiscal year. Operating income during fiscal year 2020 was \$5.98

million. The decrease in net position is primarily due to excess operating revenues of \$0.39 million and transfers of \$0.26 million, non-operating expenses of \$1.30 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 \$21.60 million, an increase of \$0.64 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2020, the total net position of the Landfill Fund held a balance of \$44.00 million, an increase of \$3.04 million from the prior fiscal year, a 7.42% 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, 2020 the other enterprise funds held total net position of \$3.67 million, a decrease of \$0.69 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 2020, General Fund revenues totaled \$367.59 million, a decrease of 0.63% from the previous fiscal year. Total revenues were \$10.00 million below the final budgeted amount. This decrease in actual revenue is the result of COVID-19 on the local economy, which negatively affected the growth rate of both business returns and franchise fees. Total ad valorem taxes and charges for services were \$0.61 million below the final budgeted amount. Fines and forfeitures, intergovernmental, and property sales were \$0.18 million above the final budgeted amount. Investment returns were \$0.10 million above the final budgeted amount. Other income was \$0.07 million above the final budgeted amount. Total licenses and permits were \$9.74 below the final budgeted amount.

General Fund expenditures of the Government totaled \$348.23 million, a decrease of \$21.04 million, or 5.70% over the previous fiscal year. This is primarily due to COVID-19 grant reimbursement of \$20.77 million for CARES. Expenditures were \$33.07 million below the final budgeted amount. Operating expenditures were \$8.19 million below the final budgeted amount. Personnel expenditures, accounting for 62.52% of General Fund expenditures, were \$24.45 million below the final budgeted amount. Divisions with collective bargaining agreements had expenditures \$19.96 million below the final budgeted amount. Personnel expenditures from these divisions account for 51.87% 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>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>	<u>% General Fund Expenditures</u>
Non-Collective Bargaining Divisions					
Administrative Services	\$6,005	\$5,432	\$573	10.5%	1.7%
Chief Development Officer	2,861	421	2,440	579.6%	0.8%
Information Technology	4,984	4,938	46	0.9%	1.4%
Department of Finance	4,524	4,781	(257)	(5.4%)	1.3%
Department of General Services	4,355	3,989	366	9.2%	1.3%
Department of Law	1,913	2,100	(187)	(8.9%)	0.5%
Department of Public Safety	6,445	4,568	1,877	41.1%	1.9%
Department of Social Services	6,816	7,177	(361)	(5.0%)	2.0%
Department of Environmental Quality & PW	10,035	5,930	4,105	69.2%	2.9%
Department of Planning, Preservation & Dev		9,079	(9,079)	(100.0%)	0.0%
General Government	6,406	6,492	(86)	(1.3%)	1.8%
Parks and Recreation	12,631	13,543	(912)	(6.7%)	3.6%
Total Non-Collective Bargaining Divisions	66,975	68,450	(1,475)	(2.2%)	19.2%
Divisions with Collective Bargaining					
Police	59,908	69,487	(9,579)	(13.8%)	17.2%
Community Corrections	26,495	26,128	367	1.4%	7.6%
Fire & Emergency Services	64,321	69,105	(4,784)	(6.9%)	18.5%
Total Collective Bargaining Divisions	150,724	164,720	(13,996)	(8.5%)	43.3%
Total Personnel Costs with Benefits	\$217,699	\$233,170	(\$15,471)	(6.6%)	62.5%

*In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

CAPITAL ASSETS

The Government's capital assets totaled \$1.43 billion as of June 30, 2020, 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 \$693.35 million. Governmental Activities net investment in capital assets increased by \$26.08 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$301.49 million, an increase of \$25.88 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$26.26 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$57.96 million and asset retirements of \$1.69 million, offset by a prior period adjustment increase of \$1.57 million and capital additions of \$31.82 million. Developments in progress decreased by \$0.14 million and were placed in service. Developments in progress relate to the Exaction Area Master Plan (EAMP), additional details can be found in Note 1.D. Infrastructure decreased \$27.00 primarily due to depreciation of \$35.13 million, offset by additions of \$1.68 million, a prior period adjustment of \$2.61 million, and assets placed in service of \$3.84 million.
- Capital assets for Business-Type Activities increased by \$30.82 million. The overall increase was primarily due to additions of \$49.13 million and a prior period adjustment of \$0.43 million, offset by depreciation of \$18.28 million and retirements of \$0.46 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 \$19.94 million in the Governmental Activities and \$71.46 million in Business-Type Activities. The overall decrease from the previous year in construction in progress assets totaled \$61.77 million. The decrease was primarily due to additions of \$61.86 million offset by a prior period adjustment of \$1.04 million, net asset retirements of \$1.99 million, and assets placed in service of \$120.60 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$62,895	\$62,866	\$46,422	\$46,422	\$109,317	\$109,288
Purchase of Development Rights	81,923	80,603			81,923	80,603
Intangibles	13,990	12,891	2,951	3,743	16,941	16,634
Buildings	111,878	108,617	24,757	28,203	136,635	136,820
Vehicles, Equipment, & Furniture	46,887	44,344	17,589	19,476	64,476	63,820
Land and Leasehold Improvements	18,531	15,762	5,988	6,432	24,519	22,194
Infrastructure & Sewer Lines/Plants*	555,105	582,102	350,282	261,149	905,387	843,251
Construction in Progress*	19,942	30,082	71,455	123,080	91,397	153,162
Developments in Progress	157	296	0	116	157	412
Total	<u>\$911,308</u>	<u>\$937,563</u>	<u>\$519,444</u>	<u>\$488,621</u>	<u>\$1,430,752</u>	<u>\$1,426,184</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 2020, the Government had \$646.33 million in bonds and notes outstanding; Governmental Activities' debt decreased by \$13.92 million and total debt increased by \$34.64 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$20.28 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$34.20 million. The Business-Type Activities debt increased \$48.57 million primarily from bond and note payable proceeds of \$62.36 million, offset by principal payments and amortized bond costs of \$13.79 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 \$3.46 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 \$362.80 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	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds, Notes, Leases	\$388,498	\$402,421	\$138,742	\$138,261	\$527,240	\$540,682
Mortgage Revenue Bonds			41,248	43,965	41,248	43,965
Revenue Bonds			77,837	27,036	77,837	27,036
Total	\$388,498	\$402,421	\$257,827	\$209,262	\$646,325	\$611,683

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 2020 Budget, for all funds combined, net of interfund transfers, is \$605,007 million. Significant initiatives in the budget include:

- A commitment of \$67.77 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree, which will include the issuance of Sewer Revenue Bonds. For additional information see Note 7.
- GO bonds were approved as part of the fiscal year 2020 budget for \$6.80 million. The bonds will fund projects for Public Safety, building and infrastructure improvements, and fleet replacement.

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, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$60,433,621	\$51,697,668	\$112,131,289	\$55,976,528
Investments	45,817,180	63,219,266	109,036,446	23,961,690
Receivables (Net)	45,887,612	5,769,278	51,656,890	2,815,982
Due from Other Governments	25,378,274		25,378,274	4,621,197
Due from Primary Government				1,965,970
Other Current Assets				762,402
Inventories and Prepaid Expenses	2,865,929	115,832	2,981,761	1,012,349
Net Pension Asset	21,929,685		21,929,685	653,456
Restricted Assets:				
Cash				11,762,824
Receivables (Net)	4,780,614		4,780,614	1,143,052
Grants Receivable	1,000,000		1,000,000	2,601,761
Investments	37,380,922	45,954,305	83,335,227	186,518,310
Other				48,079
Capital Assets:				
Non-depreciable	175,028,842	118,591,846	293,620,688	232,499,695
Depreciable (Net)	736,279,031	400,850,989	1,137,130,020	210,979,185
Other Assets	1,369,101		1,369,101	2,029,503
Total Assets	\$1,158,150,811	\$686,199,184	\$1,844,349,995	\$739,351,983
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Bond Refunding	\$3,361,795	\$2,697,946	\$6,059,741	\$1,183,176
Deferred Pension Amounts	173,331,885	9,472,675	182,804,560	12,568,050
Deferred Other Post Employment Benefit Amounts	43,303,187	4,019,084	47,322,271	4,201,429
Deferred Amount on Note Payable				2,625,000
Total Deferred Outflows of Resources	\$219,996,867	\$16,189,705	\$236,186,572	\$20,577,655
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$16,940,804	\$8,745,650	\$25,686,454	\$19,026,976
Interest Payable	4,684,569	411,201	5,095,770	138
Internal Balances	1,726,852	(1,726,852)		
Due to Other Governments	493,366		493,366	
Due to Component Units	1,965,970		1,965,970	2,625,000
Unearned Revenue and Other	3,355,603	22,792	3,378,395	357,472
Claims Liabilities	29,362,172		29,362,172	
Liabilities Payable from Restricted Assets:				
Accounts, Contracts and Retainage Payable		3,620,224	3,620,224	3,219,400
Bonds and Notes Payable		11,195,216	11,195,216	
Interest Payable		956,400	956,400	1,319,783
Noncurrent Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	33,720,000	2,652,351	36,372,351	9,339,999
Compensated Absences	4,017,978	901,314	4,919,292	602,853
Landfill Closure and Postclosure Care Costs		442,205	442,205	
Due in More Than One Year:				
Unearned Revenue and Other	5,750		5,750	341,027
Bonds and Notes Payable	354,778,338	243,979,021	598,757,359	316,794,524
Compensated Absences	24,681,862	1,492,353	26,174,215	911,766
Landfill Closure and Postclosure Care Costs		11,522,165	11,522,165	
Unfunded Other Post Retirement Benefit Liability	337,040,126	10,124,441	347,164,567	14,575,870
Unfunded Pension Liability	509,367,009	41,180,750	550,547,759	82,440,466
Total Liabilities	\$1,322,140,399	\$335,519,231	\$1,657,659,630	\$451,555,274
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	23,745,609	\$1,907,324	\$25,652,933	\$4,484,895
Deferred Other Post Employment Benefit Amounts	117,539,322	3,612,998	121,152,320	3,524,247
Deferred Amount on Bond Refunding				185,890
Total Deferred Inflows of Resources	\$141,284,931	\$5,520,322	\$146,805,253	\$8,195,032

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net Investment in Capital Assets	\$693,353,437	\$301,488,408	\$994,841,845	\$266,836,240
Restricted for:				
Governmental and Program Funds				1,472,084
Fees				492,153
Capital Projects	39,554,277	3,976,035	43,530,312	2,601,761
Energy Improvement Projects	264,880	849,710	1,114,590	
Debt Service	1,222,654	2,735,764	3,958,418	41,163,014
Capital Replacement		2,285,855	2,285,855	
Pension	21,929,685		21,929,685	
Water Quality Incentive Program		5,793,779	5,793,779	
Grants	266,013		266,013	
Maintenance and Operations		1,215,302	1,215,302	
Unrestricted (Deficit)	(841,868,598)	43,004,483	(798,864,115)	(12,385,920)
Total Net Position	(85,277,652)	\$361,349,336	\$276,071,684	\$300,179,332

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, 2020

Function/Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Administrative Services	\$11,693,590	\$480,879	\$1,680,271	\$1,099,282	(\$8,433,158)	\$0	(\$8,433,158)	\$0
Chief Development Officer	4,475,178	190,118		855,151	(3,429,909)		(3,429,909)	
Community Corrections	40,829,856	9,225,735	188,980		(31,415,141)		(31,415,141)	
Environmental Quality & Public Works	99,634,822	4,851,621	319,779	7,526,024	(86,937,398)		(86,937,398)	
Finance	38,586,921	399,959			(38,186,962)		(38,186,962)	
Fire & Emergency Services	97,423,698	8,724,174	3,565,280		(85,134,244)		(85,134,244)	
General Government	32,298,976	17,275,262	1,071,157	63,510	(13,889,047)		(13,889,047)	
General Services	13,771,668	7,724			(13,763,944)		(13,763,944)	
Health, Dental, and Vision	28,527,889	28,527,889						
Information Technology	11,932,762	598			(11,932,164)		(11,932,164)	
Law	2,276,542	20,731			(2,255,811)		(2,255,811)	
Parks & Recreation	21,973,908	3,418,739	203,984		(18,351,185)		(18,351,185)	
Planning, Preservation, & Development	658,637	(651)			(659,288)		(659,288)	
Police	98,572,293	1,889,897	12,245,742	166,481	(84,270,173)		(84,270,173)	
Public Safety	15,881,668	792,741	13,498,077		(1,590,850)		(1,590,850)	
Social Services	14,413,447	2,097,349	1,410,454		(10,905,644)		(10,905,644)	
Interest on Long-Term Debt	15,587,055				(15,587,055)		(15,587,055)	
Total Governmental Activities	548,538,910	77,902,765	34,183,724	9,710,448	(426,741,973)	0	(426,741,973)	
Business-Type Activities:								
Sanitary Sewer System	65,670,252	77,458,054				11,787,802	11,787,802	
Public Facilities	6,898,732	5,978,762				(919,970)	(919,970)	
Landfill	4,677,693	7,217,580				2,539,887	2,539,887	
Right of Way	626,891	773,172				146,281	146,281	
Extended School Program	1,802,941	1,500,645				(302,296)	(302,296)	
Enhanced 911	5,074,477	4,470,178				(604,299)	(604,299)	
CKY Network	417,102	458,376				41,274	41,274	
Water Quality	14,744,923	15,343,166				598,243	598,243	
Total Business-Type Activities	99,913,011	113,199,933	0	0	0	13,286,922	13,286,922	
Total Primary Government	\$648,451,921	\$191,102,698	\$34,183,724	\$9,710,448	(\$426,741,973)	\$13,286,922	(\$413,455,051)	

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

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	\$43,288,850	\$12,899,085	\$747,502	\$167,800				(\$29,474,463)
Lexington Airport Board	26,721,884	19,887,238	3,228,827	11,696,405				8,090,586
Fayette County Department of Health	20,245,796	3,916,704	6,578,849					(9,750,243)
Nonmajor Component Units	52,468,665	3,827,687	10,946,369	1,356,035				(36,338,574)
Total Component Units	<u>\$142,725,195</u>	<u>\$40,530,714</u>	<u>\$21,501,547</u>	<u>\$13,220,240</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$67,472,694)</u>
General Revenues:								
Property Taxes				\$66,619,933	\$0	\$66,619,933		\$57,698,215
Licenses Fees - Wages and Net Profits Taxes				304,493,274		304,493,274		
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant				2,433,102		2,433,102		
Income on Investments				1,974,061	1,652,479	3,626,540		5,944,753
Net Change in Fair Value of Investments								463,895
Gain on Sale of Capital Assets								45,783
Miscellaneous								(317,904)
Transfers				(349,759)	349,759			
Total General Revenues and Transfers				<u>375,170,611</u>	<u>2,002,238</u>	<u>377,172,849</u>		<u>63,834,742</u>
Change in Net Position				(51,571,362)	15,289,160	(36,282,202)		(3,637,952)
Net Position, Beginning				(31,516,697)	345,925,829	314,409,132		303,796,159
Adjustment to Opening Net Position (Note 2.D.)				(2,189,593)	134,347	(2,055,246)		21,125
Net Position, Beginning - Restated				<u>(33,706,290)</u>	<u>346,060,176</u>	<u>312,353,886</u>		<u>303,817,284</u>
Net Position, Ending				<u>(\$85,277,652)</u>	<u>\$361,349,336</u>	<u>\$276,071,684</u>		<u>\$300,179,332</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$1,097,544	\$4,720,981	\$414,472	\$16,960,448	\$23,193,445
Investments	24,484,910	20,375,001		957,269	45,817,180
Receivables:					
Loans			1,960,137		1,960,137
License Fees	36,708,979				36,708,979
Other	11,718,635	126,284	1,822,780	589,136	14,256,835
Less Allowance for Uncollectible Amounts	(5,107,370)		(1,960,137)		(7,067,507)
Due from Other Governments	77,200		25,301,074		25,378,274
Due from Other Funds	24,810,084				24,810,084
Inventories and Prepaid Items	2,374,571	78,519			2,453,090
Restricted Investments	1,245,154		29,167	36,106,601	37,380,922
Total Assets	<u>\$97,409,707</u>	<u>\$25,300,785</u>	<u>\$27,567,493</u>	<u>\$54,613,454</u>	<u>\$204,891,439</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$4,527,891	\$1,027,205	\$2,415,967	\$2,751,619	\$10,722,682
Accrued Payroll & Related Liabilities	4,674,573	404,103	68,338		5,147,014
Due to Other Funds			24,817,175	334,889	25,152,064
Due to Other Governments	493,366				493,366
Due to Component Units	1,965,970				1,965,970
Unearned Revenue and Other	1,833,818			1,521,785	3,355,603
Total Liabilities	<u>13,495,618</u>	<u>1,431,308</u>	<u>27,301,480</u>	<u>4,608,293</u>	<u>46,836,699</u>
Fund Balances:					
Nonspendable	2,374,571	78,519			2,453,090
Restricted for:					
Public Works				9,055,584	9,055,584
Public Safety	1,222,654			1,157,066	2,379,720
Capital Projects				39,554,277	39,554,277
Grants Projects			266,013		266,013
Urban Services		23,788,028			23,788,028
Energy Improvement Projects	261,950	2,930			264,880
Committed for:					
General Government	5,312,381				5,312,381
Economic Stabilization	42,476,494				42,476,494
Assigned to:					
General Government	28,197,020			238,234	28,435,254
Unassigned	4,069,019				4,069,019
Total Fund Balances	<u>83,914,089</u>	<u>23,869,477</u>	<u>266,013</u>	<u>50,005,161</u>	<u>158,054,740</u>
Total Liabilities and Fund Balances	<u>\$97,409,707</u>	<u>\$25,300,785</u>	<u>\$27,567,493</u>	<u>\$54,613,454</u>	<u>\$204,891,439</u>

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, 2020

Total Fund balances - Governmental Funds		\$158,054,740
Amounts reported for Governmental Activities in the Statement of Net Position is different because:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,679,754,571	
Less accumulated depreciation	<u>(768,446,698)</u>	911,307,873
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		21,929,685
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.		
Restricted receivables (Net)		5,780,615
Other assets		1,369,101
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(388,498,338)	
Unearned revenue and other	(5,750)	
Interest payable	(4,684,569)	
Compensated absences	(28,699,840)	
Unfunded pension liability and other post retirement benefits	<u>(846,407,135)</u>	(1,268,295,632)
Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)		
		3,361,795
Outflows and inflows related to pension have been deferred in the Statement of Net Position		
		149,586,276
Outflows and inflows related to other post employment benefit amounts have been deferred in the Statement of Net Position		
		(74,236,135)
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.		
		7,583,791
Internal balances due to non-governmental activities related to items listed above		
		<u>(1,719,761)</u>
Net Position of Governmental Activities		<u><u>(\$85,277,652)</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, 2020

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
License Fees and Permits	\$309,112,251	\$1,773,980	\$0	\$0	\$310,886,231
Taxes	25,901,995	40,717,938			66,619,933
Charges for Services	26,275,626	1,072,904			27,348,530
Fines and Forfeitures	182,230				182,230
Intergovernmental	857,714		46,327,267	7,493,616	54,678,597
Exactions				79,066	79,066
Property Sales	379,746	220,085			599,831
Income on Investments	1,282,752	398,930	15,189	277,190	1,974,061
Other	3,601,621	85,852	1,298,897	481,802	5,468,172
Total Revenues	<u>367,593,935</u>	<u>44,269,689</u>	<u>47,641,353</u>	<u>8,331,674</u>	<u>467,836,651</u>
EXPENDITURES					
Current:					
Administrative Services	9,666,087	548,797	1,556,865		11,771,749
Chief Development Officer	3,141,622		1,045,448		4,187,070
Community Corrections	38,860,271		266,691	489,176	39,616,138
Environmental Quality & Public Works	14,265,770	35,033,064	464,904	363,518	50,127,256
Finance	5,503,681	44,137	17,585	5,555	5,570,958
Fire and Emergency Services	74,151,317		11,536,368		85,687,685
General Government	1,534,908	3,300,217	278,880	38,560	5,152,565
General Services	8,376,302	252,266	14,630		8,643,198
Information Technology	9,774,362	634,171	142,017		10,550,550
Law	2,256,394	16,730	56,438	19,901	2,349,463
Outside Agencies	22,816,635		2,611,359		25,427,994
Parks and Recreation	19,112,077		255,821	822,685	20,190,583
Planning, Preservation, & Development				97,481	97,481
Police	67,263,586		15,837,646	549,580	83,650,812
Public Safety	14,798,119		1,073,101		15,871,220
Social Services	8,802,817		2,071,350		10,874,167
Debt Service:					
Principal	31,119,490	461,852		258,658	31,840,000
Interest	15,662,147	201,927		3,880	15,867,954
Other Debt Service				83,731	83,731
Capital:					
Equipment	305,894	6,757,323	1,697,483	8,199,908	16,960,608
Acquisitions and Construction	815,532	554,815	11,005,649	17,130,283	29,506,279
Total Expenditures	<u>348,227,011</u>	<u>47,805,299</u>	<u>49,932,235</u>	<u>28,062,916</u>	<u>474,027,461</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,366,924	(3,535,610)	(2,290,882)	(19,731,242)	(6,190,810)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				18,110,000	18,110,000
Premium on Bonds				2,250,106	2,250,106
Discount on Bonds				(75,157)	(75,157)
Transfers In	6,555,614	1,883,800	2,410,764		10,850,178
Transfers Out	(6,634,920)	(13,773)	(112,879)	(4,346,069)	(11,107,641)
Total Other Financing Sources	<u>(79,306)</u>	<u>1,870,027</u>	<u>2,297,885</u>	<u>15,938,880</u>	<u>20,027,486</u>
Net Change in Fund Balances	19,287,618	(1,665,583)	7,003	(3,792,362)	13,836,676
Fund Balances, Beginning	67,914,565	25,842,822	259,010	53,782,979	147,799,376
Adjustment to Opening Fund Balance (Note 2.D.)	(3,288,094)	(307,762)		14,544	(3,581,312)
Fund Balances, Beginning - Restated	<u>64,626,471</u>	<u>25,535,060</u>	<u>259,010</u>	<u>53,797,523</u>	<u>144,218,064</u>
Fund Balances, Ending	<u><u>\$83,914,089</u></u>	<u><u>\$23,869,477</u></u>	<u><u>\$266,013</u></u>	<u><u>\$50,005,161</u></u>	<u><u>\$158,054,740</u></u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

Net change in fund balances - Governmental Funds		\$13,836,676
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditure for capital assets	31,821,599	
Less current year depreciation	<u>(57,957,307)</u>	(26,135,708)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.</p>		
		(1,778,761)
<p>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:</p>		
Other assets		(55,170)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Exaction fees		92,297
<p>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</p>		
<p>Net Position.</p>		
Issuance of debt	(18,110,000)	
Premium on bonds	(2,250,106)	
Discount on bonds	75,157	
Principal payments	<u>31,840,000</u>	11,555,051
<p>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.</p>		
Change in net pension asset	480,886	
Amortization of current year bond (discounts) premiums	2,367,468	
Amortization of current year bond refunding losses	(428,885)	
Change in unfunded pension liability	(65,717,183)	
Change in unfunded other post retirement benefit liability	(29,104,113)	
Change in deferred outflows from pension plans	(9,246,038)	
Change in deferred outflows from other post retirement benefits	23,629,194	
Change in deferred inflows from pension plans	13,168,676	
Change in deferred inflows from other post retirement benefits	16,572,421	
Unearned revenue and other	267,258	
Change in accrued interest payable	280,899	
Change in restricted receivables (net)	85,344	
Change in compensated absences	<u>(2,287,506)</u>	(49,931,579)
<p>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.</p>		
		<u>845,832</u>
Change in net position of Governmental Activities		<u><u>(\$51,571,362)</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-Type Activities Enterprise Funds				Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality			
ASSETS & DEFERRED OUTFLOWS OF RESOURCES							
Current Assets:							
Cash	\$7,952,227	\$2,842,116	\$15,849,803	\$15,405,388	\$9,648,134	\$51,697,668	\$37,240,173
Investments	26,076,510	311,391	30,226,832	5,111,616	1,492,917	63,219,266	
Receivables:							
User Fees Receivable	11,093,815		1,879,325	2,368,706		15,341,846	
Other Receivables	501,253	35,312	54,234	3,491	350,120	944,410	29,170
Less Allowance for Uncollectible Accounts	(7,645,501)		(1,320,778)	(1,514,832)	(35,867)	(10,516,978)	
Inventories and Prepaid Expenses	61,633			2,813	51,386	115,832	412,839
Due from Other Funds	990		792		5,309	7,091	334,889
Total Current Assets	38,040,927	3,188,819	46,690,208	21,377,182	11,511,999	120,809,135	38,017,071
Noncurrent Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	43,668,450					43,668,450	
Reserved for Capital Replacement	2,201,855			84,000		2,285,855	
Capital Assets:							
Land	5,947,189	32,578,646	5,194,637	2,701,225		46,421,697	
Land Improvements	354,183	23,498,213	16,832,022	169,259	10,000	40,863,677	
Buildings	5,075,349	114,754,327	800,936	179,393	7,514	120,817,519	
Sewer Plants	291,581,736		88,764			291,670,500	
Sewer Lines	247,316,429		410,356	14,654,861		262,381,646	
Leasehold Improvements		2,087,090				2,087,090	
Vehicles, Equipment, and Furniture	34,783,196	2,989,625	242,814	251,666	2,957,296	41,224,597	
Intangibles	6,620,642	262,270	597,535	1,120,656	1,490,573	10,091,676	
Less Accumulated Depreciation	(227,487,157)	(120,718,352)	(13,074,518)	(2,168,826)	(4,121,189)	(367,570,042)	
Construction in Progress	70,651,763		367,320		435,392	71,454,475	
Total Noncurrent Assets	480,713,635	55,451,819	11,459,866	17,427,626	344,194	565,397,140	0
Total Assets	518,754,562	58,640,638	58,150,074	38,804,808	11,856,193	686,206,275	38,017,071
Deferred outflows of resources:							
Deferred Amount on Bond Refunding	\$553,504	\$2,144,442	\$0	\$0	\$0	\$2,697,946	
Deferred Other Post Employment Benefit Amounts	2,117,906		189,726	1,028,729	682,723	4,019,084	
Deferred Pension Amounts	4,986,668		457,885	2,411,736	1,616,386	9,472,675	
Total Deferred Outflows of Resources	7,658,078	2,144,442	647,611	3,440,465	2,299,109	16,189,705	0
Total Assets & Deferred Outflows of Resources	\$526,412,640	\$60,785,080	\$58,797,685	\$42,245,273	\$14,155,302	\$702,395,980	\$38,017,071

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
LIABILITIES							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	\$6,849,362	\$116,205	\$147,839	\$989,385	\$41,648	\$8,144,439	\$1,071,108
Accrued Payroll	301,426		27,575	135,701	136,509	601,211	
Claims Payable							29,362,172
Bonds Payable		2,390,000		262,351		2,652,351	
Interest Payable		404,634		6,567		411,201	
Unearned Revenue and Other			440	22,352		22,792	
Compensated Absences	372,063		6,831	185,640	336,780	901,314	
Landfill Closure and Postclosure Care Costs			442,205			442,205	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	3,620,224					3,620,224	
Bonds and Notes Payable	11,195,216					11,195,216	
Interest Payable	956,400					956,400	
Total Current Liabilities	23,294,691	2,910,839	624,890	1,601,996	514,937	28,947,353	30,433,280
Noncurrent Liabilities:							
Bonds and Notes Payable	200,918,476	38,857,562		4,202,983		243,979,021	
Compensated Absences	868,147		61,475	185,640	377,091	1,492,353	
Landfill Closure and Postclosure Care Costs			11,522,165			11,522,165	
Unfunded Other Post Employment Benefit Liability	5,342,730		462,036	2,610,606	1,709,069	10,124,441	
Unfunded Pension Liability	21,731,338		1,879,312	10,618,532	6,951,568	41,180,750	
Total Noncurrent Liabilities	228,860,691	38,857,562	13,924,988	17,617,761	9,037,728	308,298,730	0
Total Liabilities	\$252,155,382	\$41,768,401	\$14,549,878	\$19,219,757	\$9,552,665	\$337,246,083	\$30,433,280
Deferred Inflows of Resources							
Deferred Other Post Employment Benefit Amounts	\$1,906,602	\$0	\$164,882	\$931,618	\$609,896	\$3,612,998	
Deferred Pension Amounts	1,006,507		87,042	491,807	321,968	1,907,324	
Total Deferred Inflows of Resources	2,913,109	0	251,924	1,423,425	931,864	5,520,322	0
Total Liabilities & Deferred Inflows of Resources	\$255,068,491	\$41,768,401	\$14,801,802	\$20,643,182	\$10,484,529	\$342,766,405	\$30,433,280
NET POSITION							
Net Investment in Capital Assets	\$262,601,796	\$14,204,258	\$11,459,869	\$12,878,291	\$344,194	\$301,488,408	\$0
Restricted for:							
Capital Projects - Park Acquisition		3,976,035				3,976,035	
Debt Service	2,735,764					2,735,764	
Capital Replacement	2,201,855			84,000		2,285,855	
Energy Improvement Projects	849,710					849,710	
Water Quality Incentive Program				5,793,779		5,793,779	
Maintenance and Operations		1,215,302				1,215,302	
Unrestricted	2,955,024	(378,916)	32,536,014	2,846,021	3,326,579	41,284,722	7,583,791
Total Net Position	\$271,344,149	\$19,016,679	\$43,995,883	\$21,602,091	\$3,670,773	359,629,575	\$7,583,791
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,719,761	
Net Position of Business-Type Activities						<u>\$361,349,336</u>	

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
OPERATING REVENUES							
User Charges	\$63,750,674	\$0	\$6,801,150	\$15,164,649	\$0	\$85,716,473	\$46,965,580
Fees	2,338,996	397,085	316,387	1,209	6,422,944	9,476,621	
Exactions	131,575					131,575	
License Fees and Permits					773,172	773,172	
Rental Income		5,002,061				5,002,061	
Theater Revenues		579,616				579,616	
Other	11,013,992		100,043	175,284	6,255	11,295,574	
Total Operating Revenues	77,235,237	5,978,762	7,217,580	15,341,142	7,202,371	112,975,092	46,965,580
OPERATING EXPENSES							
Treatment Plant	8,491,727					8,491,727	
Collection System	2,337,284					2,337,284	
Property Management		1,759,855				1,759,855	
Theater Management		525,177				525,177	
Landfill			2,624,708			2,624,708	
Right of Way					620,567	620,567	
Extended School Program					1,548,320	1,548,320	
Enhanced 911					4,900,007	4,900,007	
CKY Network					417,102	417,102	
Administration	36,559,715		1,461,081	14,092,827	251,510	52,365,133	3,594,703
Depreciation	13,649,916	3,307,886	588,404	545,757	183,905	18,275,868	
Claims and Benefit Payments							42,300,204
Total Operating Expenses	61,038,642	5,592,918	4,674,193	14,638,584	7,921,411	93,865,748	45,894,907
Operating Income (Loss)	16,196,595	385,844	2,543,387	702,558	(719,040)	19,109,344	1,070,673

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
NONOPERATING REVENUES (EXPENSES)							
Income on Investments	975,252	9,015	507,406	107,232	53,574	1,652,479	
Interest Expense and Fiscal Agent Fees	(4,505,845)	(1,566,955)		(83,231)		(6,156,031)	
Amortization of Bond Costs	278,410	261,141				539,551	
Gain (Loss) on Sale of Capital Assets	(404,175)		(3,500)	(23,108)		(430,783)	
Total Nonoperating Revenues (Expenses)	(3,656,358)	(1,296,799)	503,906	893	53,574	(4,394,784)	0
Income (Expenses) Before Transfers	12,540,237	(910,955)	3,047,293	703,451	(665,466)	14,714,560	1,070,673
Transfers In	280,000	257,242		220	200,000	737,462	
Transfers Out	(187,703)				(200,000)	(387,703)	
Change in Net Position	12,632,534	(653,713)	3,047,293	703,671	(665,466)	15,064,319	1,070,673
Net Position, Beginning	258,485,231	19,670,392	40,955,462	20,958,876	4,360,948		6,513,118
Adjustment to Opening Net Position (Note 2.D.)	226,384		(6,872)	(60,456)	(24,709)		
Net Position, Beginning - Restated	258,711,615	19,670,392	40,948,590	20,898,420	4,336,239		6,513,118
Net Position, Ending	\$271,344,149	\$19,016,679	\$43,995,883	\$21,602,091	\$3,670,773		\$7,583,791

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

224,841
\$15,289,160

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, 2020

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Cash Flows from Operating Activities:							
Receipts from Customers	\$76,609,449	\$2,490,001	\$7,130,673	\$15,133,969	\$7,151,160	\$108,515,252	\$0
Receipts from Employees and Other Sources							36,111,252
Receipts from Interfund Services Provided		3,521,662				3,521,662	13,443,344
Payments to Suppliers	(31,752,368)	(2,298,751)	(3,066,468)	(5,977,734)	(2,373,375)	(45,468,696)	(3,861,206)
Payments to Employees	(12,387,954)		(1,270,779)	(5,941,228)	(3,762,767)	(23,362,728)	
Payments for Interfund Services Used	(2,843,419)		(266,820)	(1,225,111)	(254,522)	(4,589,872)	
Payments for Claims							(40,846,433)
Net Cash Provided by (Used in) Operating Activities	29,625,708	3,712,912	2,526,606	1,989,896	760,496	38,615,618	4,846,957
Cash Flows from Noncapital Financing Activities:							
Transfers In	280,000	257,242		220	200,000	737,462	
Transfers Out	(187,703)				(200,000)	(387,703)	
Net Cash Provided by (Used in) Noncapital Financing Activities	92,297	257,242	0	220	0	349,759	0
Cash Flows from Capital and Related Financing Activities:							
Purchase of Capital Assets	(47,035,420)	(192,989)		(1,835,608)		(49,064,017)	
Proceeds from Note Payable	62,362,441					62,362,441	
Principal Paid on Bonds	(10,482,732)	(2,270,000)		(257,654)		(13,010,386)	
Interest and Fiscal Agent Fees Paid on Bonds	(4,127,400)	(1,566,955)		(83,231)		(5,777,586)	
Proceeds on Sale of Capital Assets	32,493					32,493	
Net Cash Used in Capital and Related Financing Activities	749,382	(4,029,944)	0	(2,176,493)	0	(5,457,055)	0
Cash Flows from Investing Activities:							
Purchase of Investments	(30,992,318)	(9,014)	(4,468,276)	(3,632,456)	(19,952)	(39,122,016)	
Income on Investments	861,210	9,015	507,406	113,327	53,574	1,544,532	
Net Cash Flows Provided by (Used in) Investing Activities	(30,131,108)	1	(3,960,870)	(3,519,129)	33,622	(37,577,484)	0
Net Increase (Decrease)	336,279	(59,789)	(1,434,264)	(3,705,506)	794,118	(4,069,162)	4,846,957
Cash at Beginning of Year	7,615,948	2,901,905	17,284,067	19,110,894	8,854,016	56,062,203	32,393,216
Cash at End of Year	\$7,952,227	\$2,842,116	\$15,849,803	\$15,405,388	\$9,648,134	\$51,697,668	\$37,240,173

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Reconciliation of Operating Income (Expenses) to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Expenses)	\$16,196,595	\$385,844	\$2,543,387	\$702,558	(\$719,040)	\$19,109,344	\$1,070,673
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	13,649,916	3,307,886	588,404	545,757	183,905	18,275,868	
Allowance for Bad Debts	666,198		110,496	125,025		901,719	
(Increase) Decrease in Assets:							
Accounts Receivable	(515,654)		(86,657)	(182,708)		(785,019)	
Other Receivables	(41,414)	32,901	(269)	(3,352)	(51,211)	(63,345)	(1,510)
Inventories and Prepaid Expenses	23,279		28,009	37,075	(35,386)	52,977	(81,145)
Due from Other Funds	(990)		(792)		(5,309)	(7,091)	2,590,526
Developments in Progress	(67,731)					(67,731)	
(Increase) Decrease in Deferred Outflows:							
Deferred Other Post Employment Benefit Amounts	(416,560)		(37,923)	(202,986)	(127,002)	(784,471)	
Deferred Pension Amounts	216,403		6,478	113,417	83,419	419,717	
Increase (Decrease) in Liabilities:							
Accounts Payable	(3,071,903)	14,501	(449,040)	(567,571)	(61,320)	(4,135,333)	(185,358)
Accrued Payroll	97,318		8,732	36,531	59,556	202,137	
Claims Payable							1,453,771
Unearned Revenue			19	(21,113)		(21,094)	
Other Liabilities		(28,220)	(441,122)	(383)		(469,725)	
Compensated Absences	170,429		21,675	78,666	562,851	833,621	
Unfunded Other Post Employment Benefit Liability	(208,373)		(18,020)	(101,816)	(66,656)	(394,865)	
Unfunded Pension Liability	2,739,874		236,943	1,338,778	876,449	5,192,044	
Increase (Decrease) in Deferred Inflows:							
Deferred Other Post Employment Benefit Amounts	706,120		61,065	345,029	225,877	1,338,091	
Deferred Pension Amounts	(517,799)		(44,779)	(253,011)	(165,637)	(981,226)	
Total Adjustments	13,429,113	3,327,068	(16,781)	1,287,338	1,479,536	19,506,274	3,776,284
Net Cash Provided by (Used In) Operating Activities	\$29,625,708	\$3,712,912	\$2,526,606	\$1,989,896	\$760,496	\$38,615,618	\$4,846,957

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	Pension Trust Funds	Investment Trust Funds	Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$772,976	\$25,465,518	\$3,158,145
Receivables:			
Interest Receivable	3,686,809		50
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	1,107,956		
Corporate Debt	110,370,819		
Municipal Obligations	5,760,256		
US Agencies	40,570,380		
US Government Obligations	37,908,686		
Repurchase Agreements	36,938,160		
Other Investments:			
Equity Mutual Funds	375,184,800		
Equity Real Estate	72,343,113		
Equity Securities - Domestic	700,975		
Equity Securities - International	174,498,302		
Total Investments	855,383,447	0	0
Total Assets	\$859,843,232	\$25,465,518	\$3,158,195
LIABILITIES			
Accounts Payable and Accrued Expenses	\$544,811	\$0	\$224,333
Securities Lending Transactions	36,938,160		
Total Liabilities	\$37,482,971	\$0	\$224,333
NET POSITION			
Net position restricted for pensions	\$822,360,261		
Pool Participants		\$25,465,518	
Individuals, organizations, and Other Governments			\$2,933,862

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2020

	Pension Trust Funds	Investment Trust Funds	Custodial Funds
ADDITIONS			
Contributions:			
Employer	\$32,549,517	\$6,603,860	\$0
Employer - Administration	5,412,528		
Plan Members	10,875,896		3,379,002
Other	106,394		596,201
Total Contributions	48,944,335	6,603,860	3,975,203
Investment Income:			
Net Change in Fair Value of Investments	28,403,175		
Interest	10,953,165	405,170	
Dividends	5,039,802		
Total Investment Income	44,396,142	405,170	0
Less Investment Expense	2,156,523	950	
Net Investment Income	42,239,619	404,220	0
Income from Securities Lending Activities:			
Securities Lending Income	129,001		
Securities Lending Expenses:			
Borrower Rebates	(405,692)		
Management Fees	50,875		
Total Securities Lending Expenses (Income)	(354,817)	0	0
Net Income on Securities Lending Activities	483,818	0	0
Total Additions	91,667,772	7,008,080	3,975,203
DEDUCTIONS			
Benefit Payments	70,260,144	10,247,408	756,427
Administrative Expense	469,846		2,729,244
Total Deductions	70,729,990	10,247,408	3,485,671
Net Increase (Decrease)	20,937,782	(3,239,328)	489,532
Net Position, Beginning	797,764,627	28,704,846	2,444,330
Adjustment to Opening Net Position (Note 2.D.)	3,657,852	0	0
Net Position, Beginning - Restated	801,422,479	28,704,846	2,444,330
Net Position, Ending	\$822,360,261	\$25,465,518	\$2,933,862

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2020

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$4,357,324	\$3,446,215	\$22,254,446	\$25,918,543	\$55,976,528
Investments		10,512,092		13,449,598	23,961,690
Receivables:					
Accounts Receivable	87,851	1,820,649	429,908	207,289	2,545,697
Other		40,382		229,903	270,285
Due from Primary Government	146,129			1,819,841	1,965,970
Due from Other Governments				4,621,197	4,621,197
Other Current Assets	222,977	539,425			762,402
Inventories and Prepaid Expenses			32,552	979,797	1,012,349
Net Pension Asset				653,456	653,456
Restricted Current Assets:					
Cash		10,537,058		1,225,766	11,762,824
Accounts Receivable	1,003,104	139,948			1,143,052
Investments	167,033,368	16,140,463		3,344,479	186,518,310
Grants Receivable		2,601,761			2,601,761
Other		48,079			48,079
Capital Assets:					
Non-depreciable	170,184,893	51,877,033		10,437,769	232,499,695
Depreciable (Net)	16,891,167	136,593,571	1,745,535	55,748,912	210,979,185
Other Assets			2,029,503	0	2,029,503
Total Assets	359,926,813	234,296,676	26,491,944	118,636,550	739,351,983
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Amount on Bond Refunding	\$0	\$1,183,176	\$0	\$0	\$1,183,176
Deferred Amount on Note Payable				2,625,000	2,625,000
Deferred Pension Amounts			5,683,020	6,885,030	12,568,050
Deferred Other Post Employment Benefit Amounts			2,191,693	2,009,736	4,201,429
Total Deferred Outflows of Resources	0	1,183,176	7,874,713	11,519,766	20,577,655
Total Assets and Deferred Outflows of Resources	\$359,926,813	\$235,479,852	\$34,366,657	\$130,156,316	\$759,929,638
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	\$14,231,438	\$1,984,446	\$1,213,110	\$1,597,982	\$19,026,976
Interest Payable				138	138
Due to Component Units				2,625,000	2,625,000
Unearned Revenue and Other		219,223	124,017	14,232	357,472
Liabilities Payable from Restricted Assets:					
Accounts Payable		3,219,400			3,219,400
Interest Payable		1,319,783			1,319,783
Noncurrent Liabilities:					
Due Within One Year					
Compensated Absences				602,853	602,853
Bonds and Notes Payable	3,625,000	4,100,000		1,614,999	9,339,999
Due in More Than One Year					
Compensated Absences			557,977	353,789	911,766
Bonds and Notes Payable	213,235,551	79,532,998		24,025,975	316,794,524
Other		341,027			341,027
Unfunded Other Post Retirement Benefit Liability			9,893,021	4,682,849	14,575,870
Unfunded Pension Liability			62,854,562	19,585,904	82,440,466
Total Liabilities	\$231,091,989	\$90,716,877	\$74,642,687	\$55,103,721	\$451,555,274
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Amounts	\$0		\$128,074	\$4,356,821	\$4,484,895
Deferred Other Post Employment Benefit Amounts			1,711,661	1,812,586	3,524,247
Deferred Amount on Bond Refunding		\$185,890			185,890
Total Deferred Inflows of Resources	0	185,890	1,839,735	6,169,407	8,195,032
Total Liabilities and Deferred Inflows of Resources	\$231,091,989	\$90,902,767	\$76,482,422	\$61,273,128	\$459,750,306
NET POSITION					
Net Investment in Capital Assets	\$119,556,821	\$104,363,396	\$1,745,535	\$41,170,488	\$266,836,240
Restricted for:					
Governmental and Program Funds			140,334	1,331,750	1,472,084
Fees	492,153				492,153
Capital Projects		2,601,761			2,601,761
Debt Service	17,199,903	23,797,861	165,250		41,163,014
Unrestricted	(8,414,053)	13,814,067	(44,166,884)	26,380,950	(12,385,920)
Total Net Position	\$128,834,824	\$144,577,085	(\$42,115,765)	\$68,883,188	\$300,179,332

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, 2020

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
Lexington Center Corporation									
Lexington Center Operations	\$30,449,059	\$12,899,085	\$747,502	\$167,800	(\$16,634,672)				(\$16,634,672)
Depreciation	3,959,593				(3,959,593)				(3,959,593)
Interest on Long-Term Debt	8,880,198				(8,880,198)				(8,880,198)
Total Lexington Center Corporation	43,288,850	12,899,085	747,502	167,800					(29,474,463)
Lexington Airport Board									
Airport Operations	14,486,774	19,887,238	3,228,827	11,696,405		\$20,325,696			20,325,696
Depreciation	10,132,046					(10,132,046)			(10,132,046)
Interest on Long-Term Debt	2,103,064					(2,103,064)			(2,103,064)
Total Lexington Airport Board	26,721,884	19,887,238	3,228,827	11,696,405					8,090,586
Fayette County Department of Health									
Department of Health Operations	19,796,366	3,916,704	6,578,849				(\$9,300,813)		(9,300,813)
Depreciation	449,430						(449,430)		(449,430)
Total Fayette County Department of Health	20,245,796	3,916,704	6,578,849						(9,750,243)
Nonmajor Component Units	52,468,665	3,827,687	10,946,369	1,356,035				(\$36,338,574)	(36,338,574)
Total Component Units	\$142,725,195	\$40,530,714	\$21,501,547	\$13,220,240	(\$29,474,463)	\$8,090,586	(\$9,750,243)	(\$36,338,574)	(\$67,472,694)
General Revenues:									
Taxes					\$6,281,109		\$9,068,820	\$42,348,286	\$57,698,215
Income on Investments					4,513,404	1,033,898	179,042	218,409	5,944,753
Net Change in Fair Value of Investments						463,895			463,895
Gain on Sale of Capital Assets						11,177		34,606	45,783
Miscellaneous								(317,904)	(317,904)
Total General Revenues					10,794,513	1,508,970	9,247,862	42,283,397	63,834,742
Change in Net Position					(18,679,950)	9,599,556	(502,381)	5,944,823	(3,637,952)
Net Position, Beginning					147,514,774	134,977,529	(41,634,509)	62,938,365	303,796,159
Adjustment to Opening Net Position (Note 2.D.)							21,125		21,125
Net Position, Beginning-Restated					147,514,774	134,977,529	(41,613,384)	62,938,365	303,817,284
Net Position, Ending					\$128,834,824	\$144,577,085	(\$42,115,765)	\$68,883,188	\$300,179,332

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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 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 (4.50%) 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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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 \$14,000 to support the Ferry's operations in fiscal year 2020.

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.

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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 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.

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, investment, and custodial). Since these assets are being held for the benefit of a third party (private parties, investors, 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.

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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.

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. Custodial 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.

Custodial 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.

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Investment Trust Fund to account for all of the outstanding debt for the Sanitary Sewer System. In fiscal year 2014 the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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 deposited into the Bond Account, which is held by a Trustee.

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.

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-

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appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2020. The net effect of these supplemental appropriations was an increase of \$960,820 in the General Fund and an increase of \$52,867 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 2021, 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 2020 were levied on September 15, 2020, 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 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, 2020, 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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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, 2020 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. The balances of the restricted asset’s accounts in the governmental funds are as follows:

Various purpose general obligation notes account	\$36,107,227
Federal Grants and Contracts	29,167
Debt Service on QECB Bond	1,244,527
Total restricted assets	<u>\$37,380,922</u>

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

Sanitary sewer reserve for construction and capital acquisition	\$43,668,450
Sanitary sewer and stormwater capital replacement account	2,285,855
Total restricted assets	<u>\$45,954,305</u>

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.

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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 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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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 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, differences between projected and actual earnings, 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, 2019.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

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, 2020.

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, 2020.

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. Committed fund balance for the General Fund is further classified as follows:

Committed for:

Affordable Housing & Homelessness Intervention	\$2,750,486
Economic Stabilization	42,476,494
Chief Development Officer	1,571,520
Social Services	737,247
Special Programs	253,128
Committed Fund Balance	<u>\$47,788,875</u>

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. The Urban County Council suspended this requirement for fiscal year 2020.

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 June 30, 2020

- 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, 2020 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Administrative Services	\$200,000	\$0
Environmental Quality & Public Works	550,000	
Finance	500,000	
Fire & Emergency Services	60,000	
General Government	23,985,013	238,234
Parks & Recreation	97,952	
Police	898,039	
Social Services	1,906,016	
Assigned Fund Balance	\$28,197,020	\$238,234

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.

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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, 2019.

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, 2019.

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, 2020:

	<u>Excess Expenditures</u>
General Fund:	
Accounting	\$95,620
Building Inspection	26,818
Circuit Judges	3,184
Enterprise Solutions	20,156
Grants & Special Projects Agencies	37,669
Office of the CIO	7,106
Office of the Mayor	24,151
Planning	139,250
Public Safety Administration	329,593
Urban Services Fund:	
Central Purchasing	\$164
Human Resources	374
Indirect Cost Allocation	431,022
Office of the CIO	2,028

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

C. Fund Deficits

Proprietary funds – the Extended School Program had a fund deficit of (\$939,834) as a result of the unfunded pension liability.

D. Prior Period Adjustments

Primary Government

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

General Funds: Recognize revenues from various fiscal years of \$14,544. Recognize expenditures from the prior fiscal year in the amount of \$217,867. Recognize expenditures from the prior fiscal years of 3,377,989 to reimburse the Police and Fire Pension Plan. Of that amount, \$925,978 was from the prior fiscal year.

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

The Governmental Funds: Net position increased by derecognizing expenditures of \$2,609,070 from prior years due to the close out of various Exactions Area Master Plan (EAMP) developer agreements. In addition net position decreased by recognizing capital expenditures of \$1,042,351, and recognizing \$175,000 in expenditures from the affordable housing program. Overall net position decreased \$2,189,593 in *Governmental Activities*.

The Business-Type Activities Funds: Net position was increased \$429,719 to recognize capital additions from prior years due to the close out of various developer agreements for Sanitary Sewer System infrastructure in the Exactions Area Master Plan (EAMP). In addition, net position was decreased \$295,372 for expenses in prior fiscal years. Of that amount \$279,862 was to reimburse the Police and Fire Pension Fund. Overall *Business-Type Activities* net position increased \$134,347.

Fiduciary Funds

The Police and Fire Pension Fund net position increased \$3,657,852 to recognize reimbursements from prior fiscal years. Of that amount, \$1,002,694 was from fiscal year 2019 and the remaining \$2,655,157 was from prior fiscal years.

Component Units

The Fayette County Department of Health reduced net position by \$21,125 to recognize grant expenditures from the prior fiscal year.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

Primary Government

The Government's bank balances at June 30, 2020 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 as amended March 18, 2019, and the Government's investment policy, the Government is allowed to invest in the following:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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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, 2020 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	Observable	Unobservable
		Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$82,077,805	\$82,077,805		
Money Market Mutual Funds	55,860,101		55,860,101	
Certificates of Deposit	2,292,662		2,292,662	
Commercial Paper	1,999,560		1,999,560	
U.S. Government Agency Obligations	50,141,545		50,141,545	
Total Investments	\$192,371,673	\$82,077,805	\$110,293,868	\$0

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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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	\$82,077,805	\$82,077,805				AA	\$13,163,050
Money Market Mutual Funds	55,860,101	55,860,101				NA	179,208,623
Certificates of Deposit	2,292,662	278,544	\$1,013,216	\$389,510	\$611,392		
Commercial Paper	1,999,560	1,999,560					
U.S. Government Agency Obligations	50,141,545	31,046,109	19,095,436				
Total Investments	\$192,371,673	\$171,262,119	\$20,108,652	\$389,510	\$611,392		

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.

Investment Trust Fund

The Government’s investment trust fund operates under the Sewer indenture established to provide that the net revenues from the sewer system operations are deposited into a Bond Account held by a Trustee. The account must provide coverage of 120% of the maximum annual debt service. The fund follows the Government’s policy in accordance with Kentucky Revised Statute (KRS) 66.480 and the Government’s investment policy.

Sewer Investment Trust Fund				
Investment Type	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for	Observable	Unobservable
		Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Money Market Mutual Funds	\$25,465,518		\$25,465,518	

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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

Sewer Investment Trust Fund							
Investment Type	Fair Value	Investment Maturities (in years)				S&P Rating	Fair Value
		Less Than 1	1 to 5	6 to 10	More than 10		
Money Market Mutual Funds	\$25,465,518	\$25,465,518	\$0	\$0	\$0	NA	\$25,465,518

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, 2020 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

Investment Type	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for	Observable	Unobservable
		Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Debt Securities				
Bank Loans	\$1,107,956		\$1,107,956	
Corporate Debt	103,609,230		102,785,723	\$823,507
International Bonds				
Municipal Obligations	5,760,256		5,760,256	
SL Comingle Fund	36,938,160		36,938,160	
US Agencies	32,109,951		32,109,951	
US Government Obligations	34,255,899		34,255,899	
	<u>\$213,781,452</u>		<u>\$212,957,945</u>	<u>\$823,507</u>
Other Investments				
Equity Mutual Funds	\$362,914,835	\$136,447,865	\$226,466,970	
Equity Real Estate	72,343,113		72,343,113	
Equity Securities - Domestic	700,975	184,579	73,096	443,300
Equity Securities - International	174,498,302	112,049,951	62,448,351	
	<u>\$824,238,677</u>	<u>\$248,682,395</u>	<u>\$574,289,475</u>	<u>\$1,266,807</u>

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 primarily Exide which filed for bankruptcy on May 19, 2020. Bond holders are voting on the Plan of Reorganization in September 2020. Level 3 inputs from domestic Equity Securities are fair valued by broker quotes daily.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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The PFRF has contracted with external investment managers to manage all of the funds. The Board has adopted an investment policy that recommends the following target allocations based on asset class:

Asset Class	Target Allocation
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	4.50%
Total Equities	63.00%
US Core Fixed Income	15.50%
US High Yield Fixed Income	7.50%
Total Fixed Income	23.00%
Real Estate	9.00%
Real Return	5.00%
Total Plan	100.00%

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.

Investment Type	Fair Value	Policemen's and Firefighters' Retirement Fund Investment Maturities (in years)				S&P Rating	Fair Value
		Less Than 1	1 to 5	6 to 10	More than 10		
Debt Securities						A	\$41,892,696
Bank Loans	\$1,107,956		\$961,956	\$146,000		AA	76,150,714
Corporate Debt	103,609,230	\$1,508,635	50,772,889	38,644,209	\$12,683,497	AAA	6,566,833
International Bonds						B	18,294,387
Municipal Obligations	5,760,256	448,916	386,574	3,605,870	1,318,896	BB	28,279,902
SL Comingle Fund	36,938,160	26,641,017	296,618	9,802,410	198,115	BBB	23,073,961
US Agencies	32,109,951	4,097	4,943,858	2,826,170	24,335,825	CC	2,601,871
US Government Obligations	34,255,899	8,418,610	11,031,895	6,616,866	8,188,529	CCC	114,075
	<u>\$213,781,452</u>	<u>\$37,021,275</u>	<u>\$68,393,790</u>	<u>\$61,641,525</u>	<u>\$46,724,862</u>	NR	627,264,240
Other Investments							
Equity Mutual Funds	\$362,914,835	\$362,914,835					
Equity Real Estate	72,343,113	72,343,113					
Equity Securities - Domestic	700,975	700,975					
Equity Securities - International	174,498,302	174,498,302					
	<u>\$824,238,677</u>	<u>\$647,478,500</u>	<u>\$68,393,790</u>	<u>\$61,641,525</u>	<u>\$46,724,862</u>		

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NOTES TO FINANCIAL STATEMENTS (Continued)
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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.

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, 2020, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$36,938,160. Investments of the CEPF as of June 30, 2020 are summarized and categorized in the following table:

City Employees Pension 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
Debt Securities:				
Corporate Debt	\$6,761,589		\$6,761,589	
US Agencies	8,460,429		8,460,429	
US Government Obligations:	3,652,787	3,652,787		
	<u>18,874,805</u>	<u>3,652,787</u>	<u>15,222,018</u>	<u>-</u>
Other Investments:				
Equity Mutual Funds	12,269,965		12,269,965	
	<u>\$31,144,770</u>	<u>\$3,652,787</u>	<u>\$27,491,983</u>	<u>\$0</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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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%
	<u>100.00%</u>

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

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

City Employees Pension Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>S&P Rating</u>	<u>Fair Value</u>
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>		
Debt Securities:						AAA	\$303,091
Corporate Debt	\$6,761,589	\$1,480,341	\$4,353,623	\$927,624		AA	4,858,480
US Agencies	8,460,429	8,460,429				A	3,780,022
US Government Obligations:	3,652,787			1,519,095	\$2,133,693	BBB	936,994
	<u>18,874,805</u>	<u>9,940,770</u>	<u>4,353,623</u>	<u>2,446,719</u>	<u>2,133,693</u>	NR	21,266,182
Other Investments:							
Equity Mutual Funds	12,269,965	12,269,965					
	<u>\$31,144,770</u>	<u>\$22,210,735</u>	<u>\$4,353,623</u>	<u>\$2,446,719</u>	<u>\$2,133,693</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:

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	Reported Amount/ Fair Value
U.S. Government and Government	
Agency Obligations	\$91,133,378
Investments not subject to categorization:	
Certificates of Deposit	27,207,448
Money Market Funds	92,139,174
Total Investments	<u>\$210,480,000</u>

As of June 30, 2020, LCC had \$4,357,324 and \$1,003,104 in deposits and investments, respectively, which were uninsured and uncollateralized.

B. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	
Governmental Activities:				
Nondepreciable Assets:				
Land	\$62,865,782	\$29,686	\$0	\$62,895,468
Purchase of Development Rights	80,603,464	1,319,553		81,923,017
Intangibles	9,798,144	313,241		10,111,385
Construction in Progress *	29,040,005	14,537,052	(23,635,077)	19,941,980
Developments in Progress	296,135		(139,145)	156,990
Depreciable Assets:				
Buildings	187,910,454	9,436,413	(4,320)	197,342,547
Intangibles	17,781,251	3,381,608	(714)	21,162,145
Vehicles, Equipment, & Furniture	146,366,773	13,149,205	(2,455,802)	157,060,176
Land & Leasehold Improvements	46,849,439	6,331,295		53,180,734
Infrastructure *	1,058,492,341	5,521,524		1,064,013,865
Sewer Lines	11,749,467			11,749,467
Sewer Plants	216,797			216,797
Totals at Historical Cost	<u>1,651,970,052</u>	<u>54,019,577</u>	<u>(26,235,058)</u>	<u>1,679,754,571</u>
Less Accumulated Depreciation For:				
Buildings	(79,293,551)	(6,171,708)	303	(85,464,956)
Intangibles	(14,688,742)	(2,595,644)	713	(17,283,673)
Vehicles, Equipment, & Furniture	(102,023,215)	(10,499,762)	2,349,598	(110,173,379)
Land & Leasehold Improvements	(31,087,061)	(3,562,658)		(34,649,719)
Infrastructure	(483,996,824)	(34,889,059)		(518,885,883)
Sewer Lines	(1,730,778)	(234,140)		(1,964,918)
Sewer Plants	(19,834)	(4,336)		(24,170)
Total Accumulated Depreciation	<u>(712,840,005)</u>	<u>(57,957,307)</u>	<u>2,350,614</u>	<u>(768,446,698)</u>
Governmental Activities Capital Assets, Net	<u>\$939,130,047</u>	<u>(\$3,937,730)</u>	<u>(\$23,884,444)</u>	<u>\$911,307,873</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Nondepreciable Assets:				
Land	\$46,421,697	\$0	\$0	\$46,421,697
Construction in Progress	123,079,153	47,321,848	(98,946,526)	71,454,475
Developments in Progress	116,425	67,731	(184,156)	0
Intangibles	581,026	327,637		908,663
Depreciable Assets:				
Buildings	120,728,659	88,860		120,817,519
Intangibles	9,099,463	83,550		9,183,013
Vehicles, Equipment & Furniture	40,482,316	1,084,476	(342,195)	41,224,597
Land & Leasehold Improvements	42,950,767			42,950,767
Infrastructure	17,886,555	4,543,655		22,430,210
Sewer Lines *	227,792,912	12,158,524		239,951,436
Sewer Plants	209,491,154	82,179,346		291,670,500
Totals at Historical Cost	<u>838,630,127</u>	<u>147,855,627</u>	<u>(99,472,877)</u>	<u>887,012,877</u>
Less Accumulated Depreciation For:				
Buildings	(92,525,241)	(3,535,288)		(96,060,529)
Intangibles	(5,937,918)	(1,202,465)		(7,140,383)
Vehicles, Equipment & Furniture	(21,005,948)	(2,914,935)	285,715	(23,635,168)
Land & Leasehold Improvements	(36,518,291)	(444,359)		(36,962,650)
Infrastructure	(2,082,668)	(465,705)		(2,548,373)
Sewer Lines *	(82,580,251)	(4,517,997)		(87,098,248)
Sewer Plants	(108,929,572)	(5,195,119)		(114,124,691)
Total Accumulated Depreciation	<u>(349,579,889)</u>	<u>(18,275,868)</u>	<u>285,715</u>	<u>(367,570,042)</u>
Business-Type Activities Capital Assets, Net	<u>\$489,050,238</u>	<u>\$129,579,759</u>	<u>(\$99,187,162)</u>	<u>\$519,442,835</u>

* Restated beginning balance due to prior period adjustment

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

Governmental Activities:

General Government	\$1,334,018
Computer Information Technology	1,353,633
Chief Development Officer	1,926
Administrative Services	656,017
Finance	703,263
Public Safety	856,080
Environmental Quality & Public Works	37,745,693
Police	1,978,634
Fire and Emergency Services	2,254,405
Law	9,023
Community Corrections	2,609,514
Social Services	720,154
General Services	5,492,482
Parks and Recreation	1,940,584
Planning, Preservation, & Development	301,881
Total depreciation expense - Governmental Activities	<u>\$57,957,307</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

Business-Type Activities:

Sanitary Sewer System	\$13,649,916
Public Facilities Corporation	3,307,886
Landfill	588,404
Right of Way	6,324
Extended School Program	3,111
Enhanced 911	174,470
Water Quality	545,757
Total depreciation expense - Business-Type Activities	\$18,275,868

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Assets:				
Land	\$36,450,245	\$4,210,000	\$0	\$40,660,245
Construction in Progress	19,774,945	23,978,949	(10,962,654)	32,791,240
Other	75,301,601	83,575,788		158,877,389
Depreciable Assets:				
Buildings & Improvements	363,429,461	6,434,244	(66,345,427)	303,518,278
Vehicles, Equipment, & Furniture	86,407,272	9,933,346	(1,890,584)	94,450,034
Land & Leasehold Improvements	80,534,292	2,282,220		82,816,512
Intangibles	69,645	170,822		240,467
Totals at Historical Cost	661,967,461	130,585,369	(79,198,665)	713,354,165
Less Accumulated Depreciation	(299,968,669)	(19,675,484)	49,768,868	(269,875,285)
Component Unit Activities				
Capital Assets, Net	\$361,998,792	\$110,909,885	(\$29,429,797)	\$443,478,880

Construction Commitments

The Government has active construction projects as of June 30, 2020. The projects include building improvements, capital repairs and maintenance, land improvements, sanitary sewer storm collection systems, storm drainage and major roadways. At June 30, 2020, the Government had the following commitments on construction contracts:

<u>Project</u>	<u>Commitment</u>
Buildings	\$408,806
Capital Repairs & Maintenance	2,287,535
Land Improvements	15,576,779
Sanitary Sewer Collection System	25,468,267
Storm Drainage	5,578,529
Streets & Roadways	9,604,843
Street Lighting	99,258
Traffic Control & Markings	925,205
	<u>\$59,949,222</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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, 2020. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2020, is as follows:

Federal & State Grants	(\$24,817,175)
Other Governmental Funds	(334,889)
Internal Service Funds	<u>334,889</u>
Total due from General Fund	<u><u>(\$24,810,084)</u></u>

Receivable Entity	Payable Entity	Amount
Component unit - Lexington Public Library	Primary government - General fund	\$1,450,778
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	369,063
Component unit - Lexington Center Corporation	Primary government - General fund	<u>146,129</u>
Total		<u><u>\$1,965,970</u></u>

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 & State Grants	Nonmajor Governmental	Total Governmental	Sanitary Sewer	Public Facilities Corp	Landfill	Water Quality	Nonmajor Proprietary	Total Proprietary
General	\$0	\$1,883,800	\$1,342,778	(\$3,404,735)	(\$178,157)	\$92,297	\$257,242	\$0	\$220	\$0	\$349,759
Urban Services	(1,883,800)		13,773		(1,870,027)						
Fed & State Grants	(1,342,778)	(13,773)		(941,334)	(2,297,885)						
Nonmajor Governmental	3,404,735		941,334		4,346,069						
Public Facilities Corp	(257,242)				(257,242)						
Water Quality	(220)				(220)						
Grand Total	<u>(\$79,305)</u>	<u>\$1,870,027</u>	<u>\$2,297,885</u>	<u>(\$4,346,069)</u>	<u>(\$257,462)</u>	<u>\$92,297</u>	<u>\$257,242</u>	<u>\$0</u>	<u>\$220</u>	<u>\$0</u>	<u>\$349,759</u>

D. Long-Term Debt

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the accounts of such funds. All other long-term indebtedness 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, 2020

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2020 are as follows:

Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year	
Governmental Activities						
Bonds, Notes, Loans, and Leases:						
Pension Obligation, Series 2009B	Police/Fire Pension Fund	\$70,610,000	3.50% - 6.00%	1-Apr-2029	\$39,970,000	\$3,535,000
General Obligation, Series 2010C	Refunding of 2000E	\$6,635,000	1.00% - 3.00%	1-Dec-2020	675,000	675,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	\$35,825,000	.95%-5.45%	1-Jun-2030	1,730,000	1,730,000
General Obligation, Series 2010H	Refunding of 2001B	\$4,465,000	1.00%-3.80%	1-Dec-2021	1,060,000	520,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	\$31,000,000	2.50% - 4.00%	1-Oct-2032	22,175,000	1,390,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	\$6,275,000	2.00% - 4.00%	1-Jul-2024	3,825,000	745,000
General Obligation, Series 2013A	Road Resurfacing	\$11,275,000	2.00% - 5.00%	1-Oct-2023	4,700,000	1,090,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	2,935,000	475,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2037	13,165,000	725,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	38,835,000	2,820,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	20,225,000	940,000
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	13,560,000	2,205,000
General Obligation, Series 2015B	CIP projects	\$24,860,000	2.00% - 5.00%	1-Oct-2035	17,730,000	2,015,000
General Obligation, Series 2016A	Historic Courthouse Renovation	\$22,450,000	.80%-3.00%	1-Aug-2036	19,690,000	950,000
General Obligation, Series 2016B	CIP projects	\$8,870,000	2.00% - 5.00%	1-Aug-2036	7,155,000	620,000
General Obligation, Series 2016C	CIP projects	\$7,555,000	2.00% - 5.00%	1-Oct-2036	29,550,000	2,945,000
General Obligation, Series 2016D	Refunding of 2006D Detention Center	\$28,495,000	4.00% - 5.00%	1-Nov-2024	15,660,000	3,640,000
General Obligation, Series 2017A	CIP projects	\$32,435,000	3.00% - 5.00%	1-Sep-2037	27,525,000	2,645,000
General Obligation, Series 2017B	Refunding of 2010D Police/Fire Pension	\$22,445,000	2.00% - 2.85%	1-Jun-2030	21,380,000	305,000
General Obligation, Series 2018A	CIP projects	\$42,055,000	3.00% - 5.00%	1-Oct-2038	39,680,000	2,500,000
General Obligation, Series 2019A	CIP projects	\$18,110,000	3.00% - 5.00%	1-Nov-2039	18,110,000	1,250,000
Premiums and Discounts				26,368,338		
Total Bonds, Notes, and Loans Payable				388,498,338	33,720,000	
Other Liabilities:						
Compensated Absences				28,699,840	4,017,978	
Unfunded Other Post Employment Benefit Liability				337,040,126		
Unfunded Pension Liability				509,367,009		
Total Other Liabilities				875,106,975	4,017,978	
Total Governmental Activities				\$1,263,605,313	\$37,737,978	
Business-Type Activities						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	\$24,190,000	3.00% - 5.00%	1-Sep-2030	\$21,890,000	\$2,945,000
Sanitary Sewer, Series 2019A	SWR CIP Projects	\$50,730,000	2.125% - 5.00%	1-Apr-2040	49,455,000	1,595,000
Public Facilities, Series 2016D Refunding	Refunding	\$42,590,000	2.65% - 5.00%	1-Oct-2031	36,100,000	2,390,000
Radcliffe road A209-09	SRF Loan	\$113,523	2.00%	1-Jun-2030	62,663	5,720
KIA Streetscape A209-8	SRF Loan	\$1,254,980	2.00%	1-Dec-2030	720,736	62,338
So. Elkhorn A09-01	SRF Loan	\$14,045,119	2.00%	1-Dec-2031	8,753,655	684,190
Wolf Run A10-08	SRF Loan	\$8,373,431	2.00%	1-Dec-2035	7,300,295	406,102
A13-002 Bob-O-Link	SRF Loan	\$2,711,427	1.75%	1-Dec-2038	2,422,688	119,441
A13-003 East Lake	SRF Loan	\$743,414	1.75%	1-Dec-2037	631,582	33,328
A13-003 Century Hills	SRF Loan	\$1,327,844	1.75%	1-Dec-2037	1,128,096	59,529
A13-003 West Hickman Trk A	SRF Loan	\$4,338,726	1.75%	1-Dec-2037	3,686,051	194,511
A13-003 Woodhill Trk	SRF Loan	\$3,588,635	1.75%	1-Dec-2037	3,048,796	160,883
A13-018 E2A	SRF Loan	\$5,264,306	1.75%	1-Dec-2037	4,586,717	233,849
A13-007 AW PH3	SRF Loan	\$1,154,472	1.75%	1-Dec-2037	840,109	44,338
A13-007 IDLHR N	SRF Loan	\$620,324	1.75%	1-Dec-2037	526,805	27,784
A13-002 Wolf Run Trk	SRF Loan	\$452,195	1.75%	1-Dec-2038	404,041	19,920
A13-002 Wolf Run WWS	SRF Loan	\$5,725,025	1.75%	1-Dec-2038	5,115,369	252,194
A12-016 Blue Sky	SRF Loan	\$1,594,026	2.00%	1-Dec-2036	1,323,857	70,970
A13-007 Walhampton Rogers	SRF Loan	\$719,816	1.75%	1-Dec-2037	611,256	32,253
A13-007 Cardinal-Laramie PH1-3	SRF Loan	\$226,247	1.75%	1-Dec-2037	192,110	10,142
A13-015 Town Branch	SRF Loan	\$20,309,618	1.75%	1-Dec-2038	18,140,900	894,369
A14-001 Lower Cane Run WWS	SRF Loan	\$12,168,449	1.75%	1-Dec-2038	10,865,698	535,692
A13-015 Marquis Ave	SRF Loan	\$583,329	1.75%	1-Dec-2038	521,040	25,688
A13-015 UK Trunk	SRF Loan	\$3,009,695	1.75%	1-Dec-2038	2,688,311	132,537
A15-026 West Hickman WWS*	SRF Loan	\$62,289,235	1.75%	1-Dec-2038	58,178,310	2,775,844
A13-007 Rodgers Rd	SRF Loan	\$1,780,179	1.75%	1-Dec-2037	1,511,657	79,777
A17-003 Lower Griffin Gate Trunk	SRF Loan	\$1,286,628	1.75%	1-Dec-2037	1,177,188	56,167
A17-005 Town Branch PH 1*	SRF Loan	\$9,969,585	1.75%	1-Dec-2040	4,367,248	
Premiums and Discounts				11,576,410		
Total Bonds, Notes, and Loans Payable				257,826,588	13,847,567	
Other Liabilities:						
Compensated Absences				2,393,667	901,314	
Landfill Closure & Postclosure Care Costs				11,964,370	442,205	
Unfunded Other Post Employment Benefit Liability				10,124,441		
Unfunded Pension Liability				41,180,750		
Total Other Liabilities				65,663,228	1,343,519	
Total Business-Type Activities				\$323,489,816	\$15,191,086	

*Amounts represents draws as of 6/30/2020

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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June 30, 2020

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	\$375,860,000	\$18,110,000	(\$31,840,000)	\$362,130,000	\$33,720,000
Net of Bond Premiums and Discounts	26,560,856	2,174,950	(2,367,468)	26,368,338	
Total Bonds, Notes, and Loans Payable	402,420,856	20,284,950	(34,207,468)	388,498,338	33,720,000
Other Liabilities:					
Compensated Absences	26,412,334	3,994,546	(1,707,040)	28,699,840	4,017,978
Unfunded Other Post Employment Benefit Liability	307,936,013	45,307,008	(16,202,895)	337,040,126	
Unfunded Pension Liability	443,649,826	156,599,563	(90,882,380)	509,367,009	
Total Governmental Activities Long-Term Liabilities	\$1,180,419,029	\$226,186,067	(\$142,999,783)	\$1,263,605,313	\$37,737,978
Business-Type Activities					
Bonds, Notes, and Loans:					
Revenue Bonds	\$24,695,000	\$50,730,000	(\$4,080,000)	\$71,345,000	\$4,540,000
Mortgage Revenue Bonds	38,370,000		(2,270,000)	36,100,000	2,390,000
Notes and Loans	138,329,406	7,136,158	(6,660,386)	138,805,178	6,917,567
Bonds, Notes, and Loans Payable	201,394,406	57,866,158	(13,010,386)	246,250,178	13,847,567
Net of Bond Premiums and Discounts	7,867,653	4,496,281	(787,524)	11,576,410	
Total Bonds, Notes, and Loans Payable	209,262,059	62,362,440	(13,797,910)	257,826,588	13,847,567
Other Liabilities:					
Compensated Absences	1,560,046	1,042,282	(208,661)	2,393,667	901,314
Landfill Closure and Postclosure Care Costs	12,405,492		(441,122)	11,964,370	442,205
Unfunded Other Post Employment Benefit Liability	10,519,306	1,159,803	(1,554,668)	10,124,441	
Unfunded Pension Liability	35,988,706	6,539,803	(1,347,759)	41,180,750	
Total Business-Type Activities Long-Term Liabilities	\$269,735,609	\$71,104,327	(\$17,350,120)	\$323,489,816	\$15,191,086

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
2021	\$14,707,334	\$33,720,000	\$5,117,584	\$11,457,567	\$1,567,681	\$2,390,000	\$21,392,599	\$47,567,567
2022	13,177,301	33,075,000	4,760,986	11,996,516	1,445,181	2,510,000	19,383,468	47,581,516
2023	11,697,241	33,185,000	4,433,020	10,601,684	1,316,431	2,640,000	17,446,693	46,426,684
2024	10,203,466	33,965,000	4,143,724	10,894,203	1,181,056	2,775,000	15,528,247	47,634,203
2025	8,645,958	29,295,000	3,844,611	11,189,115	1,038,806	2,915,000	13,529,375	43,399,115
2026-2030	24,250,980	134,205,000	14,573,479	60,596,135	2,876,681	16,325,000	41,701,140	211,126,135
2031-2035	6,415,638	49,300,000	7,245,496	56,227,633	195,322	6,545,000	13,856,456	112,072,633
2036-2041	782,131	15,385,000	1,959,382	37,187,325			2,741,513	52,572,325
Total	\$89,880,049	362,130,000	\$46,078,282	210,150,178	\$9,621,158	36,100,000	\$145,579,491	608,380,178
Less principal payable within one year		33,720,000		11,457,567		2,390,000		47,567,567
Long term principal due after one year		<u>\$328,410,000</u>		<u>\$198,692,610</u>		<u>\$33,710,000</u>		<u>\$560,812,610</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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June 30, 2020

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	
2021	\$3,625,000	\$4,100,000	\$1,614,999	\$9,339,999
2022	3,835,000	4,615,000	1,701,431	10,151,431
2023	4,085,000	4,690,000	1,727,612	10,502,612
2024	4,350,000	4,740,000	1,789,162	10,879,162
2025	4,620,000	4,880,000	3,472,734	12,972,734
2026-2030	26,030,000	24,540,000	1,923,938	52,493,938
2031-2035	26,800,000	26,420,000	737,698	53,957,698
2036-2040	36,150,000	8,875,000		45,025,000
2041-2045	47,575,000		12,673,400	60,248,400
2046-2050	48,040,000			48,040,000
Total	205,110,000	82,860,000	25,640,974	313,610,974
Less payable within one year	(3,625,000)	(4,100,000)	(1,614,999)	(9,339,999)
Refinancing loss/premium-discount	11,750,551	772,998		12,523,549
Long term principal due after one year	\$213,235,551	\$79,532,998	\$24,025,975	\$316,794,524

Fiscal Year	Interest			Total
	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	
2021	\$9,460,750	\$2,524,371	\$0	\$11,985,121
2022	9,274,250	2,289,067	589,152	12,152,469
2023	9,076,250	2,174,095	537,252	11,787,597
2024	8,865,375	2,053,023	486,884	11,405,282
2025	8,641,125	1,924,919	430,394	10,996,438
2026-2030	39,386,750	7,449,254	344,491	47,180,495
2031-2035	33,269,813	3,538,214	1,224,217	38,032,244
2036-2040	25,591,500	417,821	1,022,558	27,031,879
2041-2045	16,047,375		925,629	16,973,004
2046-2050	4,369,250		925,629	5,294,879
Total	\$163,982,438	\$22,370,764	\$6,486,206	\$192,839,408

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:

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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.
3. \$55,306,428 of Sewer System Revenue Bonds, Series 2019A, issued at a premium and payable annually in principal installments ranging from \$1,275,000 to 3,320,000 plus interest over 20 years for the purpose of financing various improvements to the Sanitary Sewer System mandated by the consent decree agreement with the Environmental Protection Agency.

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.

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.

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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 \$8,888,648, 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.
8. KIA Loan A13-18 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 A12-16 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.

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10. KIA Loan A13-15 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, 2020 the Government has received only a partial draw of \$62,289,235 with the remaining balance of \$5,654,953 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 principal 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.
14. KIA Loan A17-005 issued in the amount of \$9,969,585 for the replacement of 5,600 linear feet of 12 inch sewer pipes with 21 inch sewer pipes. Additionally a source water pump and a Bio-swale for surface water treatment from paved areas will be installed. As of June 30, 2020 the Government has received only a partial draw of \$4,367,248 with the remaining balance of \$5,602,337 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 principal 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 \$25,000 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. \$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.
2. \$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.
3. \$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.

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4. \$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.
5. \$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.
6. \$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.
7. \$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.
8. \$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.
9. \$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.
10. \$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 principal installments ranging from \$595,000 to \$1,195,000 plus interest over 20 years.
11. \$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.
12. \$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, 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

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June 30, 2020

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- 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.
13. \$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.
 14. \$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.
 15. \$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.
 16. \$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.
 17. \$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 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.

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18. \$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.
19. \$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.
20. \$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.
21. \$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.
22. \$42,055,000 Series 2018A 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 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. Issued at a premium and payable in annual principal payments ranging from \$1,060,000 to \$3,595,000 plus interest over 20 years.
23. \$18,110,000 Series 2019A Various Purpose General Obligation Bonds financing repairs and upgrades and equipping of fire stations, safety operations, new firetrucks and other fire safety related projects, new police equipment, new police cars, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, pedestrian safety improvements, renovations, repairs and upgrades related to public buildings, new voting machines, public art funding and various other improvements within departments of the Lexington-Fayette Urban County Government. Issued at a premium and payable in annual principal payments ranging from \$210,000 to \$1,900,000 plus interest over 20 years.

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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, 2020 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.

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, 2018	\$0
Claims and changes in estimates	35,632,336
Claims paid	(35,632,336)
Surplus at June 30, 2019	0
Claims and changes in estimates	36,111,252
Claims paid	<u>(36,111,252)</u>
Surplus at June 30, 2020	<u>\$0</u>

B. Insurance and Risk Management – The Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through the 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, 2020 the undiscounted estimated liability was \$31,055,802. The discounted estimated liability as of June 30, 2020 was \$27,456,613. Changes in the balances of

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June 30, 2020

claims liabilities during the past two years are as follows:

	Auto Liability and Physical	General	Property	Workmens'	Total
	Damage	Liability		Compensation	
Liability at June 30, 2018	\$1,710,771	\$4,629,255	\$162,298	\$18,391,416	\$24,893,740
Claims and changes in estimates FY19	(1,578,434)	(611,908)	(602,624)	(4,758,053)	(7,551,019)
Claims Incurred FY 2019	1,627,493	(322,117)	648,157	7,452,777	9,406,310
Liability at June 30, 2019	1,759,830	3,695,230	207,831	21,086,140	26,749,031
Claims and changes in estimates FY20	(1,580,682)	(1,367,803)	(787,871)	(5,050,024)	(8,786,380)
Claims Incurred FY 2020	1,234,764	1,432,895	761,791	6,064,512	9,493,962
Liability at June 30, 2020	\$1,413,912	\$3,760,322	\$181,751	\$22,100,628	\$27,456,613

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
Aviation Liability	1% of Value - In Motion	\$20,000,000 Per Occurrence

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, 2020 the Government has accrued approximately \$13,400,000 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

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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 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. Under the terms of a Lease Agreement dated June 15, 1993 and Supplemental Lease Agreement (Agreement) dated September 18, 2008, LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2008A 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 operational revenue. The Agreement grants LFUCG an exclusive option to renew the lease for additional 1-year periods through June 30, 2022, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. This Agreement was terminated and replaced on October 1, 2018.

New Lease Agreement dated October 1, 2018 (New Agreement), LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2018 Bonds. The New Agreement grants LFUCG an option to renew the lease for additional 1-year periods through June 30, 2049, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. LCC and LFUCG entered into a Management Contract dated June 15, 1993. Under this contract, LCC has full possession and control of the Project on behalf of LFUCG. The contract also provides that, in the event operating revenues exceed operating expenses in a given year, this excess may be used to establish reasonable reserves for efficient operation, depreciation, replacement of equipment, and repairs. Any remaining surplus shall be seasonably remitted to LFUCG. Accordingly, LCC has established a Capital Replacements Reserve Account to be used to fund expected replacements and major repairs of fixed assets. And a Current Operating Reserve Account to be used to provide a reasonable reserve for the operations of LCC. The Management Contract between LCC and LFUCG is coterminous with the term of the New Agreement and is automatically renewed from year to year with the New Agreement.

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 terminated June 30, 2033.

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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. In an agreement signed September 20, 2018 an effective date of January 1, 2019. The new agreement establishes monthly contribution from Visit LEX of \$62,500 and LCC agrees to fund an "Incentive Fund" in the amount of \$250,000. The first three years of the agreement, LCC shall maintain an annual limit in the fund of \$125,000 thereafter. The agreement has a term of 66 months with 5-year automatic renewals and a final 54 month term for a total of 30 years. Due to significant loss of Transient Room Tax revenues in 2020 a new agreement has been approved and the new terms are listed in sections G.

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. In October 2018, LCC received approximately \$221 million through the sale of bonds for the Convention Project and the Commonwealth funded its \$60 million commitment.

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.

On December 4, 2018, LCC entered into a tri-party agreement between Town Branch Fund (the Fund), LFUCG and LCC to develop, construct and maintain the Town Branch Commons park project (Park Project). The Park Project will consist of approximately 9 acres of property that is now known as the Cox Street Parking Lot. LCC commits to leasing the property to the Fund under certain lease terms that will be finalized for least 75% of the total budget cost of construction of the Park Project. LFUCG will assist the Fund with the procurement of any permits and procedures for park construction and operations. If the Fund cannot raise sufficient funds as outlined in the agreement, the agreement will be terminated on December 4, 2023, with no further obligations from the Parties.

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 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

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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 Trustees’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. On March 29, 2019, the Court of Appeals affirmed the trial court’s judgment. On September 18, 2019, the Kentucky Supreme Court’s denial of the Plaintiff’s motion for review the Library derecognized the contingent liability and recorded miscellaneous income of \$316,253.

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 \$259,273 to the Public Library Corporation to pay current debt service. As of June 30, 2020, the Library is committed to fund a total of \$260,359 through fiscal year 2020 for this purpose.

In March 2020, the World Health Organization declared COVID-19 as a pandemic. Operations will continue to be impacted, but the disruption is uncertain and cannot be quantified.

G. Lexington Convention and Visitors Bureau – The Bureau has pledged a portion of its occupancy tax receipts to the Lexington Center Corporation (LCC) to support the growth and expansion of the arena and convention facilities. The Bureau's original agreement pledged \$248,000 to the LCC for fiscal year 2019. A new agreement was executed effective January 1, 2019 that terminated the prior agreement and provides financial assistance through fiscal year 2024. The agreement includes five auto renewals to allow the agreement to extend through 2049. This agreement requires the Bureau to pay annually \$750,000 to help meet the LCC expansion project bond requirements. The amount is payable in equal monthly installments of \$62,500 being due the last day of each month. LCC may assign its rights to the Bureau's contributions to the bondholders or lenders and in such event, the Bureau would be required to make payments directly to the lender. As of June 30, 2020, the balance of funds payable under this agreement is \$3,372,502 and is recognized as a deferred outflows of resources in the Statement of Net Position. In FY20 due to the significant loss of Transient Room Tax revenues caused by the COVID-19 Pandemic, Visit Lex and LCC have agreed to the deferral of a portion of the Visit Lex contributions to LCC for a three-year period. Visit Lex contribute the sum of \$97,500 annually in monthly installments of \$8,125 during the period of July 1, 2020 to June 30, 2022, increasing to \$405,000 annually in monthly installment of \$33,750 during the period from July 1, 2022 through June 30, 2023. Visit Lex will resume monthly installments of \$62,500 with an interest rate of 2.63% per annum, by paying an additional monthly amount of approx. \$16,333 for 120 consecutive months.

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.

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 NOTES TO FINANCIAL STATEMENTS (Continued)
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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, 2020, there were 15 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$56,321,263.

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, 2020, the Lease Revenue Bonds outstanding total approximately \$104,865,000

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, 2020 were as follows:

General Fund	\$2,089,511
Urban Service Fund	6,413,671
Nonmajor Governmental Funds	12,446,186

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2020 for these funds are as follows:

Sanitary Sewer System	\$36,231,366
Water Quality	9,495,801
Landfill	108,342
Nonmajor Enterprise Funds	338,427

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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As of June 30, 2020, 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 \$405,276 for tax credits related to fiscal year 2019 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, 2020, three state abatement agreements have been entered into with local businesses.
- *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 \$54,665 for tax credits related to fiscal year 2019 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, 2020, 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 2019 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, 2020, two state abatement agreements have been entered into with local businesses.

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 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, 2020, twenty one (21) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of \$1,006,578.

L. Affordable Housing Loan Program – On May 8, 2014, the Government passed Ordinance 52-2014 establishing the affordable housing loan program to promote housing projects by developers to provide more affordable housing options to qualifying residents of Lexington, Kentucky. The Urban County Council also issued a memorandum on August 11, 2014 establishing funding in the amount of \$2,000,000 beginning in fiscal year 2015 and

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thereafter, for total funding as of June 30, 2020 of \$13,750,000. As of June 30, 2020, there are \$4,780,614 in outstanding loans for this program.

M. Jobs Fund Loan Program – On December 5, 2013, the Government passed Ordinance 153-2013 establishing a local economic development incentive program in order to attract or expand the level of employment in Lexington-Fayette County. The purpose of the program is to provide certain qualified businesses with local funding through grants, loans, or other agreements. The program is focused on attracting innovative businesses and promoting expansion of existing businesses involved in advanced manufacturing, technology, professional shared service operations, or healthcare, or which have or will be locating their primary base of operations or headquarters in Lexington-Fayette County. In addition, Ordinance 152-2013 establishes the “Economic Development Investment Board” to perform duties related to the program. The typical maximum of any funding agreement will not exceed \$50,000 for a grant agreement and \$250,000 for a loan or other agreement. Upon the recommendation of the Chief Development Officer and Economic Development Investment Board, the final approval is given by the Urban County Council. The Urban County Council established funding with ordinance 51-2014 on May 15, 2014, in the amount of \$1,000,000 beginning in fiscal year 2014 and thereafter for total funding as of June 30, 2020 of \$3,720,000. As of June 30, 2020, there are \$1,369,101 in outstanding loans for this program.

N. Business Disruption – On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future.

The extent to which COVID-19 impacts the Government will depend on future developments, which are highly uncertain and cannot be predicted. As a result, the Government has not yet determined the impact this disruption may have on its consolidated financial statements for the year ending June 30, 2021.

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

Subsequent to year end, in September 2020, the Government issued \$56.13 million of General Obligation Bonds, (GO) as follows:

- Series 2020A - \$6.80 million Various Purpose GO Bonds - issued for the purpose of financing the acquisition of various projects within the Government.
- Series 2020B - \$19.65 million Taxable GO Pension Funding Refunding Bonds - issued for the purpose of partially refunding the remaining balance of the Series 2102A Taxable General Obligation Pension Funding Bonds.
- Series 2020C - \$11.49 million Various Purpose GO Bonds - issued for the purpose of partially refunding the remaining balance of the Series 2013C Various Purpose General Obligation Bonds.
- Series 2020D - \$18.20 million Various Purpose GO Bonds - issued for the purpose of partially refunding the remaining balance of the Series 2014B Various Purpose General Obligation Bonds.

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The Series 2020A was issued at a premium of \$0.90 million. All of these debt obligations have total annual principal payments ranging from \$1.44 million to \$5.52 million, plus interest, over 14 years. The above partial refundings provided for a cumulative savings of \$4.74 million over the life of the bonds resulting in net present value savings of \$4.43 million.

Component Unit

In September 2018, the Lexington Convention and Visitors Bureau entered into an agreement with the Lexington Center Corporation (LCC) to pledge \$750,000 annually for thirty years beginning January 1, 2019 in order to support the LCC and its convention and tourism facilities. In FY20, the Covid-19 impact on Visitors Bureau was a decline in revenues for the last four months of \$2,245,722. In FY21, the Covid-19 impact has reduced budgeted revenues by \$3 million, full and part-time staff were furloughed, also negotiated a reduction of \$625,000 in the commitment related to the Lexington Center Corp. bonds. The reduced amounts, with interest, will be repaid over a 10 year period.

In September 2019, LCC entered into a food and beverage management agreement with Levy Premium Foodservice LLC. to manage catering and concessions service in all LCC venues effective October 1, 2019. Levy, agrees to provide a capital investment of \$4,500,000 over all venues to be amortized over a ten-year period. LCC receives all food and beverage revenue in the agreement less authorized operating expenses, including management fees, incentive fees and investment amortization. The initial term of the agreement expires June 30, 2026, but can be extended 3 additional years.

Per House Bill 1 passed during the 2019 legislative session, certain agencies, including the Health Department, were authorized to pay the reduced KERS non-hazardous employer contribution rate for the year ended June 30, 2020. The authorized participating employers will contribute 49.47% (41.06% to the pension fund and 8.41% to the insurance fund) as opposed to the contribution rate of 83.43% (71.03% to the pension fund and 12.40% to the insurance fund) other KERS non-hazardous employers pay. The Health Department is evaluating the impact of COVID-19 and related responses on the operations and finances of the Health Department. Restrictions placed on the Health Department could negatively impact the revenue and expenses for an unknown period of time. A specific estimate of the impact could not reasonable be determine due to a number of unknown factors regarding the severity and duration of the event.

The current known impacts of COVID-19 on Lexington Airport Board: A decline in Revenues of \$4,200,000 compared with the same period in FY19 and the Airport was waived concessionaires that are contractually required to pay a monthly minimum amount. The Airport received \$9,567,000 from the CARES ACT in May 2020 to assist with capital expenditures, debt payments and operating expenses for FY20. The ultimate impact is unknown at this point as the severity of the outbreak, and resulting economic impact is still largely unknown.

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 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,

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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, 2019:

	<u>Number</u>
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,293
Active Plan Participants:	
Active members	1,180
Total	<u>2,473</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.

C. Contributions

The contribution requirements and benefit provisions for the PFRF are established by state statute and Government ordinance. In fiscal year 2019, the Government contributed 38.99% to the PFRF. Administrative costs were financed

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by a combination of additional contributions as well as investment income. The required contribution rate is shown in the following table:

Required Contribution Rates:	PFRF
Government	38.99%
Plan Member	12.00%

D. Net Pension Liability

The Government's net pension liability/(asset) was measured as of June 30, 2019, 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, 2019	July 1, 2019
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	25 years closed	15 years open
Asset valuation method	5 year smoothed market	Market
Actuarial assumptions:		
Investment rate of return	7.26%	5.21%
Projected salary increases	9.50% to 3.50%	N/A
Cost-of-living adjustments	See Note 8.A. on page 91	3.00%
Inflation	2.40%	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)
Balances at 6/30/2018	\$976,759,227	\$745,170,974	\$231,588,253	\$8,747,108	\$30,195,908	(\$21,448,800)
Changes for the year:						
Service Cost	20,003,501		20,003,501			
Interest	70,968,916		70,968,916	569,079		569,079
Differences between expected and actual experience	3,305,760		3,305,760	136,834		136,834
Changes of assumptions	23,468,904		23,468,904	836,049		836,049
Contributions-employer		30,277,170	(30,277,170)			
Contributions-employee		10,356,318	(10,356,318)			
Net investment income		42,194,879	(42,194,879)		2,030,058	(2,030,058)
Benefit payments, including refunds of employee contributions	(61,014,042)	(61,014,042)		(1,234,809)	(1,234,809)	
Administrative expense		(317,040)	317,040		(7,210)	7,210
Other changes		112,421	(112,421)			
Net changes	56,733,039	21,609,706	35,123,333	307,153	788,039	(480,886)
Balances at 6/30/2019	\$1,033,492,266	\$766,780,680	\$266,711,586	\$9,054,261	\$30,983,947	(\$21,929,686)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

The following presents the net pension liability of the Government's CEPF pension plan, calculated using the discount rate of 5.21%, 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 (4.21%) or 1-percentage-point higher (6.21%) than the current rate:

	1% Decrease (4.21%)	Current Discount Rate (5.21%)	1% Increase (6.21%)
CEPF's net pension liability (asset)	(\$21,385,832)	(\$21,929,686)	(\$22,416,379)

The following presents the net pension liability of the Government's PFRF pension plan, calculated using the discount rate of 7.26%, 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 (6.26%) or 1-percentage-point higher (8.26%) than the current rate:

	1% Decrease (6.26%)	Current Discount Rate (7.26%)	1% Increase (8.26%)
PFRF's net pension liability	\$389,234,726	\$266,711,586	\$165,101,918

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

At June 30, 2019, the CEPF and PFRF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CEPF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$456,187	\$0
Total	\$456,187	\$0

PFRF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$45,535,197	\$0
Changes of assumptions	40,388,035	
Net difference between projected and actual earnings on pension plan investments		12,506,794
Employer contributions subsequent to the Measurement date	32,655,911	
Total	\$118,579,143	\$12,506,794

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:

2021	\$326,356
2022	186,926
2023	40,747
2024	(97,842)
2025	0
Thereafter	0

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

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:

Year ended June 30:	
2021	\$30,123,662
2022	21,121,565
2023	13,892,371
2024	7,651,306
2025	627,534
Thereafter	0

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, 2019 the plan membership data is as follows:

	<u>Number</u>
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,006
Active Plan Participants:	
Active members	1,180
Total	<u><u>2,186</u></u>

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 8G. 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 FROM THE POLICEMEN’S & FIREFIGHTERS’ RETIREMENT FUND

Service Retirement – Employees are eligible to retire with twenty years of credited service. This can include both actual service and purchased time.

Occupational Disability Retirement – Total and permanent disability incurred while in the line of duty.

Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least five years of service in the fund and a disabling injury that results from non-occupational causes.

ELIGIBILITY FOR BENEFITS FROM CITY EMPLOYEE’S PENSION FUND

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

Service Retirement – Employees are eligible to retire with thirty years of credited service or at age 60 with twenty years of service.

Accidental Disability Retirement – Total and permanent disability incurred while in the line of duty.

Ordinary Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least ten years of service in the fund and a disabling injury that results from non-occupational causes that renders them totally and permanently disabled.

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 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, 2018:

Plan Option	Single	Two Party
Humana PPO-A	\$758.91	\$1,388.29
Humana PPO-B	561.61	1,027.36
Humana HSA1	511.15	935.04
Humana HSA2	501.48	797.53
Humana Seniors Medicare Advantage Plan	338.22	676.44

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

Anthem Seniors Standard Plan	163.31	326.62
Anthem Seniors Comprehensive Plan	191.39	382.78

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.

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	\$277,382,388
Fiduciary Net Position	0
Net OPEB Liability	<u>\$277,382,388</u>

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2019, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation	2.40%
Real Wage growth	N/A
Wage Inflation	N/A
Municipal Bond Index Rate	
Prior Measurement Date	3.89%
Measurement Date	3.50%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Post-Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

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.

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)

	<u>Increase / (Decrease)</u>
Total OPEB Liability (TOL)	
Balances at 6/30/2018	\$245,951,553
Changes for the year:	
Service Cost	11,572,432
Interest on the TOL and Cash Flow	9,470,049

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

Differences between expected and actual experience	(1,982,714)
Changes of assumptions	17,430,462
Benefit payments	(5,059,394)
Net changes	31,430,835
Balances at 6/30/2019	\$277,382,388

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Government, calculated using the discount rate of 3.50%, 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 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Net OPEB Liability	\$330,740,560	\$277,382,388	\$235,788,324

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
Net OPEB Liability	\$235,193,399	\$277,382,388	\$333,223,717

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

For the year ended June 30, 2019, the Government recognized OPEB expense of \$(2,284,707). At June 30, 2019 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 expected and actual experience	\$0	\$68,701,029
Changes of assumptions	14,317,879	27,548,889
Employer contributions subsequent to the Measurement date	5,378,078	
Total	\$19,695,957	\$96,249,918

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:	
2021	\$(23,327,188)
2022	(23,327,188)
2023	(23,327,188)
2024	(13,605,588)
2025	1,655,113
Thereafter	0

Payable to the OPEB Plan

At June 30, 2019, the Government had no payables for outstanding contributions to the Plan required for the year ended June 30, 2019.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

F. Pension Plan Financial Statements

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
June 30, 2020

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and Cash Equivalents	\$0	\$772,976	\$772,976
Interest Receivable	3,646,263	40,546	3,686,809
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	1,107,956		1,107,956
Corporate Debt	103,609,230	6,761,589	110,370,819
Municipal Obligations	5,760,256		5,760,256
SL Comingled Funds	36,938,160		36,938,160
US Agencies	32,109,951	8,460,429	40,570,380
US Government Obligations	34,255,899	3,652,787	37,908,686
Other Investments:			
Equity Mutual Funds	362,914,835	12,269,965	375,184,800
Equity Real Estate	72,343,113		72,343,113
Equity Securities - Domestic	700,975		700,975
Equity Securities - International	174,498,302		174,498,302
Total Investments	<u>824,238,677</u>	<u>31,144,770</u>	<u>855,383,447</u>
Total Assets	<u>\$827,884,940</u>	<u>\$31,958,292</u>	<u>\$859,843,232</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$544,623	\$188	\$544,811
Securities Lending Transactions	36,938,160		36,938,160
Total Liabilities	<u>\$37,482,783</u>	<u>\$188</u>	<u>\$37,482,971</u>
NET POSITION			
Net position restricted for pensions	<u>\$790,402,157</u>	<u>\$31,958,104</u>	<u>\$822,360,261</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

STATEMENT OF CHANGES IN NET POSITION
June 30, 2020

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
Employer	\$32,549,517	\$0	\$32,549,517
Employer - Administration	5,378,078	34,450	5,412,528
Plan Members	10,875,896		10,875,896
Other	106,394		106,394
Total Contributions	<u>48,909,885</u>	<u>34,450</u>	<u>48,944,335</u>
Investment Income:			
Net Change in Fair Value of Investments	27,079,661	1,323,514	28,403,175
Interest	10,361,834	591,331	10,953,165
Dividends	4,763,678	276,124	5,039,802
Total Investment Income	<u>42,205,173</u>	<u>2,190,969</u>	<u>44,396,142</u>
Less Investment Expense	2,077,254	79,269	2,156,523
Net Investment Income	<u>40,127,919</u>	<u>2,111,700</u>	<u>42,239,619</u>
Income from Securities Lending Activities:			
Securities Lending Income	129,001		129,001
Securities Lending Expenses:			
Borrower Rebates	(405,692)		(405,692)
Management Fees	50,875		50,875
Total Securities Lending Expenses (Income)	<u>(354,817)</u>	<u>0</u>	<u>(354,817)</u>
Net Income on Securities Lending Activities	<u>483,818</u>	<u>0</u>	<u>483,818</u>
Total Additions	<u>89,521,622</u>	<u>2,146,150</u>	<u>91,667,772</u>
DEDUCTIONS			
Benefit Payments	69,089,471	1,170,673	70,260,144
Administrative Expense	468,526	1,320	469,846
Total Deductions	<u>69,557,997</u>	<u>1,171,993</u>	<u>70,729,990</u>
Net Increase	19,963,625	974,157	20,937,782
Net Position, Beginning	<u>766,780,680</u>	<u>30,983,947</u>	<u>797,764,627</u>
Adjustment to Opening Fund Balance (Note 2.D.)	<u>3,657,852</u>		<u>3,657,852</u>
Fund Balances, Beginning - Restated	<u>770,438,532</u>	<u>30,983,947</u>	<u>801,422,479</u>
Net Position, Ending	<u>\$790,402,157</u>	<u>\$31,958,104</u>	<u>\$822,360,261</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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 19.30%. 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 30.06%.

The amounts contributed to CERS were \$20,050,133, \$16,718,583 and \$14,162,524 respectively, for the years ended June 30, 2020, 2019, and 2018. The contractually required contribution amounts to CERS were \$20,990,058, \$21,120,711 and \$14,087,247 respectively, for the years ended June 30, 2020, 2019, and 2018.

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, 2019, the Government reported a liability of \$283,836,175 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

net pension liability was based on a projection of the Government’s long term share of contributions to the pension plan relative to the projected contributions of all participating governmental agencies, as actuarially determined. At June 30, 2019, the Government’s portion of nonhazardous and hazardous was 3.09% and 2.41%, respectively.

At June 30, 2019, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$8,376,308	\$917,893
Net difference between projected and actual earnings on pension plan investments		4,444,509
Change of assumptions	28,451,589	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,584,153	2,589,114
Government contributions subsequent to the measurement date	20,050,133	
Total	\$58,462,183	\$7,951,516

\$20,050,133 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 subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$20,801,566
2021	6,577,163
2022	2,773,326
2023	308,479
2024	0
Thereafter	0

The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2019, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The Total Pension liability as of June 30, 2019 is determined using these updated assumptions. It is our opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB No. 68.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

The total pension liability in the June 30, 2019 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	2.30%

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	\$271,705,341	\$217,239,775	\$171,843,253
Hazardous	83,260,444	66,596,400	52,934,288
CERS’s net pension liability	\$354,965,785	\$283,836,175	\$224,777,541

Payable to the Pension Plan

At June 30, 2020, the CERS reported payables of \$204,027 from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

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 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 June 30, 2020, is comprised of David L. Harris, Chair, Governor Appointee; Keith Percy, Vice Chair, Governor Appointee; W. Joe Brothers, Governor Appointee; John E. Chilton, Governor Appointee; John Cheshire III, Governor Appointee; Campbell Connell, KRS member elected; Kelly Downard, Governor Appointee; Joseph L. Grossman, Governor Appointee; Sherry Lynn Kremer, KRS member elected; C. Prewitt Lane, Governor Appointee; Matthew Monteiro, Governor Appointee; Betty Pendergrass, elected by CERS; Jerry W. Powell, elected by CERS; David Rich, elected by CERS; and Gerina Whethers, Governor Appointee – Ex Officio.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

Relationship to Combining Financial Statements

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2019 using generally accepted actuarial principles. GASB 74 requires Kentucky Retirement Systems to disclose a 10-year history of certain information in the Required Supplementary Information within their comprehensive annual financial report. The exhibits provided in this report include the applicable information for historical years that were calculated in accordance with this accounting standard. Information disclosed for years prior to June 30, 2017 were prepared by KRS's prior actuary.

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB liability as of June 30, 2019 is determined using these updated benefit provisions. It is our opinion that this procedure is reasonable, appropriate, and complies with applicable requirements under GASB Statement No. 74.

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, 2019, 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, 2019. 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.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

The Schedule of Employer Allocations reflects employer contributions received for the fiscal year ended June 30, 2019, 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, 2019, calculated in accordance with GASB Statement No. 74, are as follows (dollars in thousands):

	CERS Non-Hazardous	CERS Hazardous
Total OPEB Liability	\$131,309,163	\$50,151,217
Fiduciary Net Position	79,360,940	32,317,261
Net OPEB Liability	<u>\$51,948,223</u>	<u>\$17,833,956</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, 2019, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan’s fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ended June 30, 2018”. The Total OPEB liability as of June 30, 2019 is determined using these updated assumptions. It is our opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB No. 75:

Inflation	2.3%
Payroll Growth Rate	2.0% for CERS nonhazardous and hazardous
Salary Increase	3.3% to 11.55% nonhazardous; 3.05% to 18.55% hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Post-65	Initial trend starting at 5.1% and gradually decreasing to an ultimate trend rate of 4.05% 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 (set-back for one year for females).

Discount Rate

The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous, and 5.69% 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

3.13%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2019. Future contributions are projected in accordance with the Board’s current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees. These projected contributions are determined without regard to the enactment of SB 151 in 2018, which is currently being reviewed by the State Supreme Court. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following presents the net OPEB liability of the Government’s CERS OPEB Nonhazardous plan, calculated using the discount rate of 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
Nonhazardous	\$69,589,246	\$51,948,221	\$37,413,190

The following presents the net OPEB liability of the Government’s CERS OPEB Hazardous plan, calculated using the discount rate of 5.69%, 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 (4.69%) or 1-percentage-point higher (6.69%) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Hazardous	\$24,881,964	\$17,833,958	\$12,113,023

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:

	1% Decrease	Current Discount Rate	1% Increase
Nonhazardous	\$38,634,157	\$51,948,221	\$68,093,103
Hazardous	12,409,137	17,833,958	24,451,943
CERS’s net OPEB liability	\$51,043,294	\$69,782,179	\$92,545,046

Contributions

The Government’s non-hazardous contribution rate was 4.76%. 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 9.52%.

The contribution amounts to CERS were \$5,238,327, \$5,762,562, and \$4,885,000 respectively, for the years ended June 30, 2020, 2019, and 2018. The contractually required contribution amounts to CERS were \$5,487,323, \$6,655,493, and \$5,090,084 respectively, for the years ended June 30, 2020, 2019, and 2018.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

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, 2019, is based on the June 30, 2018, 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, 2019, the Government reported deferred outflows if resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$18,991,679
Net difference between projected and actual earnings on pension plan investments		3,332,647
Change of assumptions	20,761,303	136,559
Changes in proportion and differences between Employer contributions and proportionate share of contributions		1,977,472
Government contributions subsequent to the measurement date	5,238,327	
Total	<u>\$25,999,630</u>	<u>\$24,438,357</u>

The \$5,238,327 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 subsequent fiscal period rather than in the current fiscal period. Other amount reported 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:

2020	\$277,205
2021	(671,332)
2022	(467,231)
2023	(1,391,410)
2024	(1,214,626)
Thereafter	(209,660)

Payable to the OPEB Plan

At June 30, 2020, the CERS reported payables credit balance of \$201,225 from the Government for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020

NOTE 9. RECENT GASB PRONOUNCEMENTS

Standards that will Become Effective for FY 2021 and Later Year Financial Statements

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 2022)

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 2022)

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, this Statement was issued to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. (FY 2021)

Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement establishes that a conduit debt obligation is not a liability of the issuer. (FY 2022)

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$208,250,000	\$208,250,000	\$205,058,237	(\$3,191,763) a
Business Returns	42,848,000	42,848,000	37,941,293	(4,906,707) a
Insurance Premiums	35,900,000	35,900,000	35,023,820	(876,180) a
Bond Deposits			(500)	(500)
Regulated License Fee	935,000	945,000	992,025	47,025
Franchise Fee	26,350,000	26,350,000	25,478,399	(871,601) a
Bank Franchise Fee	1,720,000	1,720,000	1,773,980	53,980
Vehicle License	230,000	230,000	218,537	(11,463)
Deed Tax Fee	2,000,000	2,000,000	2,072,689	72,689
Registration Fee	390,000	390,000	383,308	(6,692)
Filing Fee - Planning & Zoning	130,000	130,000	92,380	(37,620)
Animal License	48,000	48,000	42,107	(5,893)
Certificates of Occupancy	6,000	6,000	4,570	(1,430)
Hotel - Motel License Fee	36,000	36,000	31,406	(4,594)
Total Licenses and Permits	318,843,000	318,853,000	309,112,251	(9,740,749)
Taxes:				
Realty Taxes	22,729,000	22,750,070	22,570,366	(179,704)
Personal Taxes	1,650,000	1,694,000	1,694,935	935
PSC Taxes	922,000	895,000	960,825	65,825
Property Tax Discount	(415,000)	(413,000)	(442,854)	(29,854)
Property Tax Commission	(1,026,000)	(1,026,000)	(1,068,011)	(42,011)
Delinquent - Realty & Personal	75,000	200,000	108,550	(91,450)
Motor Vehicle Ad Valorem Tax	2,000,000	2,032,000	2,065,864	33,864
County Clerk Com - Motor Vehicle	(75,000)	(67,000)	(72,120)	(5,120)
Supplementary Tax Bills	15,000	15,000	4,859	(10,141)
Omitted Tax	100,000	100,000	79,581	(20,419)
Total Taxes	25,975,000	26,180,070	25,901,995	(278,075)
Charges for Services:				
Accident Report Sales	120,000	120,000	126,766	6,766
Administrative Collection Fees	7,000	7,000	3,700	(3,300)
Adult Probation Fees	41,725	41,725	40,773	(952)
Animal Shelter Collections	18,000	18,000	13,975	(4,025)
Building Permits	2,102,000	2,102,000	1,885,927	(216,073)
Computer Services Fees	3,000	3,000	3,171	171
Detention Center	8,473,142	8,473,142	8,698,829	225,687
Developer Landscape Fees	6,000	6,000	5,650	(350)
District Court Jail Fees	80,000	80,000	99,179	19,179
Domestic Relations Collection	500	500	245	(255)
Downtown Arts Center	99,486	99,486	42,221	(57,265)
EMS	8,000,000	8,000,000	8,541,007	541,007
Excess Fees and Collections	2,700,000	2,700,000	2,999,104	299,104
Golf Course Collections	2,800,000	2,800,000	2,455,248	(344,752)
Park Land Acquisition	330,250	330,250	225,629	(104,621)
Dumpster Permit Fees			775	775
Parks & Recreation Programs	1,115,195	1,137,242	648,925	(488,317)
Rent or Lease Income	688,210	688,210	484,502	(203,708)
Total Charges for Services	26,584,508	26,606,555	26,275,626	(330,929)
Fines and Forfeitures	260,250	260,250	182,230	(78,020)
Intergovernmental	828,156	828,156	857,714	29,558
Property Sales	150,000	150,000	379,746	229,746
Investments	1,182,000	1,182,000	1,282,752	100,752
Other Income:				
Contributions		38,212	39,708	1,496
Other Income	400,000	400,000	232,764	(167,236)
Penalties & Interest	1,554,000	1,554,000	1,768,487	214,487
School Board Tax Fee	15,000	15,000	13,750	(1,250)
Payment in Lieu of Taxes	93,000	93,000	90,626	(2,374)
Miscellaneous	1,018,777	1,434,829	1,456,286	21,457
Total Other Income	3,080,777	3,535,041	3,601,621	66,580
Total Revenues	376,903,691	377,595,072	367,593,935	(10,001,137)

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
Council Office	2,998,192	3,038,342	2,781,633	(256,709)
Office of the Mayor	1,691,939	1,731,467	1,755,618	24,151
Special Programs	218,750	218,750	171,019	(47,731)
Board of Elections	1,110,670	1,036,147	690,681	(345,466)
Clerk of the Urban County Council	509,906	516,521	448,217	(68,304)
County Attorney	1,042,139	1,042,139	1,028,799	(13,340)
Coroner	1,184,826	1,200,102	1,155,213	(44,889)
Property Valuation Administrator	320,715	320,715	320,715	
Contingency	6,278,587	5,533,000		(5,533,000)
Circuit Judges	440,940	447,923	451,107	3,184
County Court Clerk	98,442	82,222	75,563	(6,659)
Citizens' Advocate	40,009	41,174	35,410	(5,764)
Commonwealth Attorney	257,675	257,675	247,342	(10,333)
County Judge Executive	19,088	19,088	13,305	(5,783)
Indirect Cost Allocation	(6,691,899)	(6,691,899)	(7,605,785)	(913,886)
Total General Government	9,519,979	8,793,366	1,568,837	(7,224,529)
Administrative Services:				
Office of the Chief Administrative Officer	4,233,433	3,491,694	3,441,273	(50,421)
Historic Preservation	380,704	385,821	346,462	(39,359)
Government Communications	845,936	859,687	850,707	(8,980)
Grants & Special Projects	617,904	617,746	655,415	37,669
Human Resources	3,418,858	3,452,231	3,281,646	(170,585)
Internal Audit Office	640,943	648,628	633,050	(15,578)
Lex Call	160,046	160,046	156,316	(3,730)
Neighborhood Programs	85,000	111,371	96,350	(15,021)
Purchase of Development Rights	207,261	236,592	204,868	(31,724)
Total Administrative Services	10,590,085	9,963,816	9,666,087	(297,729)
Chief Development Officer				
Chief Development Officer	910,366	757,780	698,223	(59,557)
Planning	2,333,313	2,304,149	2,443,399	139,250
Total Chief Development Officer	3,243,679	3,061,929	3,141,622	79,693
Department of Information Technology:				
Office of the CIO	1,153,569	1,283,350	1,290,456	7,106
Computer Services	7,605,831	7,809,464	7,291,109	(518,355)
Enterprise Solutions	1,203,079	1,188,163	1,208,319	20,156
Total Information Technology	9,962,479	10,280,977	9,789,884	(491,093) b
Department of Finance:				
Accounting	1,456,354	1,481,256	1,576,876	95,620
Budgeting	510,768	513,157	510,630	(2,527)
Central Purchasing	662,609	654,474	608,890	(45,584)
Revenue	2,269,740	2,288,380	2,015,408	(272,972)
Finance Administration	796,383	804,509	792,424	(12,085)
Total Finance	5,695,854	5,741,776	5,504,228	(237,548) b
Division of Environmental Quality & Public Works:				
Building Inspection	2,786,203	2,832,418	2,859,236	26,818
Engineering	1,672,862	1,749,787	1,727,416	(22,371)
Environmental Quality & PW Admin	284,494	290,634	288,772	(1,862)
Division of Environmental Services	2,347,899	2,497,162	2,064,291	(432,871)
Streets & Roads	3,544,736	3,692,320	3,085,768	(606,552)
Traffic Engineering	4,550,974	4,915,173	4,781,125	(134,048)
Total Environmental Quality & Public Works	15,187,168	15,977,494	14,806,608	(1,170,886) b
Department of Planning, Preservation, & Development:				
Planning, Preservation, & Development Admin	1	1		(1)
Total Planning, Preservation, & Development	1	1	0	(1)
Department of Public Safety:				
Police	79,726,547	79,912,633	67,316,584	(12,596,049)
Fire & Emergency Services	80,582,206	80,827,388	74,425,592	(6,401,796)
Community Corrections	39,882,629	39,844,148	38,879,299	(964,849)
Public Safety Administration	7,243,806	7,250,122	7,579,715	329,593
Code Enforcement	2,159,834	2,196,080	2,151,848	(44,232)
Emergency Management	867,490	870,920	755,434	(115,486)
Enhanced 911	3,579,016	3,657,163	3,473,556	(183,607)
Security	889,370	902,891	837,566	(65,325)
Total Public Safety	214,930,898	215,461,345	195,419,594	(20,041,751) b
Department of Social Services:				
Youth Services	2,517,928	2,568,475	2,313,492	(254,983)
Family Services	2,885,718	2,967,189	2,821,167	(146,022)
Adult Services	1,335,793	1,352,132	1,318,352	(33,780)
Social Services Administration	2,527,946	2,528,237	2,349,806	(178,431)
Total Social Services	9,267,385	9,416,033	8,802,817	(613,216) 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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of General Services:				
Parks & Recreation	20,727,950	21,288,893	19,296,366	(1,992,527)
Fleet & Facilities Management	6,545,190	6,528,119	6,176,888	(351,231)
General Services Administration	2,429,119	2,435,181	2,199,414	(235,767)
Total General Services	<u>29,702,259</u>	<u>30,252,193</u>	<u>27,672,668</u>	<u>(2,579,525) b</u>
Department of Law:				
Law	2,515,263	2,595,624	2,256,394	(339,230)
Total Law	<u>2,515,263</u>	<u>2,595,624</u>	<u>2,256,394</u>	<u>(339,230)</u>
Outside Agencies:				
Commerce Lexington	388,450	291,338	388,450	97,112
Downtown Lexington Partnership	147,055	106,761	125,204	18,443
Environmental Commission	5,015	5,015	3,873	(1,142)
World Trade Center	46,750	35,063	46,750	11,687
Grants & Special Projects Agencies	1,289,225	1,270,100	1,289,225	19,125
Social Service Agencies	3,093,210	3,034,610	3,034,610	
LexArts	415,700	415,700	415,700	
Lexington Public Library	16,822,310	17,115,819	17,115,823	4
Explorium of Lexington	150,000	191,500	191,500	
Carnegie Literacy Center	111,300	111,300	78,000	(33,300)
Lyric Theatre	127,500	95,625	127,500	31,875
Total Outside Agencies	<u>22,596,515</u>	<u>22,672,831</u>	<u>22,816,635</u>	<u>143,804</u>
Debt Service:				
Principal	31,707,789	31,385,156	31,119,490	(265,666)
Interest	15,434,730	15,757,363	15,662,147	(95,216)
Total Debt Service	<u>47,142,519</u>	<u>47,142,519</u>	<u>46,781,637</u>	<u>(360,882)</u>
Total Expenditures	<u>380,354,084</u>	<u>381,359,904</u>	<u>348,227,011</u>	<u>(33,132,893)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,450,393)</u>	<u>(3,764,832)</u>	<u>19,366,924</u>	<u>23,131,756</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	5,902,235	6,673,114	6,555,614	(117,500)
Transfers Out	(5,850,510)	(7,367,574)	(6,634,920)	732,654
Total Other Financing Sources	<u>51,725</u>	<u>(694,460)</u>	<u>(79,306)</u>	<u>615,154</u>
Net Change in Fund Balance	<u>(3,398,668)</u>	<u>(4,459,292)</u>	<u>19,287,618</u>	<u>23,746,910</u>
Fund Balance, Beginning	<u>4,484,468</u>	<u>4,484,468</u>	<u>67,914,565</u>	<u>63,430,097</u>
Adjustment to Opening Fund Balance (Note 2.D.)			(3,288,094)	(3,288,094)
Fund Balances - Restated July 1	<u>4,484,468</u>	<u>4,484,468</u>	<u>64,626,471</u>	<u>60,142,003</u>
Fund Balance, Ending	<u>\$1,085,800</u>	<u>\$25,176</u>	<u>\$83,914,089</u>	<u>\$83,888,913</u>

a-revenue estimates for payroll withholdings were negatively impacted by COVID-19
d-budget savings in operating from diligent management oversight of \$8.19 million; personnel savings from CARES reimbursement of \$20.77 million

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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,720,000	\$1,720,000	\$1,773,980	\$53,980
Total Licenses and Permits	<u>1,720,000</u>	<u>1,720,000</u>	<u>1,773,980</u>	<u>53,980</u>
Taxes:				
Realty Taxes	41,230,000	41,219,000	41,270,788	51,788
PSC Taxes	347,000	399,000	391,640	(7,360)
Property Tax Discount	(705,000)	(701,000)	(743,816)	(42,816)
Property Tax Commission	(350,000)	(350,000)	(350,559)	(559)
Delinquent - Realty & Personal	100,000	100,000	149,312	49,312
Supplementary Tax Bills	2,500	2,500	573	(1,927)
Total Taxes	<u>40,624,500</u>	<u>40,669,500</u>	<u>40,717,938</u>	<u>48,438</u>
Charges for Services:				
Rent or Lease Income	4,000	4,000	2,380	(1,620)
Commodities	2,205,500	2,205,500	1,059,274	(1,146,226)
Dumpster Permit Fees	21,000	21,000	11,250	(9,750)
Total Charges for Services	<u>2,230,500</u>	<u>2,230,500</u>	<u>1,072,904</u>	<u>(1,157,596) a</u>
Property Sales	<u>150,000</u>	<u>150,000</u>	<u>220,085</u>	<u>70,085</u>
Fines and Forfeitures	<u>1,200</u>	<u>1,200</u>		<u>(1,200)</u>
Intergovernmental	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Investments	<u>375,000</u>	<u>375,000</u>	<u>398,930</u>	<u>23,930</u>
Other Income:				
Penalties & Interest			70,687	70,687
Miscellaneous	9,500	9,500	15,165	5,665
Total Other Income	<u>9,500</u>	<u>9,500</u>	<u>85,852</u>	<u>76,352</u>
Total Revenues	<u>45,110,700</u>	<u>45,155,700</u>	<u>44,269,689</u>	<u>(886,011)</u>
EXPENDITURES				
General Government:				
Contingency	264,961	99,248		(99,248)
Indirect Cost Allocation	2,869,195	2,869,195	3,300,217	431,022
Total General Government	<u>3,134,156</u>	<u>2,968,443</u>	<u>3,300,217</u>	<u>331,774</u>
Administrative Services:				
Human Resources	7,000	7,000	7,374	374
Lex Call	555,142	569,937	541,423	(28,514)
Total Administrative Services	<u>562,142</u>	<u>576,937</u>	<u>548,797</u>	<u>(28,140)</u>
Department of Information Technology:				
Computer Services	711,590	693,192	468,129	(225,063)
Office of the CIO	200,000	164,014	166,042	2,028
Total Information Technology	<u>911,590</u>	<u>857,206</u>	<u>634,171</u>	<u>(223,035)</u>
Department of Finance:				
Central Purchasing	23,463	23,463	23,627	164
Finance	20,750	20,750	20,510	(240)
Total Finance	<u>44,213</u>	<u>44,213</u>	<u>44,137</u>	<u>(76)</u>
Division of Environmental Quality & Public Works:				
Waste Management	30,746,883	31,696,160	26,796,908	(4,899,252) b
Division of Environmental Services	762,282	761,127	721,335	(39,792)
Environmental Quality	917,893	823,183	736,243	(86,940)
Streets & Roads	2,818,683	2,835,612	2,454,874	(380,738)
Traffic Engineering	6,718,949	6,698,387	6,541,767	(156,620)
Total Environmental Quality & Public Works	<u>41,964,690</u>	<u>42,814,469</u>	<u>37,251,127</u>	<u>(5,563,342)</u>
Department of General Services:				
Fleet & Facilities Management	5,975,437	5,383,827	5,346,341	(37,486)
Total General Services	<u>5,975,437</u>	<u>5,383,827</u>	<u>5,346,341</u>	<u>(37,486)</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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
EXPENDITURES, continued				
Department of Law:				
Law	17,472	17,472	16,730	(742)
Total Law	<u>17,472</u>	<u>17,472</u>	<u>16,730</u>	<u>(742)</u>
Debt Service:				
Principal	461,852	461,852	461,852	
Interest	201,927	201,927	201,927	
Total Debt Service	<u>663,779</u>	<u>663,779</u>	<u>663,779</u>	<u>0</u>
Total Expenditures	<u>53,273,479</u>	<u>53,326,346</u>	<u>47,805,299</u>	<u>(5,521,047)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,162,779)	(8,170,646)	(3,535,610)	4,635,036
OTHER FINANCING SOURCES (USES)				
Transfers In	1,883,800	1,883,800	1,883,800	
Transfers Out	2,213	(2,356)	(13,773)	(11,417)
Total Other Financing Sources (Uses)	<u>1,886,013</u>	<u>1,881,444</u>	<u>1,870,027</u>	<u>(11,417)</u>
Net Change in Fund Balance	(6,276,766)	(6,289,202)	(1,665,583)	4,623,619
Fund Balance, Beginning	<u>20,000,000</u>	<u>20,000,000</u>	<u>25,842,822</u>	<u>5,842,822</u>
Adjustment to Opening Fund Balance (Note 2.D.)			<u>(307,762)</u>	<u>(307,762)</u>
Fund Balance, Ending	<u>\$13,723,234</u>	<u>\$13,710,798</u>	<u>\$23,869,477</u>	<u>\$10,158,679</u>

a-\$ 1.16 million under budgeted revenues in charges for services due to the negative impact of COVID-19
b-operating savings of \$4.90 million primarily due to management diligence and personnel savings related to COVID-19

See Independent Auditor's Report

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		Fiscal Year 2018		Fiscal Year 2019	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Total pension liability												
Service cost	\$15,273,403	\$0	\$15,682,820	\$0	\$15,545,613	\$0	\$15,736,332	\$0	\$19,289,452	\$0	\$20,003,501	\$0
Interest	53,365,849	852,811	54,617,104	805,933	56,566,064	736,800	58,934,015	712,234	65,525,538	618,238	70,968,916	569,079
Changes of benefit terms												
Differences between expected and actual experience			7,523,715	(345,366)	14,500,618	291,530	17,343,653	(756,397)	47,795,400	(70,751)	3,305,760	136,834
Changes of assumptions											23,468,904	836,049
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)	(59,050,010)	(1,264,711)	(61,014,042)	(1,234,809)
Net change in total pension liability	15,041,900	(721,783)	27,509,302	(1,009,825)	33,251,614	(397,653)	89,052,706	(1,376,720)	73,560,380	(717,224)	56,733,039	307,153
Total pension liability--beginning	738,343,325	12,970,313	753,385,225	12,248,530	780,894,527	11,238,705	814,146,141	10,841,052	903,198,847	9,464,332	976,759,227	8,747,108
Total pension liability--ending (a)	\$753,385,225	\$12,248,530	\$780,894,527	\$11,238,705	\$814,146,141	\$10,841,052	\$903,198,847	\$9,464,332	\$976,759,227	\$8,747,108	\$1,033,492,266	\$9,054,261
*In 1973 the City of Lexington froze new entrants into the CEPF; in fiscal year 2010 the last active employee retired												
Plan fiduciary net position												
Contributions-employer	\$27,636,473	\$0	\$22,705,036	\$0	\$24,755,620	\$0	\$29,667,706	\$0	\$27,576,764	\$0	\$30,277,170	\$0
Contributions-member	9,730,115		9,881,338		9,493,378		11,186,704		10,750,008		10,356,318	
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	71,009,316	1,369,365	42,194,879	2,030,058
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)	(59,050,010)	(1,264,711)	(61,014,042)	(1,234,809)
Administrative Expense	(598,923)	(27,178)	(665,175)	(28,356)	(178,943)	(15,639)	(226,211)	(7,240)	(306,716)	(4,994)	(317,040)	(7,210)
Other					80,010		141,051	(2)	8,396		112,421	
Net change in plan fiduciary net position	79,557,071	2,754,276	(1,565,163)	(600,686)	(14,814,576)	(76,435)	75,282,074	(10,149)	49,987,758	99,660	21,609,706	788,039
Plan fiduciary net position--beginning	556,723,810	28,029,242	636,280,881	30,783,518	634,715,718	30,182,832	619,901,142	30,106,397	695,183,216	30,096,248	745,170,974	30,195,908
Plan fiduciary net position--ending (b)	\$636,280,881	\$30,783,518	\$634,715,718	\$30,182,832	\$619,901,142	\$30,106,397	\$695,183,216	\$30,096,248	\$745,170,974	\$30,195,908	\$766,780,680	\$30,983,947
Net pension liability--ending (a) - (b)	\$117,104,344	(\$18,534,988)	\$146,178,809	(\$18,944,127)	\$194,244,999	(\$19,265,345)	\$208,015,631	(\$20,631,916)	\$231,588,253	(\$21,448,800)	\$266,711,586	(\$21,929,686)
Plan fiduciary net position as a percentage of the total pension liability	84.46%	251.32%	81.28%	268.56%	76.14%	277.71%	76.97%	318.00%	76.29%	345.21%	74.19%	342.20%
Covered payroll	\$63,248,485	\$0	\$62,102,632	\$0	\$65,934,339	\$0	\$73,360,313	\$0	\$73,131,137	\$0	\$76,794,393	\$0
Net pension liability as a percentage of covered payroll	185.15%	0.00%	235.38%	0.00%	294.60%	0.00%	283.55%	0.00%	316.68%	0.00%	347.31%	0.00%

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

Actuarial Assumptions:

	7/1/2014	7/1/2014	7/1/2015	7/1/2015	7/1/2016	7/1/2016	7/1/2017	7/1/2017	7/1/2018	7/1/2018	7/1/2019	7/1/2019
Valuation date	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Actuarial cost method	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open
Amortization method	30 years	15 years	29 years	15 years	28 years	15 years	27 years	15 years	26 years	15 years	25 years	15 years
Actuarial asset valuation method	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value
Investment rate of return	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.26%	5.21%, including inflation
Cost of living benefit increases (maximum)	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%
Inflation	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	2.75%	NA	2.40%	NA
Projected salary increase	4% to 10.50%	NA	4% to 10.50%	NA	4% to 10.50%	NA	4% to 10.50%	NA	3.5% to 10.50%	NA	3.5% to 9.50%	NA
Mortality table	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined
	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB

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.

See Independent Auditor's Report

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

	Fiscal Year									
	2011		2012		2013		2014		2015	
	Police & Fire	City*	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$28,216,938	\$0	\$30,665,280	\$0	\$22,322,068	\$0	\$23,217,413	\$0	\$22,705,036	\$0
Contributions in relation to the actuarially determined contribution	** 28,216,938	74,488	** 30,665,280		22,322,068		23,217,413		22,705,036	
Contribution deficiency (excess)	\$0	(\$74,488)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$64,258,162	\$0	\$54,595,799	\$43,416	\$62,455,725	\$0	\$63,248,485	\$0	\$62,102,632	\$0
Contributions as a percentage of covered payroll	43.91%	NA	56.17%	NA	35.74%	NA	36.71%	NA	36.56%	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

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

	Fiscal Year									
	2016		2017		2018		2019		2020	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$24,755,620	\$0	\$29,808,757	\$0	** \$27,585,160	\$0	\$30,277,170	\$0	\$32,549,517	\$0
Contributions in relation to the actuarially determined contribution	24,755,620		29,808,757		** 27,585,160		30,277,170		32,549,517	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$65,934,339	\$0	\$73,360,313	\$0	\$73,131,137	\$0	\$76,974,393	\$0	\$77,788,689	\$0
Contributions as a percentage of covered payroll	37.55%	NA	40.63%	NA	37.72%	NA	39.33%	NA	41.84%	NA

Changes in Assumption:

2019

City - The assumed rate of return was lowered from 7.00% to 5.21%. The discount rate lowered from 7.00% to 5.21%.

Police & Fire - The assumed rate of return was lowered from 7.50% to 7.26%. The assumed rate of inflation was lowered from 2.75% to 2.40%.

2018

Police & Fire - Inflation was lowered from 3.00% to 2.75%, and wage inflation was lowered from 4.00% to 3.50%. Adopted RP-2000 Combined Table projected to the valuation date using scale BB. Pre-Retirement and Disability retiree mortality rates are assumed to be the same as the postretirement mortality rates. Retirement rates were increased to better match experience. Termination rates were increased at the early years of service. Disability rates were increased to better match experience. The percentage of disabled members who retire as a result of in-service disability was increased from 75% to 95%.

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

**Corrected by Actuary

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

See Independent Auditor's Report

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		2019		2020	
	Police & Fire	City	Police & Fire	City	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%	11.09%	6.18%	3.99%	7.64%

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.

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

	Fiscal Year	Fiscal Year	Fiscal Year
	2017	2018	2019
	Police & Fire	Police & Fire	Police & Fire
Total OPEB liability			
Service cost	\$18,518,517	\$16,561,150	\$11,572,432
Interest	10,445,265	12,078,465	9,470,049
Changes of benefit terms			
Differences between expected and actual experience	(1,289,809)	(103,220,151)	(1,982,714)
Changes of assumptions	(30,781,223)	(16,252,771)	17,430,462
Benefit payments, including refunds of member contributions	(5,638,286)	(4,952,442)	(5,059,394)
Net change in total OPEB liability	(8,745,536)	(95,785,749)	31,430,835
Total OPEB liability-beginning	350,482,838	341,737,302	245,951,553
Total OPEB liability-ending	341,737,302	245,951,553	277,382,388
Covered payroll	\$73,360,313	\$73,131,137	\$76,974,393
Net OPEB liability as a percentage of covered payroll	465.83%	336.32%	360.36%

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

See Independent Auditor's Report

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	2018	2019
The Government's proportion of the net pension liability (asset)	\$115,215,078	\$155,544,394	\$187,010,198	\$241,742,130	\$248,050,278	\$283,836,175
The Government's proportionate share of the net pension liability (asset)						
Nonhazardous	2.71%	2.76%	2.96%	3.20%	3.12%	3.09%
Hazardous	2.28%	2.39%	2.41%	2.44%	2.41%	2.41%
Covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740	\$88,234,162
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%	294.61%	319.55%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.12%	55.19%	55.19%	55.19%	52.57%

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Actuarial Assumptions:

Valuation date	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2017
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	30 years	28 years	28 years	28 years	27 years	26 years
Actuarial asset valuation method				20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	5-year smoothed market 7.75%	5-year smoothed market 7.50%	5-year smoothed market 7.50%	7.50%	6.25%	6.25%
Cost of living benefit increases (maximum)						
Inflation	3.50%	3.25%	3.25%	3.25%	2.30%	2.30%
Projected salary increase	4.5%, average, including inflation	4%, average, including inflation	4%, average, including inflation	4%, average, including inflation	3.05% to 18.55%, varies by service	3.05% to 18.55%, varies by service
Mortality table	1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members.	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)

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	2018	2019	2020
Contractually required contribution	\$15,852,724	\$10,836,390	\$10,952,366	\$13,388,248	\$14,087,247	\$21,120,711	\$20,990,058
Contribution in relation to the contractually required contribution	16,161,747	16,354,078	16,954,959	13,767,651	14,162,524 *	16,718,583	20,050,133
Contribution deficiency (excess)	<u>(\$309,023)</u>	<u>(\$5,517,688)</u>	<u>(\$6,002,593)</u>	<u>(\$379,403)</u>	<u>(\$75,277)</u>	<u>\$4,402,128</u>	<u>\$939,925</u>
Government's covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740	\$88,234,162	\$100,537,948
Contributions as a percentage of covered payroll	22.27%	21.82%	20.14%	15.50%	15.88%	18.95%	19.94%

Changes in Assumption:

2015

The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. 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). 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.

2017

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

* corrected in fiscal year 2020

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 System:

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	2018	2019
The Government's proportion of the collective net OPEB liability (asset)	\$62,469,796	\$84,449,594	\$72,503,766	\$69,782,179
The Government's proportionate share of the net OPEB liability (asset)				
Nonhazardous	50,412,648	64,271,500	55,313,166	51,948,223
Hazardous	12,057,148	20,178,094	17,190,600	17,833,956
Covered payroll	84,194,948	88,823,610	89,177,740	\$88,234,162
The Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.20%	95.08%	81.30%	79.09%
Plan fiduciary net position as a percentage of the total OPEB liability	359.01%	272.62%	317.54%	383.96%

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	2018	2019	2020
Contractually required contribution	\$5,205,891	\$5,090,084	\$6,655,493	\$5,487,323
Contribution in relation to the contractually required contribution	4,934,657	4,885,000	* 5,762,562	5,238,327
Contribution deficiency (excess)	<u>\$271,234</u>	<u>\$205,084</u>	<u>\$892,931</u>	<u>\$248,996</u>
Government's covered payroll	\$88,823,610	\$89,177,740	\$88,234,162	\$100,537,948
Contributions as a percentage of covered payroll	5.56%	5.48%	6.53%	5.21%

* Amount corrected in fiscal year 2020

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

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 **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 **2019 Bond Projects** will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, and building improvements, fleet replacement, and the Lexington Convention Center renovations.

The **2020 Bond Projects** will fund projects for Public Safety, voting machine replacement, road and paving maintenance, and fleet replacement. 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.

See Independent Auditors' Report

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020**

	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	2010 Bond Projects
				Mineral Severance	Coal Severance								
ASSETS													
Current Cash	\$3,373,460	\$4,950,964	\$135,725	\$310,976	\$316,064	\$1,411,661	\$700,082	\$483,617	\$11,682,549	\$4,309	\$35,864	\$259,398	\$42,851
Current Investments	199,734	323,097		66,578					589,409	39,542			
Receivables:													
Other		448,083				110,124		30,929	589,136				
Restricted Investments									0		(258,451)	205,238	
Total Assets	\$3,573,194	\$5,722,144	\$135,725	\$377,554	\$316,064	\$1,521,785	\$700,082	\$514,546	\$12,861,094	\$43,851	\$35,864	\$947	\$248,089
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts and Contracts Payable	\$0	\$691,180	\$0	\$139,320	\$363	\$0	\$6,529	\$51,033	\$888,425	\$0	\$0	\$0	\$0
Unearned Revenue & Other						1,521,785			1,521,785				
Total Liabilities	0	691,180	0	139,320	363	1,521,785	6,529	51,033	2,410,210	0	0	0	0
Fund Balances:													
Restricted for:													
Public Works	3,573,194	5,030,964	135,725		315,701				9,055,584				
Public Safety							693,553	463,513	1,157,066				
Capital Projects									0	43,851	35,864	947	248,089
Assigned				238,234					238,234				
Total Fund Balances	3,573,194	5,030,964	135,725	238,234	315,701	0	693,553	463,513	10,450,884	43,851	35,864	947	248,089
Total Liabilities and Fund Balances	\$3,573,194	\$5,722,144	\$135,725	\$377,554	\$316,064	\$1,521,785	\$700,082	\$514,546	\$12,861,094	\$43,851	\$35,864	\$947	\$248,089

Continued

See Independent Auditors' Report

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

Capital Projects Funds

	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	2019 Bond Projects	2020 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS													
Current Cash	\$95,471	\$11,911	\$5,641	\$1,688	\$0	\$0	\$0	\$0	\$0	\$494,067	\$4,326,699	\$5,277,899	\$16,960,448
Current Investments										328,318		367,860	957,269
Receivables:													
Other												0	589,136
Restricted Investments	497,533	12,367	365,808	644,131	3,465,919	3,177,426	9,600,187	5,386,562	13,009,881			36,106,601	36,106,601
Total Assets	\$593,004	\$24,278	\$371,449	\$645,819	\$3,465,919	\$3,177,426	\$9,600,187	\$5,386,562	\$13,009,881	\$822,385	\$4,326,699	\$41,752,360	\$54,613,454
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts and Contracts Payable	\$0	\$0	\$0	\$0	\$52,538	\$88,747	\$394,827	\$333,359	\$963,596	\$0	\$30,127	\$1,863,194	\$2,751,619
Due to Other Funds					3,013	66,798	145,173		119,905			334,889	334,889
Unearned Revenue & Other												0	1,521,785
Total Liabilities	0	0	0	0	55,551	155,545	540,000	333,359	1,083,501	0	30,127	2,198,083	4,608,293
Fund Balances:													
Restricted for:													
Public Works												0	9,055,584
Public Safety												0	1,157,066
Capital Projects	593,004	24,278	371,449	645,819	3,410,368	3,021,881	9,060,187	5,053,203	11,926,380	822,385	4,296,572	39,554,277	39,554,277
Assigned												0	238,234
Total Fund Balances	593,004	24,278	371,449	645,819	3,410,368	3,021,881	9,060,187	5,053,203	11,926,380	822,385	4,296,572	39,554,277	50,005,161
Total Liabilities and Fund Balances	\$593,004	\$24,278	\$371,449	\$645,819	\$3,465,919	\$3,177,426	\$9,600,187	\$5,386,562	\$13,009,881	\$822,385	\$4,326,699	\$41,752,360	\$54,613,454

See Independent Auditors' Report

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	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	2010 Bond Projects
				Mineral Severance	Coal Severance								
REVENUES													
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	520,196	5,612,508		211,331	114,956	440,270	378,150	216,205	7,493,616				
Other		219,264							219,264				
Income on Investments	2,638	4,241		879					7,758			1	1,680
Total Revenues	522,834	5,836,013	0	212,210	114,956	440,270	378,150	216,205	7,720,638	0	0	1	1,680
EXPENDITURES													
Current:													
Environmental Quality & Public Works		4,825		152,783	28,204				185,812				
Police						327,492	222,088		549,580				
Capital:													
Equipment						112,778		213,950	326,728				
Acquisitions and Construction	180,744	2,164,073		66,170				131,177	2,542,164				3,524
Total Expenditures	180,744	2,168,898	0	218,953	28,204	440,270	222,088	345,127	3,604,284	0	0	0	3,524
Excess (Deficiency) of Revenues over (under) Expenditures	342,090	3,667,115		(6,743)	86,752	0	156,062	(128,922)	4,116,354	0	0	1	(1,844)
OTHER FINANCING SOURCES (USES)													
Transfers Out		(3,215,021)	(70,000)					(300,000)	(3,585,021)				
Total Other Financing Sources (Uses)	0	(3,215,021)	(70,000)	0	0	0	0	(300,000)	(3,585,021)	0	0	0	0
Net Change in Fund Balances	342,090	452,094	(70,000)	(6,743)	86,752	0	156,062	(428,922)	531,333	0	0	1	(1,844)
Fund Balances (Deficits), Beginning	3,231,104	4,567,450	205,725	244,977	228,949	0	537,491	892,435	9,908,131	43,851	35,864	946	249,933
Adjustment to Opening Fund Balance (Note 2.D.)		11,420							11,420				
Fund Balances, Beginning - Restated	3,231,104	4,578,870	205,725	244,977	228,949	0	537,491	892,435	9,919,551	43,851	35,864	946	249,933
Fund Balances (Deficits), Ending	\$3,573,194	\$5,030,964	\$135,725	\$238,234	\$315,701	\$0	\$693,553	\$463,513	\$10,450,884	\$43,851	\$35,864	\$947	\$248,089

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020

Capital Projects Funds

	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	2019 Bond Projects	2020 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
REVENUES													
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental												0	7,493,616
Exactions											79,066	79,066	79,066
Other										262,538		262,538	481,802
Income on Investments	515	(62)	1,788	4,349	23,258	35,876	63,885	62,261	42,028	4,265	29,588	269,432	277,190
Total Revenues	515	(62)	1,788	4,349	23,258	35,876	63,885	62,261	42,028	266,803	108,654	611,036	8,331,674
EXPENDITURES													
Current:													
General Government							40,031				(1,471)	38,560	38,560
Finance					5,164					391		5,555	5,555
Environmental Quality & Public Works					3,500		165,270	8,936				177,706	363,518
Planning, Preservation, & Development					97,481							97,481	97,481
Police												0	549,580
Community Corrections							469,890	19,286				489,176	489,176
General Services						6,345	816,340					822,685	822,685
Parks and Recreation						3,101		16,800				19,901	19,901
Debt Service:													
Principal										258,658		258,658	258,658
Interest										3,880		3,880	3,880
Other Debt Service									83,731			83,731	83,731
Capital:													
Equipment		74	10,664	12,944	79,470	85,016	303,511	984,191	6,397,310			7,873,180	8,199,908
Acquisitions and Construction	8,016			11,221	548,764	4,235,634	1,032,279	6,829,125	1,919,556			14,588,119	17,130,283
Total Expenditures	8,016	74	10,664	24,165	734,379	4,330,096	2,827,321	7,858,338	8,400,597	262,929	(1,471)	24,458,632	28,062,916
Excess (Deficiency) of Revenues over (under) Expenditures	(7,501)	(136)	(8,876)	(19,816)	(711,121)	(4,294,220)	(2,763,436)	(7,796,077)	(8,358,569)	3,874	110,125	(23,847,596)	(19,731,242)
OTHER FINANCING SOURCES (USES)													
Transfers Out					(29,080)		(728,468)	(3,500)				(761,048)	(4,346,069)
Issuance of Debt									18,110,000			18,110,000	18,110,000
Premium on Bonds									2,250,106			2,250,106	2,250,106
Discount on Bonds									(75,157)			(75,157)	(75,157)
Total Other Financing Sources (Uses)	0	0	0	0	(29,080)	0	(728,468)	(3,500)	20,284,949	0	0	19,523,901	15,938,880
Net Change in Fund Balances	(7,501)	(136)	(8,876)	(19,816)	(740,201)	(4,294,220)	(3,491,904)	(7,799,577)	11,926,380	3,874	110,125	(4,323,695)	(3,792,362)
Fund Balances (Deficits), Beginning	600,505	24,414	377,201	665,635	4,150,569	7,316,101	12,552,091	12,852,780		818,511	4,186,447	43,874,848	53,782,979
Adjustment to Opening Fund Balance (Note 2.D.)			3,124									3,124	14,544
Fund Balances, Beginning - Restated	600,505	24,414	380,325	665,635	4,150,569	7,316,101	12,552,091	12,852,780	0	818,511	4,186,447	43,877,972	53,797,523
Fund Balances (Deficits), Ending	\$593,004	\$24,278	\$371,449	\$645,819	\$3,410,368	\$3,021,881	\$9,060,187	\$5,053,203	\$11,926,380	\$822,385	\$4,296,572	\$39,554,277	\$50,005,161

See Independent Auditors' Report

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/20

Grantor/Program Title	Federal CFDA Number	Direct/Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2019	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2020
US Department of Agriculture:							
Direct Programs:							
Child Care Food Program	10.558	11475	\$2,677	\$15,118	\$0	\$12,441	\$0
Child Care Food Program	10.558	11475		31,921		34,556	2,635
Urban Forestry	10.675	PON2-128-1900001567	5,379	5,379			
Purchase of Development Rights (PDR)	10.931	68-5C16-16-828	90,714	750,490		659,776	
Total US Department of Agriculture			98,770	802,908	0	706,773	2,635
US Department of Housing and Urban Development:							
Direct Programs:							
Community Dev Block Grant	14.218	B14MC210004	351	158,276		157,925	
Community Dev Block Grant	14.218	B15MC210004	5,173	168,114	2,068	170,787	9,914
Community Dev Block Grant	14.218	B16MC210004	2,270	92,261	3,271	86,775	55
Community Dev Block Grant	14.218	B17MC210004	5,975	140,166	17,650	135,560	19,019
Community Dev Block Grant	14.218	B18MC210004	51,697	889,453	127,334	885,934	175,512
Community Dev Block Grant	14.218	B19MC210004		798,572	442,745	403,045	47,218
Emergency Solutions	14.231	E17MC210004	2,160	14,214	5,556	6,498	
Emergency Solutions	14.231	E18MC210004		62,749	48,568	21,501	7,320
Emergency Solutions	14.231	E19MC210004		56,036	57,832		1,796
HOME	14.239	M15MC210201	5,000	11,406		6,406	
HOME	14.239	M16MC210201	11,030	46,778		35,748	
HOME	14.239	M17MC210201	100	529,282	529,363	22	203
HOME	14.239	M18MC210201	2,773	422,278	385,528	59,717	25,740
HOME	14.239	M19MC210201		18,543	7,370	43,638	32,465
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H17-0017-00	28,937	426,947	403,965	10,759	16,714
Continuum of Care	14.267	KY0193L4I021700	8,294	34,437		26,143	
Continuum of Care	14.267	KY0215L4I021800		10,861		15,457	4,596
Total US Department of Housing and Urban Development			123,760	3,880,373	2,031,250	2,065,915	340,552
US Department of Interior:							
Passed through Commonwealth of Kentucky:							
Certified Local Government Scholarship	15.904	SC-410-1900001424		16,200		16,200	
Total US Department of Interior				16,200		16,200	
US Department of Justice:							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,563,051)	399,003		440,270	(1,521,784)
Justice Assistance Grant COVID	16.034	2020-VD-BX-1279				37,979	37,979
SCAAP	16.606	2013-AP-BX-0161	(34)			34	
SCAAP	16.606	2014-AP-BX-0607	(19,546)			19,546	
SCAAP	16.606	2015-AP-BX-0465	(21,173)			21,173	
SCAAP	16.606	2016-AP-BX-0337	(44,231)			44,231	
SCAAP	16.606	2019-AP-BX-0086	(30,869)			6,779	(24,090)
SCAAP	16.606	2019-AP-BX-0789		9,477		8,000	(1,477)
SCAAP	16.606	2020-AP-BX-1189		35,916			(35,916)
Justice Assistance Grant	16.738	2016-DJ-BX-0185	(14,171)	(701)		13,470	
Justice Assistance Grant	16.738	2017-DJ-BX-0808	(55)				(55)
Justice Assistance Grant	16.738	2018-DJ-BX-0168		151,750			(151,750)
Justice Assistance Grant	16.738	2019-DJ-BX-0499		148,589		66,317	(82,272)
Comprehensive Opioid Abuse Program (COAP)	16.838	2018-AR-BX-K059	22,082	97,855		173,553	97,780
Passed through Commonwealth of Kentucky:							
VOCA (Victims of Crime Advocate Program)	16.575	VOCA-2018-LFUCG-STRE-00030		8,872		8,872	
VOCA (Victims of Crime Advocate Program)	16.575	VOCA-2019-LFUCG-STRE-00091		21,031		33,011	11,980
Underserved Minority Victim Advocacy Prog.	16.575	VOCA-2018-LFUCG-STRE-00087	25,858	59,263		33,405	
Underserved Minority Victim Advocacy Prog.	16.575	VOCA-2019-LFUCG-STRE-00072		59,611		88,582	28,971
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2018-LFUCG-ST-00614	5,964	27,429		21,465	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2019-LFUCG-ST-00645		8,263		20,846	12,583
Street Sales	16.738	2017-JAG-LFUCG-STRE-01160	24,622	24,622			
Street Sales (Confiscated Funds)	16.738	2018-JAG-LFUCG-STRE-01191		16,878		16,878	
Street Sales	16.738	2018-JAG-LFUCG-STRE-01191		16,368	62,344	12,656	58,632
Street Sales	16.738	2019-JAG-LFUCG-STRE-01216				5,821	5,821
Total US Department of Justice			(1,614,604)	1,084,226	62,344	1,072,888	(1,563,598)
US Department of Transportation:							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	SC-625-1900000323	30,708	30,708			
Air Quality Planning	20.205	1900002234		59,926		115,631	55,705
Armstrong Mill Sidewalks	20.205	PO2-628-1700004143		45,982		50,262	4,280
Beaumont YMCA Trail Project	20.205	PO2-628-1700004155	2,000	2,000		720	720
Bicycle and Pedestrian Planning	20.205	SC-625-1900000323	14,993	14,993			
Bicycle and Pedestrian Planning	20.205	1900002234		46,873		70,983	24,110
Brighton Trail Pedestrian Bridge	20.205	PO2-628-1700002505		17,190		17,190	
Citation Trail	20.205	PO2-628-1700004156	(5,861)			4,556	(1,305)
Clays Mill Road	20.205	PO2-625-1500002693		5,000		5,000	
Federal Highway Planning	20.205	SC-625-1900000307	69,527	69,527			
Federal Highway Planning	20.205	SC-625-1900001597		314,546		390,193	75,647
Fiber Optic Cable Installation	20.205	PO2-628-1600004546		17,152		113,576	
Forbes Road	20.205	PO2-628-1700002506		18,220		17,140	
Four Side	20.205	PO2-628-1600005725		2,807		2,218,764	2,217,488
Intelligent Transpor. System (ITS)	20.205	PO2-625-1700002191	255,687	255,687			

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/20

Grantor/Program Title	Federal CFDA Number	Direct/Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2019	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2020
Intelligent Transpor. System (ITS)	20.205	SC-625-1700002191	477,856	477,856			
Intelligent Transpor. System (ITS)	20.205	PO2-625-1700002191		202,572		463,601	261,029
Legacy Trail Phase III	20.205	PO2-628-1400005764				1,154	1,154
Lexington Community Land Trust	20.205	PO2-625-1500000828	55,358	55,358			
W. Loudon Avenue Streetscape	20.205	PO2-628-1800002729	4,000			9,098	13,098
Man O' War & Richmond Intersection Project	20.205	PO2-625-1400004869	20,390	20,390			
Mercer Rd/Greendale Rd Turn lanes	20.205	PO2-628-1800001345	21,693	34,467		12,774	
Mobility Office	20.205	SC-625-1900000323	90,475	90,475			
Mobility Office	20.205	1900002234		85,213		138,523	53,310
Newtown Pike Supplement #2	20.205	C-00343167	(466,781)	140,728		475,683	(131,826)
Nicholasville Road Corridor Land Use Study	20.205	SC-625-1900002248		49,280		70,400	21,120
Old Frankfort Pike Scenic Byway Viewing Area	20.205	PO2-628-1500003392	5,841			439,506	445,347
Oxford Circle Sidewalks	20.205	PO2-628-1700004160		2,000		36,602	34,602
Polo Club Boulevard Project	20.205	PO2-625-1300001036	4,893	587,451		689,155	106,597
Rosemont Garden Sidewalks	20.205	PO2-628-1700004171		18,571		22,142	3,571
South Elkhorn Trail	20.205	PO2-628-1700004176	912	912			
Todds Road Sidewalks	20.205	PO2-628-1700004177	3,743	3,743			
Town Branch	20.205	PO2-628-1200004353	15,369	31,177		15,848	40
Town Branch Commons Corridor-Zone 2	20.205	PO2-628-1600003719	2,708	2,708		9,510	8,516
Town Branch Trail Commons-Midland Section	20.205	PO2-628-1600005544	26,613	132,401		286,473	180,685
Town Branch Trail Crossing	20.205	PO2-628-1500004792	3,040	39,520		36,564	84
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706	205,617	309,889		117,321	13,049
West Hickman Trail	20.205	PO2-628-1600005956	148,593	469,311		351,228	30,510
Wilson Downing Sidewalks	20.205	PO2-628-1700004178		2,713		7,773	5,060
Winchester/Liberty Intersection Improvements	20.205	PO2-628-1600003038	160,800	160,800			
MCSAP (Motor Carrier Safety Asst.Prog.)	20.218	No Number		43,291		49,311	6,020
MCSAP2 (Motor Carrier Safety Asst.Prog.)	20.218	No Number	13,941	28,655		14,714	
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number	949	5,938		4,989	
Fed Transit Admin Section 5303	20.505	PO30217442	31,962	31,962			
Fed Transit Admin Section 5303	20.505	PO30217442				45,034	45,034
Traffic Safety Supplement	20.600	SC-625-19000008211	16,071	17,123		1,052	
Traffic Safety Supplement	20.600	SC-625-19000015351	7,276	29,971		22,695	
Traffic Safety	20.600	SC-625-20000002891		34,978		39,796	4,818
Traffic Safety Occupant Protection Prog.	20.616	SC-625-19000009091	3,851	6,166		2,315	
Traffic Safety Occupant Protection Prog.	20.616	SC-625-20000003411		10,292		14,390	4,098
Traffic Safety	20.616	SC-625-19000008141	4,472	12,334		7,862	
Traffic Safety Impaired Driving Enforcement	20.616	SC-625-20000003641		6,702		9,355	2,653
Town Branch Tiger	20.933	SC-628-18000005041	883,249	2,009,798		2,627,397	1,500,848
Total US Department of Transportation			2,148,124	6,188,342	0	9,026,280	4,986,062
US Environmental Protection Agency							
Passed through Commonwealth of Kentucky:							
West Hickman Wet Weather Storage	66.458	A15-026 SWR	1,409,931	7,136,159		5,726,228	
Total US Environmental Protection Agency			1,409,931	7,136,159	0	5,726,228	0
US Department of Health and Human Services:							
Direct Programs:							
SAMHSA (Substance Abuse Mental Health Serv)	93.243	1H79SP080309-01	323,563	396,723		127,771	54,611
SAMHSA (Substance Abuse Mental Health Serv)	93.243	5H79SP080309-02		69,116		272,712	203,596
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	AS-2019-2020		80,587		80,587	
Wellness Edge Program	93.325	90PRRC0001-01-01	15,765	15,765			
Refugee Targeted Assistance Prog.(RTAP)	93.584	257-107042-2018	7,586	7,586			
Extended School Program - CARES	93.575	N/A				150,028	150,028
Home Network	93.597	2016-2017-PUBLIC-R	11,673			(11,673)	
Home Network	93.597	2017-2018-PUBLIC-R	(283,490)			283,490	
Home Network	93.597	2018-2019-PUBLIC-R	(248,290)	48,610			(296,900)
Home Network	93.597	2019-2020-PUBLIC-R		265,260			(265,260)
Head Start Program	93.600	No Number	3,324	3,324			
Head Start Program	93.600	No Number		31,797		35,555	3,758
Total US Department of Health and Human Services			(169,869)	918,768	0	938,470	(150,167)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/20

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2019	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2020
US Department of Homeland Security Office of Domestic Preparedness:							
Direct Programs:							
Assistance to Firefighters	97.044	EMW-2017-FO-03956		70,300		70,300	
Fire Prevention	97.044	EMW-2017-FP-00614	47,618	47,618			
Passed through Commonwealth of Kentucky:							
Hazard Mitigation Grant Prog.(HMGP PLAN)	97.039	PON2-095-17000013341	1,141	1,141			
Chemical Stockpile Emergency (CSEPP)	97.040	PO2-095-16000047103	9,254	9,254			
Chemical Stockpile Emergency (CSEPP)	97.040	PO2-095-17000054304	77,882	77,882			
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-17000054303	203,164	374,482		203,493	32,175
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-1900001734		143,441		399,399	255,958
Disaster Reimbursement-COVID-20		N/A				255,746	255,746
Emergency Management Assistance	97.042	SC-095-19000009781	40,587	65,098		24,511	
Emergency Management Assistance	97.042	EMA-2019-EP-00008-S01		47		65,574	65,527
State Homeland Bomb Squad	97.067	SC-094-1900001087	9,240	53,105		46,758	2,893
State Homeland Bomb Squad	97.067	SC-094-2000000841				123,100	123,100
State Homeland Camera	97.067	SC-094-2000000843		9,315		9,315	
State Homeland Fire	97.067	SC-094-2000000842				34,965	34,965
State Homeland Personal Protection Equip.	97.067	PO2-094-18000025391	6,332	6,332			
State Homeland Police Emergency Response Unit	97.067	SC-094-1900001085		300,000		300,000	
Total US Dept. of Homeland Security Office of Domestic Preparedness			395,218	1,158,015	0	1,533,161	770,364
Passed through Commonwealth of Kentucky:							
Help America Vote	90.401	N/A				965,600	965,600
Help America Vote	90.404	N/A				30,720	30,720
Total US Department of Energy			0	0	0	996,320	996,320
US Department of Treasury							
Passed through Commonwealth of Kentucky:							
CARES Act Coronavirus Relief	21.019	FAP111-44-00				20,848,764	20,848,764
Total US Department of Treasury			0	0	0	20,848,764	20,848,764
Total Federal Financial Assistance			\$2,391,330	\$21,184,991	\$2,093,594	\$42,930,999	\$26,230,932

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, 2020

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2019	Revenue Received	Passed Through to Sub recipients Expenditures	Expenditures	Accrued or (Deferred) Revenue at June 30, 2020
Day Treatment	PON25231900001089	Kentucky Dept. of Juvenile Justice	\$61,376	\$61,376	\$0		\$0
Day Treatment	PON25231900001089	Kentucky Dept. of Juvenile Justice		198,071		\$198,071	
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	(40,800)				(40,800)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		10,000		9,503	(497)
Federal Highway Planning	1900000307	Kentucky Transportation Cabinet	4,345	4,345			
Federal Highway Planning	1900001597	Kentucky Transportation Cabinet		19,659		24,387	4,728
Fire Training Incentive	155	Kentucky Fire Commission					
Fire Training Incentive	155	Kentucky Fire Commission		3,235,657		3,235,657	
Fire Training Administration	155	Kentucky Fire Commission	(30,584)			20,936	(9,648)
Fire Training Administration	155	Kentucky Fire Commission		38,374		14,177	(24,197)
Hazard Mitigation Grant Prog.(HMGP_Plan)	PON20951700001334	Kentucky Emergency Management Agency	183	183			
Home Network	2017-2018-PUBLIC-R	Lexington Fayette County Health Dept	(145,737)			145,737	
Home Network	2018-2019-PUBLIC-R	Lexington Fayette County Health Dept	(79,370)	15,030		8,913	(85,487)
Home Network	2019-2020-PUBLIC-R	Lexington Fayette County Health Dept		43,250			(43,250)
Kentucky Fire Commission Training Facility	N/A	Kentucky Fire Commission	(7,887)	(7,887)			
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(63)			63	
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(113,305)			113,305	
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		160,011		48,467	(111,544)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management	(2,153)	(2,153)			
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		101,745		55,092	(46,653)
KY_SAP_2020 (Substance Abuse Program)	PON2-527-2000001585-1	Kentucky Department of Corrections		39,510		46,800	7,290
KY_SAP_F_2020 (Substance Abuse Program)	PON2-527-1900003102-1	Kentucky Department of Corrections		35,658		42,417	6,759
Law Enforcement Protection Program	SC-094-1900001258	Kentucky Office Homeland Security	39,423				39,423
Law Enforcement Protection Program (2)	SC-094-1900001294	Kentucky Office Homeland Security	64,378	64,378			
Lexington Community Land Trust	PO2-625-1500000828	Kentucky Transportation Cabinet	5,766	5,766			
Local Records Grant Project	SY1903LR16	Kentucky Dept. for Libraries & Archives	4,665			6,380	11,045
Paula Nye Memorial Education	2017-13	Kentucky Bicycle and Bikeway Commission	(10)	(10)			
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	269,844	269,844			
Police Training Administration	N/A	Kentucky Law Enforcement Foundation	(36,733)	3,390		372	(39,751)
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		2,979,508		3,244,769	265,261
Police Training Administration	N/A	Kentucky Law Enforcement Foundation		37,046			(37,046)
RMAG (Rubber Modified Asphalt Grant)	N/A	Kentucky Energy & Environmental Cabinet		98,852		98,852	
SANE3 (Sexual Assault Treatment Project)	VAWA-2018-LFUCG-ST-00614	Kentucky Justice Cabinet	2,600	9,800		7,200	
SANE3 (Sexual Assault Treatment Project)	VAWA-2019-LFUCG-ST-00645	Kentucky Justice Cabinet		600		3,600	3,000
Senior Citizens	AS-2019-2020	Bluegrass Area Development District		103,840		103,840	
State Homeland Commercial Mobile Radio (2)	PO2 094 1800001195 1	Kentucky Office Homeland Security	49,560			5,411	54,971
Waste Tire	PO2-625-1900095884	Kentucky Energy & Environmental Cabinet		4,000		4,000	
Total State Financial Assistance			<u>(\$638,502)</u>	<u>\$7,529,843</u>	<u>\$0</u>	<u>\$7,437,949</u>	<u>(\$730,396)</u>

See Independent Auditors' Report

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 **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, 2020

	Right of Way	Extended School Program	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
ASSETS							
Current Assets:							
Cash	\$2,303,731	\$912,292	\$6,132,669	\$144,299	\$154,640	\$503	\$9,648,134
Investments			1,475,707		17,210		1,492,917
Receivables:							
Other Receivables		426	250,286	63,541	35,867		350,120
Less Allowance for Uncollectible Accounts					(35,867)		(35,867)
Due from Other Funds			5,309				5,309
Inventories and Prepaid Expenses		1,390	42,803	7,193			51,386
Total Current Assets	<u>2,303,731</u>	<u>914,108</u>	<u>7,906,774</u>	<u>215,033</u>	<u>171,850</u>	<u>503</u>	<u>11,511,999</u>
Noncurrent Assets:							
Land Improvements		10,000					10,000
Buildings			7,514				7,514
Vehicles, Equipment, and Furniture	107,245	103,481	2,746,570				2,957,296
Intangibles			1,490,573				1,490,573
Less Accumulated Depreciation	(74,391)	(105,704)	(3,941,094)				(4,121,189)
Total Noncurrent Assets	<u>32,854</u>	<u>7,777</u>	<u>303,563</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>344,194</u>
Total Assets	<u>\$2,336,585</u>	<u>\$921,885</u>	<u>\$8,210,337</u>	<u>\$215,033</u>	<u>\$171,850</u>	<u>\$503</u>	<u>\$11,856,193</u>
Deferred outflows of resources:							
Deferred Pension Amounts	150,189	375,850	1,090,347				1,616,386
Deferred Other Post Employment Benefit Amounts	64,377	161,251	457,095				682,723
Total Deferred Outflows of Resources	<u>214,566</u>	<u>537,101</u>	<u>1,547,442</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,299,109</u>
Total Assets & Deferred Outflows of Resources	<u>\$2,551,151</u>	<u>\$1,458,986</u>	<u>\$9,757,779</u>	<u>\$215,033</u>	<u>\$171,850</u>	<u>\$503</u>	<u>\$14,155,302</u>
LIABILITIES							
Current Liabilities:							
Accounts, Contracts, and Retainage Payable	\$12,913	\$3,316	\$25,419	\$0	\$0	\$0	\$41,648
Accrued Payroll	8,740	37,676	90,093				136,509
Compensated Absences	8,176	1,287	327,317				336,780
Total Current Liabilities	<u>29,829</u>	<u>42,279</u>	<u>442,829</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>514,937</u>
Noncurrent Liabilities:							
Bond Payable Noncurrent							0
Compensated Absences	8,176	41,598	327,317				377,091
Unfunded Other Post Employment Benefit Liability	164,460	412,447	1,132,162				1,709,069
Unfunded Pension Liability	668,936	1,677,611	4,605,021				6,951,568
Total Noncurrent Liabilities	<u>841,572</u>	<u>2,131,656</u>	<u>6,064,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,037,728</u>
Total Liabilities	<u>\$871,401</u>	<u>\$2,173,935</u>	<u>\$6,507,329</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,552,665</u>
Deferred inflows of resources:							
Deferred Pension Amounts	\$30,982	\$77,700	\$213,286	\$0	\$0	\$0	\$321,968
Deferred Other Post Employment Benefit Amounts	58,689	147,185	404,022				609,896
Total Deferred Inflows of Resources	<u>89,671</u>	<u>224,885</u>	<u>617,308</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>931,864</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$961,072</u>	<u>\$2,398,820</u>	<u>\$7,124,637</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,484,529</u>
NET POSITION							
Net Investment in Capital Assets	32,854	7,777	303,563				344,194
Restricted for:							
Unrestricted (Deficits)	1,557,225	(947,611)	2,329,579	215,033	171,850	503	3,326,579
Total Net Position	<u>\$1,590,079</u>	<u>(\$939,834)</u>	<u>\$2,633,142</u>	<u>\$215,033</u>	<u>\$171,850</u>	<u>\$503</u>	<u>\$3,670,773</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, 2020

	Right of Way	Extended School Program	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Operating Revenues							
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		1,500,523	4,464,045	458,376			6,422,944
License Fees and Permits	773,172						773,172
Other		122	6,133				6,255
Total Operating Revenues	<u>773,172</u>	<u>1,500,645</u>	<u>4,470,178</u>	<u>458,376</u>	<u>0</u>	<u>0</u>	<u>7,202,371</u>
Operating Expenses							
Right of Way	620,567						620,567
Extended School Program		1,548,320					1,548,320
Enhanced 911			4,900,007				4,900,007
CKY Network				417,102			417,102
Administration		251,510					251,510
Depreciation	6,324	3,111	174,470				183,905
Total Operating Expenses	<u>626,891</u>	<u>1,802,941</u>	<u>5,074,477</u>	<u>417,102</u>	<u>0</u>	<u>0</u>	<u>7,921,411</u>
Operating Income (Loss)	146,281	(302,296)	(604,299)	41,274	0	0	(719,040)
Nonoperating Revenues (Expenses)							
Income on Investments		2,671	50,442		461		53,574
Total Nonoperating Revenues	<u>0</u>	<u>2,671</u>	<u>50,442</u>	<u>0</u>	<u>461</u>	<u>0</u>	<u>53,574</u>
Income (Loss) Before Transfers	146,281	(299,625)	(553,857)	41,274	461	0	(665,466)
Transfers In			200,000				200,000
Transfers Out				(200,000)			(200,000)
Change in Net Position	<u>146,281</u>	<u>(299,625)</u>	<u>(353,857)</u>	<u>(158,726)</u>	<u>461</u>	<u>0</u>	<u>(665,466)</u>
Net Position, Beginning	1,449,281	(626,466)	2,992,482	373,759	171,389	503	4,360,948
Net Position, Beginning - Restated	(5,483)	(13,743)	(5,483)				(24,709)
Net Position, Ending	<u>\$1,590,079</u>	<u>(\$939,834)</u>	<u>\$2,633,142</u>	<u>\$215,033</u>	<u>\$171,850</u>	<u>\$503</u>	<u>\$3,670,773</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2020

	Right of Way	Extended School Program	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Increase (Decrease) in Cash and Cash Equivalents:							
Cash Flows from Operating Activities:							
Receipts from Customers	\$827,113	\$1,500,478	\$4,381,884	\$441,685	\$0	\$0	\$7,151,160
Payments to Suppliers	(158,510)	(222,526)	(1,570,835)	(421,504)			(2,373,375)
Payments to Employees	(359,912)	(1,159,105)	(2,243,750)				(3,762,767)
Payments for Interfund Services Used	(2,702)	(251,510)	(310)				(254,522)
Net Cash Provided by (Used in) Operating Activities	305,989	(132,663)	566,989	20,181	0	0	760,496
Cash Flows from Noncapital Financing Activities:							
Transfers In			200,000				200,000
Transfers Out				(200,000)			(200,000)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	0	0	200,000	(200,000)	0	0	0
Cash Flows Provided by Investing Activities:							
Purchases of Investments			(19,491)		(461)		(19,952)
Income on Investments		2,671	50,442		461		53,574
Net Cash Flows Provided by (Used in) Investing Activities	0	2,671	30,951	0	0	0	33,622
Net Increase (Decrease)	305,989	(129,992)	797,940	(179,819)	0	0	794,118
Cash at Beginning of Year	1,997,742	1,042,284	5,334,729	324,118	154,640	503	8,854,016
Cash at End of Year	\$2,303,731	\$912,292	\$6,132,669	\$144,299	\$154,640	\$503	\$9,648,134
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:							
Operating Income (Loss)	\$146,281	(\$302,296)	(\$604,299)	\$41,274	\$0	\$0	(\$719,040)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	6,324	3,111	174,470				183,905
(Increase) Decrease in Assets:							
Other Receivables	53,941	(167)	(88,294)	(16,691)			(51,211)
Inventories and Prepaid Expenses		(1,390)	(29,936)	(4,060)			(35,386)
Due from Other Funds			(5,309)				(5,309)
(Increase) Decrease in Deferred Outflows:							
Deferred Other Post Employment Benefit Amounts	(11,761)	(28,257)	(86,984)				(127,002)
Deferred Pension Amounts	10,729	30,916	41,774				83,419
Increase (Decrease) in Liabilities:							
Accounts Payable	10,572	(36,267)	(35,283)	(342)			(61,320)
Accrued Payroll	3,546	1,901	54,109				59,556
Compensated Absences	2,636	(10,177)	570,392				562,851
Unfunded Other Post Employment Benefit Liability	(6,415)	(16,086)	(44,155)				(66,656)
Unfunded Pension Liability	84,339	211,512	580,598				876,449
Increase (Decrease) in Deferred Inflows:							
Deferred Other Post Employment Benefit Amounts	21,736	54,510	149,631				225,877
Deferred Pension Amounts	(15,939)	(39,973)	(109,725)				(165,637)
Total Adjustments	159,708	169,633	1,171,288	(21,093)	0	0	1,479,536
Net Cash Provided by (Used In) Operating Activities	\$305,989	(\$132,663)	\$566,989	\$20,181	\$0	\$0	\$760,496

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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, 2020

	Health, Dental, and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$2,494,566	\$34,745,607	\$37,240,173
Due from Other Funds	0	334,889	334,889
Receivables	2,274	26,896	29,170
Inventories and Prepaid Expenses	412,839		412,839
Total Current Assets	\$2,909,679	\$35,107,392	\$38,017,071
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$1,004,120	\$66,988	\$1,071,108
Claims Payable:			
Reported		11,885,567	11,885,567
Incurred But Not Reported	1,905,559	15,571,046	17,476,605
Total Current Liabilities	2,909,679	27,523,601	30,433,280
Total Liabilities	\$2,909,679	\$27,523,601	\$30,433,280
NET POSITION			
Unrestricted	\$0	\$7,583,791	\$7,583,791

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2020

	<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>		
Operating Revenues						
Premiums	\$33,372,608	\$2,416,628	\$322,016	\$36,111,252	\$10,854,328	\$46,965,580
Total Operating Revenues	<u>33,372,608</u>	<u>2,416,628</u>	<u>322,016</u>	<u>36,111,252</u>	<u>10,854,328</u>	<u>46,965,580</u>
Operating Expenses						
Claims and Benefit Payments	29,765,048	2,431,874	319,627	32,516,549	9,783,655	42,300,204
Operating Supplies and Expense	3,594,703			3,594,703		3,594,703
Total Operating Expenses	<u>33,359,751</u>	<u>2,431,874</u>	<u>319,627</u>	<u>36,111,252</u>	<u>9,783,655</u>	<u>45,894,907</u>
Operating Income (Loss)	12,857	(15,246)	2,389	0	1,070,673	1,070,673
Change in Net Position	<u>12,857</u>	<u>(15,246)</u>	<u>2,389</u>	<u>0</u>	<u>1,070,673</u>	<u>1,070,673</u>
Net Position, Beginning	<u>213,663</u>	<u>(213,525)</u>	<u>(138)</u>	<u>0</u>	<u>6,513,118</u>	<u>6,513,118</u>
Net Position, Ending	<u><u>\$226,520</u></u>	<u><u>(\$228,771)</u></u>	<u><u>\$2,251</u></u>	<u><u>\$0</u></u>	<u><u>\$7,583,791</u></u>	<u><u>\$7,583,791</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2020

	<u>Health, Dental, and Vision Care</u>	<u>Insurance and Risk Management</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Other Funds	\$0	\$0	\$0
Receipts from Employees and Other Sources	36,111,252		\$36,111,252
Receipts from Interfund Services Provided	(1,509)	13,444,853	13,443,344
Refunds from/(Payments to) Suppliers	(3,850,827)	(10,379)	(3,861,206)
Payments for Claims	<u>(31,770,360)</u>	<u>(9,076,073)</u>	<u>(40,846,433)</u>
Net Cash Provided by Operating Activities	<u>488,556</u>	<u>4,358,401</u>	<u>4,846,957</u>
Net Increase in Cash and Cash Equivalents	488,556	4,358,401	4,846,957
Cash at Beginning of Year	<u>2,006,010</u>	<u>30,387,206</u>	<u>32,393,216</u>
Cash at End of Year	<u>\$2,494,566</u>	<u>\$34,745,607</u>	<u>\$37,240,173</u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities:			
Operating Income (Loss)	\$0	\$1,070,673	\$1,070,673
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Decrease in Assets:			
Due from Other Funds		2,590,526	2,590,526
Other Receivables	(1,509)	(1)	(1,510)
Inventories and Prepaid Expenses	(81,145)		(81,145)
Increase in Liabilities:			
Accounts Payable	(174,979)	(10,379)	(185,358)
Claims Payable	746,189	707,582	1,453,771
Total Adjustments	<u>488,556</u>	<u>3,287,728</u>	<u>3,776,284</u>
Net Cash Used in Operating Activities	<u>\$488,556</u>	<u>\$4,358,401</u>	<u>\$4,846,957</u>

FIDUCIARY FUNDS

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

INVESTMENT TRUST FUND

The **Sanitary Sewer Investment Trust** is an investment trust fund. In fiscal year 2014, the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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 deposited into the Bond Account, which is held by a Trustee.

CUSTODIAL FUNDS

The **Neighborhood Sewer Projects Fund** is a custodial 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.

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.

Statement of Net Position
Investment Trust Funds
For the Year Ended June 30, 2020

	<u>Sewer</u>
ASSETS	
Cash and Cash Equivalents	<u>\$25,465,518</u>
Total Assets	<u><u>\$25,465,518</u></u>
 NET POSITION	
Net position restricted for pool participants	<u><u>\$25,465,518</u></u>

STATEMENT OF CHANGES IN NET POSITION
Investment Trust Funds
For the Year Ended June 30, 2020

	Sewer
ADDITIONS	
Contributions:	
Employer	\$6,603,860
Total Contributions	6,603,860
Investment Income:	
Net Change in Fair Value of Investments	
Interest	405,170
Total Investment Income	405,170
Less Investment Expense	950
Net Investment Income	404,220
Total Additions	7,008,080
DEDUCTIONS	
Benefit Payments	10,247,408
Total Deductions	10,247,408
Net Decrease	(3,239,328)
Net Position, Beginning	28,704,846
Net Position, Ending	\$25,465,518

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
 For the Year Ended June 30, 2020

	<u>Domestic Relations Fund</u>	<u>Juvenile and Adult Probation</u>	<u>Neighborhood Sewer Projects Fund</u>	<u>Representative Payee Program</u>	<u>Property & Evidence Fund</u>	<u>Prisoner Account</u>	<u>Total Custodial Funds</u>
ASSETS							
Cash and Cash Equivalents	\$314,227	\$337,425	\$714	\$66,296	\$1,298,395	\$1,141,088	\$3,158,145
Receivables:							
Interest Receivable	50						50
Total Assets	<u>\$314,277</u>	<u>\$337,425</u>	<u>\$714</u>	<u>\$66,296</u>	<u>\$1,298,395</u>	<u>\$1,141,088</u>	<u>\$3,158,195</u>
LIABILITIES							
Accounts Payable and Accrued Expenses	\$0	\$0	\$0	\$525	\$0	\$223,808	\$224,333
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$525</u>	<u>\$0</u>	<u>\$223,808</u>	<u>\$224,333</u>
NET POSITION							
Individuals, organizations, and Other Governments	<u>\$314,277</u>	<u>\$337,425</u>	<u>\$714</u>	<u>\$65,771</u>	<u>\$1,298,395</u>	<u>\$917,280</u>	<u>\$2,933,862</u>

See Independent Auditors' Report

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
For the Year Ended June 30, 2020

	<u>Domestic Relations Fund</u>	<u>Juvenile and Adult Probation</u>	<u>Neighborhood Sewer Projects Fund</u>	<u>Representative Payee Program</u>	<u>Property & Evidence Fund</u>	<u>Prisoner Account</u>	<u>Total Custodial Funds</u>
ADDITIONS							
Contributions:							
Employer	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plan Members	31,057	88,506			689,818	2,569,621	3,379,002
Other Governments				279,129		317,072	596,201
Total Contributions	<u>31,057</u>	<u>88,506</u>	<u>0</u>	<u>279,129</u>	<u>689,818</u>	<u>2,886,693</u>	<u>3,975,203</u>
Total Additions	<u>31,057</u>	<u>88,506</u>	<u>0</u>	<u>279,129</u>	<u>689,818</u>	<u>2,886,693</u>	<u>3,975,203</u>
DEDUCTIONS							
Benefit Payments	31,057	81,514		236,560	402,941	4,355	756,427
Administrative Expense						2,729,244	2,729,244
Total Deductions	<u>31,057</u>	<u>81,514</u>	<u>0</u>	<u>236,560</u>	<u>402,941</u>	<u>2,733,599</u>	<u>3,485,671</u>
Net Increase (Decrease)	0	6,992	0	42,569	286,877	153,094	489,532
Net Position, Beginning	<u>314,277</u>	<u>330,433</u>	<u>714</u>	<u>23,202</u>	<u>1,011,518</u>	<u>764,186</u>	<u>2,444,330</u>
Net Position, Ending	<u>\$314,277</u>	<u>\$337,425</u>	<u>\$714</u>	<u>\$65,771</u>	<u>\$1,298,395</u>	<u>\$917,280</u>	<u>\$2,933,862</u>

See Independent Auditors' Report

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.

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

	June 30, 2020			
	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Total Nonmajor Component Units
ASSETS				
Cash	\$15,509,280	\$8,122,550	\$2,286,713	\$25,918,543
Investments	8,355,000	5,094,598		13,449,598
Receivables:				
Accounts Receivable	199,507		7,782	207,289
Other	192,397	37,506		229,903
Due from Primary Government		1,450,778	369,063	1,819,841
Due from Other Governments	4,621,197			4,621,197
Inventories and Prepaid Expenses	713,223	124,533	142,041	979,797
Restricted Current Assets:				
Cash	596,005	621,403	8,358	1,225,766
Investments		743,389	2,601,090	3,344,479
Pension Assets	653,456			653,456
Capital Assets:				
Non-depreciable	5,002,037	5,240,932	194,800	10,437,769
Depreciable (Net)	34,138,864	19,899,609	1,710,439	55,748,912
Total Assets	\$69,980,966	\$41,335,298	\$7,320,286	\$118,636,550
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Amounts	\$2,285,415	\$3,203,901	\$1,395,714	\$6,885,030
Deferred Other Post Employment Benefit Amounts on Pension Plan Investments		1,411,680	598,056	2,009,736
Deferred Amount on Note Payable			2,625,000	2,625,000
Total Deferred Outflows of Resources	2,285,415	4,615,581	4,618,770	11,519,766
Total Assets and Deferred Outflows of Resources	\$72,266,381	\$45,950,879	\$11,939,056	\$130,156,316
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$829,453	\$610,204	\$158,325	\$1,597,982
Interest Payable		138		138
Due to Component Units			2,625,000	2,625,000
Unearned Revenue and Other		13,411	821	14,232
Non-Current Liabilities:				
Due Within One Year:				
Compensated Absences	152,826	330,744	119,283	602,853
Bonds and Notes Payable	968,098	646,901		1,614,999
Due in More Than One Year:				
Compensated Absences	353,789			353,789
Bonds and Notes Payable	16,609,979	7,387,220	28,776	24,025,975
Unfunded Other Post Retirement Benefit Liability		3,583,624	1,099,225	4,682,849
Unfunded Pension Liability		14,988,332	4,597,572	19,585,904
Total Liabilities	\$18,914,145	\$27,560,574	\$8,629,002	\$55,103,721
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	\$3,242,812	\$932,213	\$181,796	\$4,356,821
Deferred Other Post Employment Benefit Amounts		1,421,181	391,405	1,812,586
Total Deferred Inflows of Resources	3,242,812	2,353,394	573,201	6,169,407
Total Liabilities and Deferred Inflows of Resources	\$22,156,957	\$29,913,968	\$9,202,203	\$61,273,128
NET POSITION				
Net Investment in Capital Assets	\$22,158,829	\$17,106,420	\$1,905,239	\$41,170,488
Restricted for:				
Governmental and Program Funds		1,331,750		1,331,750
Unrestricted	27,950,595	(2,401,259)	831,614	26,380,950
Total Net Position	\$50,109,424	\$16,036,911	\$2,736,853	\$68,883,188

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2020

See Independent Auditor's Report

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Total Nonmajor Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	
Lexington Transit Authority								
Transit Operations	\$24,334,597	\$3,367,069	\$9,426,510	\$1,251,035	(\$10,289,983)			(\$10,289,983)
Depreciation	3,153,740				(3,153,740)			(3,153,740)
Interest on Long-Term Debt	164,695				(164,695)			(164,695)
Total Lexington Transit Authority	27,653,032	3,367,069	9,426,510	1,251,035				(13,608,418)
Lexington Public Library								
Library Operations	15,618,521	460,618	1,225,823	105,000		(\$13,827,080)		(13,827,080)
Depreciation	1,501,348					(1,501,348)		(1,501,348)
Interest on Long-Term Debt	346,664					(346,664)		(346,664)
Total Lexington Public Library	17,466,533	460,618	1,225,823	105,000				(15,675,092)
Lexington Convention and Visitors Bureau								
Convention and Tourism Operations	7,063,977		294,036				(\$6,769,941)	(6,769,941)
Depreciation	285,123						(285,123)	(285,123)
Total Lexington Convention and Visitors Bureau	7,349,100	0	294,036	0				(7,055,064)
Total Nonmajor Component Units	\$52,468,665	\$3,827,687	\$10,946,369	\$1,356,035	(\$13,608,418)	(\$15,675,092)	(\$7,055,064)	(\$36,338,574)
General Revenues:								
Taxes					\$19,444,518	\$17,115,822	\$5,787,946	\$42,348,286
Income on Investments						184,352	34,057	218,409
Gain on Sale of Capital Assets					34,606			34,606
Miscellaneous					(714,958)	389,431	7,623	(317,904)
Total General Revenues					18,764,166	17,689,605	5,829,626	42,283,397
Change in Net Position					5,155,748	2,014,513	(1,225,438)	5,944,823
Net Position, Beginning					44,953,676	14,022,398	3,962,291	62,938,365
Net Position, Ending					\$50,109,424	\$16,036,911	\$2,736,853	\$68,883,188

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.

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

TABLE 1

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$921,236,876	\$899,350,344	\$877,691,469	\$860,074,409	\$838,877,310	\$813,823,945	\$752,686,501	\$718,483,933	\$667,270,316	\$693,353,437
Restricted	32,640,718	20,289,131	26,895,407	22,045,314	34,719,227	58,884,930	61,892,472	69,345,687	67,240,794	63,237,509
Unrestricted (Deficit)	(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)	(403,166,799)	(741,550,665)	(766,027,807)	(841,868,598)
Total governmental activities net position	<u>843,854,356</u>	<u>820,925,201</u>	<u>809,948,755</u>	<u>799,006,784</u>	<u>523,242,733</u>	<u>502,274,935</u>	<u>411,412,174</u>	<u>46,278,955</u>	<u>(31,516,697)</u>	<u>(85,277,652)</u>
Business-type Activities										
Net Investment in Capital Assets	209,276,568	217,434,369	217,313,258	222,913,279	227,825,104	231,848,112	235,845,376	247,162,736	275,607,655	301,488,408
Restricted	50,637,360	57,712,759	66,194,803	68,209,300	60,086,906	69,892,072	77,840,186	74,759,178	15,450,619	16,856,445
Unrestricted (Deficit)	33,023,663	29,435,424	27,429,362	33,237,351	36,179,971	38,061,916	41,169,488	39,300,274	54,867,555	43,004,483
Total business-type activities net position	<u>292,937,591</u>	<u>304,582,552</u>	<u>310,937,423</u>	<u>324,359,930</u>	<u>324,091,981</u>	<u>339,802,100</u>	<u>354,855,050</u>	<u>361,222,188</u>	<u>345,925,829</u>	<u>361,349,336</u>
Primary Government										
Net Investment in Capital Assets	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	942,877,971	994,841,845
Restricted	83,278,078	78,001,890	93,090,210	90,254,614	94,806,133	128,777,002	139,732,658	144,104,865	82,691,413	80,093,954
Unrestricted (Deficit)	(76,999,575)	(69,278,850)	(67,208,759)	(49,875,588)	(314,173,833) *	(332,372,024)	(361,997,311)	(702,250,391) **	(711,160,252)	(798,864,115)
Total primary government net position	<u>\$1,136,791,947</u>	<u>\$1,125,507,753</u>	<u>\$1,120,886,178</u>	<u>\$1,123,366,714</u>	<u>\$847,334,714</u>	<u>\$842,077,035</u>	<u>\$766,267,224</u>	<u>\$407,501,143</u>	<u>\$314,409,132</u>	<u>\$276,071,684</u>

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

** In 2018, the Government implemented GASB Statement No. 74 which revised the reporting for its liability related to other paid employee benefits (OPEB).

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
Administrative Services	\$1,386,040	\$21,143,480	\$11,761,053	\$5,342,699	\$7,433,487	\$7,800,854	\$9,578,189	\$10,332,453	\$10,124,062	\$11,693,590
Chief Development Officer		470,018	620,665	192,555	513,854	2,074,348	207,793	263,297	1,207,709	4,475,178
Community Corrections	31,104,781	31,286,365	32,631,937	34,000,937	30,066,104	30,814,432	33,771,433	40,748,826	42,468,842	40,829,856
Environmental Quality	23,500,067									
Environmental Quality & Public Works		80,559,723	83,878,537	45,339,718	54,933,912	60,134,890	61,270,031	65,541,170	64,882,901	99,634,822
Finance	28,515,655	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165	49,393,398	36,669,013	36,311,239	38,586,921
Fire & Emergency Services	67,106,441	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053	84,838,719	92,898,310	89,329,598	97,423,698
General Government	24,197,239	22,985,046	23,692,990	26,973,537	25,480,664	30,180,917	45,598,791	24,040,021	45,808,696	32,298,976
General Services**	14,242,698	10,041,709	10,898,533	10,551,162	11,827,132	12,486,401	22,964,722	13,442,525	12,376,066	13,771,668
Health, Dental and Vision Insurance	34,755,417	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298	28,505,869	28,527,889
Information Technology**	9,713,226			6,983,029	8,401,242	9,464,131	11,174,379	11,011,888	12,247,559	11,932,762
Law	10,227,268	3,497,483	4,006,240	3,811,867	2,650,481	2,109,025	5,652,482	2,602,304	2,886,923	2,276,542
Parks & Recreation	19,064,298	19,386,251		19,693,483	18,854,526	21,010,506	23,375,486	24,127,163	24,799,178	21,973,908
Planning, Preservation, & Development*			3,767,295	47,343,980	42,415,735	53,776,224	45,359,659	46,217,442	46,408,689	658,637
Police	71,714,415	68,164,371	69,945,322	69,822,219	56,418,416	64,145,155	74,436,600	94,799,943	87,225,335	98,572,293
Public Safety**	11,162,765	13,042,036	14,666,437	10,776,283	12,593,479	12,560,199	14,759,631	14,913,489	14,632,438	15,881,668
Public Works	63,671,436									
Social Services	10,672,881	9,780,945	10,194,745	10,478,516	10,964,083	11,754,471	13,035,311	14,222,704	15,086,794	14,413,447
Interest on Long-Term Debt	13,131,617	12,835,920	13,116,205	13,053,635	13,116,151	13,722,941	15,336,458	15,273,176	16,044,874	15,587,055
Total governmental activities	434,166,244	405,175,480	401,365,596	413,673,193	391,551,819	460,655,438	537,647,840	534,867,022	550,346,772	548,538,910
Business-type Activities:										
Sanitary Sewer System	42,472,580	40,124,346	39,014,016	43,664,387	41,207,716	44,271,125	50,078,962	53,354,239	63,106,251	65,670,252
Public Facilities	10,741,225	10,333,320	9,419,886	8,895,507	8,829,979	9,596,104	8,666,540	8,049,921	6,915,288	6,898,732
Public Parking	906,926	847,894	84,866	265,226	66,994	66,987	1,965,274			
Landfill	6,581,625	5,271,593	4,099,770	6,060,197	4,426,038	5,542,566	3,962,016	4,071,987	4,799,382	4,677,693
Right of Way	312,770	298,896	284,470	308,683	280,214	336,415	493,872	529,580	593,476	626,891
Extended School Program	2,207,310	2,339,148	2,198,555	1,977,394	1,951,359	2,262,605	2,023,018	2,137,227	2,152,127	1,802,941
Prisoners' Account System	1,287,139	1,373,473	1,393,543	1,844,393	1,253,423	1,716,855	3,002,164	2,930,224		
Enhanced 911	3,083,806	2,973,088	2,930,379	2,384,796	2,638,373	3,940,313	4,170,674	4,701,497	4,797,403	5,074,477
CKY Network	84,242	29,307	10,668	450,919	1,307,829	879,328	412,763	266,242	421,115	417,102
Water Quality	6,280,081	9,182,669	8,308,501	9,139,302	8,618,921	11,290,945	12,062,937	13,618,632	13,628,042	14,744,923
Total Business-Type Activities	73,957,704	72,773,734	67,744,654	74,990,804	70,580,846	79,903,243	86,838,220	89,659,549	96,413,084	99,913,011
Total Primary Government	\$508,123,948	\$477,949,214	\$469,110,250	\$488,663,997	\$462,132,665	\$540,558,681	\$624,486,060	\$624,526,571	\$646,759,856	\$648,451,921

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues										
Governmental Activities:										
Administrative Services***	\$1,000	\$1,603,453	\$559,050	\$367,363	\$351,158	\$498,615	\$769,505	\$2,123,003	\$395,756	\$480,879
Chief Development Officer***				6,281	76,504	2,500	6,569	9,159	40,428	190,118
Community Corrections	7,429,351	7,707,225	8,286,565	9,161,315	8,574,892	9,330,723	9,263,554	9,309,583	10,424,478	9,225,735
Environmental Quality	2,406,997									
Environmental Quality & Public Works***		2,912,917	2,757,405	2,681,977	3,140,243	2,485,454	3,113,988	3,005,644	3,180,175	4,851,621
Finance	3,145,043	2,511,142	2,413,363	3,358,781	1,912,603	472,126	55,401	462,509	459,930	399,959
Fire & Emergency Services	6,478,108	7,340,946	6,952,394	7,036,029	8,211,753	9,210,668	6,422,785	6,817,192	8,178,353	8,724,174
General Government	15,644,382	15,086,369	23,141,015	17,046,255	19,035,778	19,035,469	18,642,898	19,438,510	21,877,626	17,275,262
General Services**	97,898	63,132	28,827	4,155	97,971	18,346	1,700	16,548	4,139	7,724
Health, Dental, and Vision	34,755,417	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298	28,505,869	28,527,889
Information Technology**	20,876			4,271	3,821	3,096	981	213	3,376	598
Law	18,217	35,293	36,944	49,006	15,013	31,416	17,700	1,087	2,638	20,731
Parks & Recreation	4,258,091	4,810,535	4,156,325	3,869,990	4,327,985	4,403,431	4,333,455	4,325,061	4,483,856	3,418,739
Planning, Preservation, & Development* ***			240,168	2,245,228	2,709,381	3,119,969	3,114,354	3,134,064	3,100,837	(651)
Police	2,402,840	1,528,342	1,942,297	2,039,209	1,640,754	1,513,686	1,717,739	2,068,459	1,987,333	1,889,897
Public Safety***	329,460	2,045,401	1,857,059	64,898	247,994	69,522	73,187	69,023	73,867	792,741
Public Works	4,088,338									
Social Services	3,542,915	1,766,790	1,857,123	1,703,695	1,804,885	1,662,363	1,586,791	1,864,271	2,129,603	2,097,349
Operating Grants & Contributions	13,849,522	14,139,426	13,065,758	15,108,425	15,087,470	13,383,964	13,146,822	10,617,000	11,596,202	34,183,724
Capital Grants & Contributions	7,078,729	8,316,236	6,272,539	9,200,572	8,190,685	8,319,315	5,718,463	6,269,038	5,188,577	9,710,448
Total Governmental Activities	105,547,184	96,078,664	98,573,466	98,840,995	100,429,782	96,193,389	95,431,225	96,743,087	101,633,043	121,796,937
Business-Type Activities:										
Charges for Services										
Sanitary Sewer System	48,803,593	47,287,791	52,927,780	50,480,049	52,007,762	58,394,719	63,890,717	64,451,293	75,961,739	77,458,054
Public Facilities	7,157,088	7,156,666	5,830,285	6,375,794	6,405,783	6,987,558	7,303,362	6,145,356	5,949,941	5,978,762
Public Parking	859,874	977,414	4,560			705				
Landfill	7,203,610	7,183,611	6,845,329	7,064,989	7,211,864	7,050,937	7,060,342	7,028,050	7,173,603	7,217,580
Right of Way	483,196	419,676	392,466	520,812	475,126	495,490	495,344	656,344	682,221	773,172
Extended School Program	2,038,391	2,338,243	2,379,751	2,202,171	2,229,896	2,289,089	1,904,620	2,060,463	2,126,102	1,500,645
Prisoners' Account System	1,121,799	1,524,127	1,619,626	2,372,285	1,227,415	1,621,110	3,146,187	3,165,206		
Enhanced 911	3,749,409	3,999,658	3,517,634	4,273,106	3,810,087	4,126,861	4,429,699	4,542,449	4,176,602	4,470,178
CKY Network	140,699	51,798	25,738	111,576	1,269,890	815,110	400,735	319,414	498,913	458,376
Water Quality	11,604,569	12,095,514	12,296,476	13,119,524	13,341,859	13,661,911	13,565,209	14,082,286	14,784,064	15,343,166
Total Business-Type Activities	83,162,228	83,034,498	85,839,645	86,520,306	87,979,682	95,443,490	102,404,830	102,450,861	111,353,185	113,199,933
Total Primary Government	188,709,412	179,113,162	184,413,111	185,361,301	188,409,464	191,636,879	197,836,055	199,193,948	212,986,228	234,996,870
Net (Expense)/Revenue										
Governmental Activities	(328,619,060)	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)	(364,462,049)	(442,216,615)	(438,123,935)	(448,713,729)	(426,741,973)
Business-Type Activities	9,204,524	10,260,764	18,094,991	11,529,502	17,398,836	15,540,247	15,566,610	12,791,312	14,940,101	13,286,922
Total Primary Government	(319,414,536)	(298,836,052)	(284,697,139)	(303,302,696)	(273,723,201)	(348,921,802)	(426,650,005)	(425,332,623)	(433,773,628)	(413,455,051)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333	64,573,949	66,619,933
Licenses and Permits	224,399,866	230,580,201	238,924,158	248,271,270	265,596,253	275,539,490	288,771,661	304,625,553	303,562,887	304,493,274
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	2,175,565	2,171,901	2,176,035	2,009,120	1,719,372	8,018,438	1,154,744	1,951,474	3,352,871	2,433,102
Income on Investments	129,839	589,967	(509,890)	263,242	1,941,282	1,341,333	602,208	1,029,385	2,733,373	1,974,061
Sale of Assets	2,300,242	311,259	283,406			413,379	1,144,379	149,226	421,745	
Transfers	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,546)	(313,102)	1,210,302	(800,072)	564,725	(349,759)
Total Governmental Activities	282,803,509	286,167,661	293,364,435	304,431,384	324,496,198	341,750,628	351,520,137	369,027,899	375,209,550	375,170,611
Business-Type Activities:										
Income on Investments	540,692	1,029,866	(215,314)	1,021,558	(604,800)	547,366	159,737	962,755	1,730,075	1,652,479
Sale of Assets	39,149	7,824			10,168		536,905	28,641	19,254	
Transfers	(1,249,888)	346,507	(1,190,981)	871,447	2,546	313,102	(1,210,302)	800,072	(564,725)	349,759
Total Business-Type activities	(670,047)	1,384,197	(905,249)	1,893,005	(592,086)	860,468	(513,660)	1,791,468	1,184,604	2,002,238
Total Primary Government	282,133,462	287,551,858	282,459,186	306,324,389	323,904,112	342,611,096	351,006,477	370,819,367	376,394,154	377,172,849
Change in Net Position										
Governmental activities	(45,815,551)	(22,929,155)	(9,427,695)	(10,400,814)	33,374,161	(22,711,421)	(90,696,478)	(69,096,036)	(73,504,179)	(51,571,362)
Business-type activities	8,534,477	11,644,961	5,976,696	13,422,507	16,806,750	16,400,715	15,052,950	14,582,780	16,124,705	15,289,160
Prior Period Adjustment - Government Activities	225,143		(1,548,751)	(541,157)	(309,138,212)	1,743,623	(166,283)	(296,037,183)	(4,291,473)	(2,189,593)
Prior Period Adjustment-Business-Type Activities	(5,214,453)		378,175		(17,074,699)	(690,596)		(8,215,642)	(31,421,064)	134,347
Total Primary Government	(\$42,270,384)	(\$11,284,194)	(\$4,621,575)	\$2,480,536	(\$276,032,000)	(\$5,257,679)	(\$75,809,811)	(\$358,766,081)	(\$93,092,011)	(\$38,337,448)

*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.

***In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nonspendable	1,493,737	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194	2,343,585	2,480,783	2,290,430	2,374,571
Restricted for:										
Public Safety					198,175	397,688	602,807	812,350	1,026,212	1,222,654
Energy Improvement Projects			408,227	636,874	552,989	552,011	676,218	595,075	628,995	261,950
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	4,228,784	5,312,381
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	35,345,181	42,476,494
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	2,318,361	
General Government		11,583,075	10,325,000	12,700,000	14,500,000	21,200,000	14,000,000	15,400,000	16,145,000	28,197,020
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	5,931,602	4,069,019
Total	24,187,835	44,265,589	54,411,812	63,751,505	83,331,050	87,007,876	65,306,186	64,362,714	67,914,565	83,914,089
Urban Services										
Reserved										
Nonspendable	4,031	604	175	11,112	2,735	2,603	22,900	62,543	94,468	78,519
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	25,745,424	23,788,028
Energy Improvement Projects			10,383	13,314	2,930	2,930	5,860	11,720	2,930	2,930
Total	20,424,772	22,768,174	28,642,412	29,880,294	31,397,063	30,374,247	23,864,791	28,182,062	25,842,822	23,869,477
All Other Governmental Funds										
Reserved										
Undesignated, 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	8,233,228	9,055,584
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	1,429,926	1,157,066
Capital Projects	32,094,257	19,027,031	25,214,697	20,133,026	33,754,253	57,700,163	41,101,200	47,044,427	43,874,848	39,554,277
Grants Projects	546,461	1,262,100	1,262,100	1,262,100	210,880	232,138	241,043	250,200	259,010	266,013
Committed for:										
General Government	410,544	447,605								
Assigned to:										
General Government			445,690	1,721,084	1,327,774	720,741	457,767	390,941	244,977	238,234
Unassigned	(974,484)	(370,103)				(82,433)		(36,392)		
Total	\$45,551,725	\$31,424,810	\$37,637,194	\$36,297,645	\$45,131,391	\$66,305,680	\$48,837,192	\$56,668,333	\$54,041,989	\$50,271,174

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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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Licenses and Permits	\$228,816,452	\$235,226,117	\$243,655,298	\$253,581,959	\$271,354,443	\$281,240,662	\$294,952,524	\$310,378,790	\$310,116,817	\$310,886,231
Taxes	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333	64,573,949	66,619,933
Charges for Services	24,158,224	26,262,822	26,365,849	26,797,087	28,036,635	29,175,200	27,222,202	27,327,074	29,687,509	27,348,530
Fines and Forfeitures	220,449	176,319	311,930	258,112	235,626	222,201	234,820	185,061	231,863	182,230
Intergovernmental	33,622,666	35,125,072	32,365,491	38,199,741	35,010,716	38,232,668	28,719,916	27,179,190	29,163,862	54,678,597
Exactions	96,613	129,603	532,410	486,643	2,074,477	317,370	514,337	148,447	243,198	79,066
Property Sales	2,681,463	453,540	462,570	181,052	529,770	585,626	1,766,593	332,635	542,862	599,831
Income on Investments	129,839	589,902	(509,785)	263,298	1,941,301	1,341,478	602,208	1,029,385	2,733,373	1,974,061
Other	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909	4,536,586	5,011,982	6,771,390	5,953,044	5,468,172
Total Revenues	351,272,328	354,826,290	360,218,020	378,594,310	399,669,714	412,402,881	417,661,425	435,424,305	443,246,477	467,836,651
Expenditures										
Administrative Services***	1,209,504	19,612,467	10,370,972	5,014,372	7,431,873	8,060,766	9,259,948	9,397,369	9,524,646	11,771,749
Chief Development Officer***		458,932	613,743	190,339	537,986	1,107,841	963,105	1,322,146	1,305,739	4,187,070
Environmental Quality	22,544,214									
Environmental Quality & Public Works***		36,315,403	37,037,311	36,407,046	40,387,589	42,819,684	43,305,223	46,744,561	47,066,717	50,127,256
Finance	9,271,854	5,405,089	5,115,502	5,020,225	5,225,806	5,536,971	5,977,862	6,004,097	5,872,974	5,570,958
General Government	7,382,550	5,059,177	5,647,407	5,678,539	6,306,980	6,542,424	6,556,907	6,354,511	7,962,989	5,152,565
General Services**	25,763,110	24,095,490	26,517,790	24,348,481	26,139,238	29,278,819	30,038,997	30,457,511	30,817,638	28,833,781
Information Technology**	8,450,628			6,018,607	7,513,809	9,187,214	9,964,616	13,127,259	12,010,209	10,550,550
Law	10,237,207	3,571,448	3,994,327	4,035,393	2,844,757	2,275,312	10,462,417	2,590,350	2,904,061	2,349,463
Outside Agencies	19,244,315	20,571,727	20,260,096	24,739,506	23,623,807	28,736,538	22,958,277	23,470,932	25,103,810	25,427,994
Planning, Preservation, & Development* ***			3,659,901	8,670,017	10,436,351	12,486,736	14,614,512	14,506,605	13,339,484	97,481
Public Safety** ***	160,552,216	193,328,465	172,413,558	173,507,393	177,216,505	186,290,364	209,591,012	211,574,153	216,669,362	224,825,855
Public Works	21,858,996									
Social Services	8,402,054	7,804,749	8,222,664	8,196,041	8,422,005	9,190,567	10,296,721	10,852,548	11,188,437	10,874,167
Debt Service:										
Principal	20,035,000	18,465,000	17,855,000	21,925,000	20,850,000	22,010,000	21,470,000	26,855,000	29,245,000	31,840,000
Interest and Other	13,703,243	12,927,929	13,108,740	13,667,645	12,558,133	13,938,702	15,073,088	15,356,878	16,167,674	15,951,685
Capital	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128	70,848,354	95,073,861	43,876,088	61,177,621	46,466,887
Total Expenditures	377,664,929	377,401,672	353,153,928	386,234,545	400,586,967	448,310,292	505,606,546	462,490,008	490,356,361	474,027,461
Excess (Deficiency) of Revenues over (under) Expenditures	(26,392,601)	(22,575,382)	7,064,092	(7,640,235)	(917,253)	(35,907,411)	(87,945,121)	(27,065,703)	(47,109,884)	(6,190,810)
Other Financing Sources (Uses)										
Transfers In	3,843,657	18,102,675	7,226,272	28,308,895	21,319,957	24,833,948	11,581,277	12,385,610	11,979,061	10,850,178
Transfers Out	(3,773,123)	(18,493,131)	(7,822,695)	(29,163,490)	(21,316,119)	(25,134,821)	(11,801,402)	(12,710,446)	(11,141,975)	(11,107,641)
Debt Proceeds (net of bond refunding)	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988	56,180,000	70,278,668	54,808,279	42,055,000	18,110,000
Premium (Discount) on Bonds Issued	(4,580,255)	(6,014,921)	(4,549,025)	(60,617,275)	(19,150,513)	3,362,960	(27,626,773)	(15,467,353)	2,804,065	2,174,949
Total Other Financing Sources (Uses)	15,210,279	30,869,623	16,031,851	16,878,261	30,847,313	59,242,087	42,431,770	39,016,090	45,696,151	20,027,486
Net Change in Fund Balances	(\$11,182,322)	\$8,294,241	\$23,095,943	\$9,238,026	\$29,930,060	\$23,334,676	(\$45,513,351)	\$11,950,387	(\$1,413,733)	\$13,836,676
Debt Service as a Percentage of Noncapital Expenditures	10.2%	8.7%	9.1%	10.1%	9.1%	9.0%	7.8%	9.7% ****	9.9% ****	10.8%

*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.

***In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

****Correction on Debt Service Percentage for FY18 & FY19

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Licenses and Permits	\$227,486,734	\$233,898,045	\$242,304,633	\$252,196,981	\$269,928,753	\$279,796,674	\$293,445,670	\$308,811,807	\$308,462,028	\$309,112,252
Taxes	20,992,845	20,880,351	21,368,326	21,899,738	21,826,464	22,599,975	23,068,237	24,528,574	25,221,927	25,901,995
Charges for Services	24,084,059	23,879,484	24,202,174	24,643,221	25,633,499	27,409,249	24,604,479	24,865,154	28,196,399	26,275,627
Fines and Forfeitures	215,493	170,001	309,442	257,039	234,615	220,612	234,363	184,729	230,914	182,230
Intergovernmental	2,441,417	1,942,553	1,978,891	1,720,761	797,537	858,600	546,939	775,621	975,875	857,714
Property Sales	1,985,318	152,194	137,719	56,688	318,536	205,560	1,265,147	248,629	236,248	379,746
Income on Investments	(2,381)	390,823	(556,777)	432,454	1,564,895	775,012	339,889	556,641	1,604,513	1,282,752
Other	4,159,715	2,213,409	2,388,300	2,509,949	4,198,344	3,669,875	3,502,017	4,131,498	4,981,187	3,601,621
Total Revenues	281,363,200	283,526,860	292,132,708	303,716,831	324,502,643	335,535,557	347,006,741	364,102,653	369,909,091	367,593,937
Expenditures and Other										
Financing Sources (Uses)										
Administrative Services***	1,209,504	15,973,425	8,112,087	2,656,141	5,617,560	6,177,391	7,524,232	7,751,744	7,773,340	9,666,087
Chief Development Officer***		158,932	163,743	182,074	267,683	1,001,763	845,523	1,288,532	1,305,739	3,141,622
Environmental Quality	6,407									
Environmental Quality & Public Works***		8,380,410	8,103,750	7,366,215	9,814,924	11,746,025	11,730,796	12,369,277	11,441,398	14,806,608
Finance	7,936,589	5,387,968	5,101,158	5,022,088	5,350,469	5,494,593	5,909,131	5,938,150	5,875,301	5,504,228
General Government	3,872,271	1,700,098	3,476,730	3,664,554	4,109,338	4,265,335	4,333,737	3,444,293	5,124,053	1,568,837
General Services**	25,414,155	24,165,031	26,774,613	29,847,860	27,906,695	31,355,145	31,546,178	30,722,576	28,716,761	27,672,668
Information Technology**	7,820,811			6,018,605	8,213,083	8,887,236	10,471,207	10,804,309	10,738,780	9,789,884
Law	9,607,308	3,494,863	3,926,008	3,974,171	2,315,205	2,182,164	10,186,108	2,454,494	2,548,860	2,256,394
Outside Agencies	16,935,373	17,206,291	17,121,904	18,935,337	19,540,759	20,264,359	20,528,503	20,987,191	22,289,443	22,816,635
Planning, Preservation, & Development* ***			2,738,011	7,742,329	9,540,472	11,872,258	13,588,891	13,399,720	12,365,983	
Public Safety** ***	154,017,726	187,071,884	167,821,104	165,631,441	172,810,800	186,461,715	206,803,147	203,622,135	207,963,308	195,419,594
Public Works	16,628,445									
Social Services	6,801,050	6,003,513	6,566,634	6,633,883	6,821,502	7,870,878	9,209,025	9,262,532	9,067,801	8,802,817
Debt Service	33,701,269	30,937,819	29,748,196	34,160,768	31,970,746	34,481,109	35,216,103	41,330,879	44,051,251	46,781,637
Other Financing (Sources) Uses	(3,207,654)	(37,031,128)	2,332,547	2,541,672	643,862	1,181,014	694,993	366,171	(2,874,377)	79,306
Financing Sources (Uses)	280,743,254	263,449,106	281,986,485	294,377,138	304,923,098	333,240,985	368,587,574	363,742,003	366,387,641	348,306,317
Net Change in Fund Balance	\$619,946	\$20,077,754	\$10,146,223	\$9,339,693	\$19,579,545	\$2,294,572	(\$21,580,833)	\$360,650	\$3,521,450	\$19,287,620

*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.

***In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

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

TABLE 6

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Sewer Service Charges	\$45,663,797	\$44,334,743	\$45,990,027	\$46,577,092	\$46,845,571	\$53,005,210	\$60,085,888	\$60,398,087	\$61,524,855	\$63,750,674
Sewer Tap on Fees	1,523,169	1,944,010	2,325,787	2,013,656	2,482,245	3,249,636	2,154,652	2,923,533	2,119,925	2,338,996
Exactions	885,730	150,120	4,002,945	801,569	426,085	411,513	294,332	329,120	273,763	131,575
Rental Income									358,303	
Other Income	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145	912,835	82,988	12,257,683	11,013,992
Total Revenues	48,849,035	47,044,497	52,927,780	50,547,445	52,051,017	57,793,504	63,447,707	63,733,728	76,534,529	77,235,237
Operating Expenses										
Treatment Plant	8,411,093	7,933,477	8,217,471	7,935,854	7,318,958	6,713,706	7,116,239	8,157,629	7,745,135	8,491,727
Collection System	5,544,184	5,064,273	4,405,020	4,461,052	4,187,968	4,413,641	4,536,910	1,832,856	2,467,916	2,337,284
Administration	18,243,183	17,142,578	16,216,619	20,773,379	20,119,458	21,566,883	24,011,158	28,262,383	37,748,088	36,559,715
Depreciation	7,214,960	7,299,442	7,683,896	8,047,827	8,471,363	9,130,305	10,568,196	12,137,121	12,517,562	13,649,916
Total Operating Expenses	39,413,420	37,439,770	36,523,006	41,218,112	40,097,747	41,824,535	46,232,503	50,389,989	60,478,701	61,038,642
Operating Income	9,435,615	9,604,727	16,404,774	9,329,333	11,953,270	15,968,969	17,215,204	13,343,739	16,055,828	16,196,595
Net Nonoperating Revenues/(Expenses)	(2,486,197)	(1,697,841)	(2,649,715)	(1,451,967)	(1,710,547)	(2,005,954)	(4,005,015)	(2,289,314)	(1,444,433)	(3,656,358)
Transfers In	3,010,299	422,187	1,208,935	88,369,088	6,230			150,000	172,823,976	280,000
Transfers Out	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)	(185,026)	56,435	(172,680,119)	(187,703)
Net Income/Change in Net Position	\$5,676,373	\$7,862,935	\$13,924,800	\$7,894,485	\$10,249,307	\$13,958,779	\$13,025,163	\$11,260,860	\$14,755,252	\$12,632,534

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

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)
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
2019	17,859,282	752,367	8,789,535	1,889	5,810,802		33,213,875		33,213,875	0.2533
2020	18,607,797	767,150	9,147,948	1,889	6,110,074		34,634,858		34,634,858	0.2536

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
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%	1,699,084	54,771,226	100.0%
2016	55,935,427	54,402,567	97.3%	109,862	54,512,430	97.5%
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%
2019	63,891,892	62,113,756	97.2%		62,113,756	97.2%
2020	66,517,997	64,288,746	96.6%		64,288,746	96.6%

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						
	General	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	Total
		Refuse	Street Lights	Street Cleaning								
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
2019	0.0800	0.1426	0.0210	0.0097	0.2533	0.8100	0.1220	0.0035	0.0006	0.0280	0.0600	1.2774
2020	0.0800	0.1426	0.0213	0.0097	0.2536	0.8100	0.1220	0.0035	0.0006	0.0280	0.0600	1.2777

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	2020			2012		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Fayette Mall SPE LLC	\$138,573,200	1	0.40%	\$117,000,000	1	0.43%
Hap Property Owner, LP	125,600,000	2	0.36%			
Fritz Farm Retail Company LLC	84,450,000	3	0.24%			
Passco Fritz Farm Mngr LLC TTEE	64,157,000	4	0.19%			
Fayette Middle Anchor LLC	63,000,000	5	0.18%			
Healthsouth Kentucky Real Estate	56,446,100	6	0.16%			
Newtown Crossing II LLC	53,000,000	7	0.15%	37,000,000	8	0.13%
War Admiral Place	54,662,000	8	0.16%	44,570,900	5	0.16%
Strata Racquet LLC	51,500,000	9	0.15%			
Sir Forty 57 LLC	50,000,000	10	0.14%			
Fourth Quarter Properties*				94,605,300	2	0.34%
Lexmark International Inc.				55,806,600	3	0.20%
Weingarten Realty Inc.				48,274,200	4	0.18%
Fayette Plaza CMBS LLC				40,000,000	6	0.15%
Ball Realty Inc.				38,463,600	7	0.14%
Diamondrock Griffin				35,950,000	9	0.13%
Mid American Apts LLC				32,700,000	10	0.12%
Total	<u>\$741,388,300</u>		<u>2.13%</u>	<u>\$544,370,600</u>		<u>1.98%</u>

*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

<u>Fiscal Year</u>	<u>LFUCG Direct Rate</u>	<u>Fayette County School</u>	<u>Total</u>
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%
2019	2.25%	0.50%	2.75%
2020	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

<u>Name</u>	<u>2020 Rank</u>	<u>2012 Rank</u>
University of Kentucky	1	1
Fayette County Board of Education	2	3
Baptist Healthcare	3	6
Lexington-Fayette Urban County Government	4	4
St. Joseph Hospital	5	5
Lexmark International	6	2
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	7	7
Amazon.com	8	
Valvoline International, Inc.	9	10
Lockheed Martin	10	
Lexington Clinic		8
ACS Commercial Solutions		9

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	QECCB Bond	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable			
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	3.5%	1,699
2018	386,251,016	2,795,000 **			30,129,000	46,578,000	120,023,000	585,776,016	3.6%	1,809
2019	399,625,856	2,795,000 **			30,129,000	43,965,000	522,444,000	998,958,856	na	3,091
2020	385,703,338	2,795,000			77,836,589	41,248,000	138,742,000	646,324,927	na	1,810

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 2019 & 2020 not available at time of publication.

* Updated in 2017

** Moved the Qualified Energy Conservation Bond (QECCB) 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
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	322,636,652 **	1.09%	1,025 *
2016	359,049,549 **	1.24%	1,127
2017	378,407,126 **	1.24%	1,174
2018	389,046,016 **	1.21%	1,202
2019	402,420,856 **	1.21%	1,245
2020	388,498,338 **	1.12%	1,182

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

**Updated formual to include QECB bond on Table 13

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, 2020

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Mortgage Revenue Bonds, Series 2018	\$110,340,000	2.66%	\$2,930,026
Mortgage Revenue Bonds, Series 2018A	82,375,000	2.66%	2,187,429
Mortgage Revenue Bonds, Series 2018B	12,395,000	2.66%	329,143
Lexington Public Library			
Variable Rate, Revenue Bonds Series 2014A	624,583	0.09%	592
Lexington-Fayette Urban County Government Airport Corporation			
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	4.09%	221,079
Fixed Rate General Airport, Revenue, and Refunding Bond 2016A (non-AMT)	350,000	4.09%	14,329
Fixed Rate General Airport, Revenue, and Refunding Bond 2016B (AMT)	350,000	4.09%	14,329
Fixed Rate General Airport, Revenue, and Refunding Bond 2016C (Fed Taxable)	35,375,000	4.09%	1,448,273
Fixed Rate General Airport, Revenue, and Refunding Bond 2016D (non-AMT)	5,135,000	4.09%	210,230
Fixed Rate General Airport, Revenue, and Refunding Bond 2016E (AMT)	4,250,000	4.09%	173,998
Fixed Rate General Airport, Revenue, and Refunding Bond 2019A (Fed Taxable)	32,000,000	4.09%	1,310,099
Fayette County School & Kentucky School Commission Bonds	411,080,000	100.00%	411,080,000
Subtotal, Overlapping Debt			419,919,527
LFUCG, Direct Debt			402,420,856
Total Direct and Overlapping Indebtedness			<u>\$822,340,383</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed Value	\$27,278,231	\$27,501,680	\$27,991,475	\$28,353,568	\$29,616,824	\$28,873,199	\$30,607,420	\$32,177,070	\$33,213,875	\$34,634,858
Debt limit (10% of Assessed Value)	\$2,727,823	\$2,750,168	\$2,799,148	\$2,835,357	\$2,961,682	\$2,887,320	\$3,060,742	\$3,217,707	\$3,217,707	\$3,463,486
Total net debt applicable to limit	108,710	203,817	194,414	200,820	171,917	162,861	184,801	183,990	362,029	362,797
Legal debt margin	\$2,619,113	\$2,546,351	\$2,604,734	\$2,634,537	\$2,789,765	\$2,724,459	\$2,875,941	\$3,033,717	\$2,855,678	\$3,100,689
Total net debt applicable to the limit as a percentage of debt limit	3.99%	7.41%	6.95%	7.08%	5.80%	5.64%	6.04%	5.72%	11.25%	10.47%

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

TABLE 17

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

Fiscal Year	Sanitary Sewer System						Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2011	\$49,383	\$32,198	\$17,185	\$4,510	\$2,608	2.41	\$7,159	\$2,789	\$4,370	\$1,900	\$2,570	0.98
2012	48,023	30,140	17,883	11,117	3,181	1.25	7,157	2,697	4,460	1,970	2,495	1.00
2013	52,769	28,839	23,930	3,413	2,400	4.12	5,830	2,305	3,525	2,050	2,416	0.79
2014	51,542	33,170	18,372	3,505	2,348	3.14	6,376	2,111	4,265	2,130	2,334	0.96
2015	51,440	31,626	19,814	2,067	1,917	4.97	6,406	2,436	3,970	2,215	2,247	0.89
2016	58,234	32,694	25,540	3,094	2,536	4.54	6,988	2,708	4,280	2,310	2,646	0.86
2017	63,289	35,664	27,625	3,688	2,644	4.36	7,305	2,625	4,680	2,405	2,274	1.00
2018	64,355	38,253	26,102	5,220	3,039	3.16	6,149	2,960	3,189	2,055	1,875	0.81
2019	77,698	47,961	29,737	7,922	2,673	2.81	5,956	2,158	3,798	2,165	1,673	0.99
2020	78,210	47,389	30,821	10,483	4,127	2.11	5,988	2,285	3,703	2,270	1,567	0.97

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2011	\$861	\$600	\$261	\$0	\$0	0.00	\$0	\$0	\$0	0.00
2012	978	540	438							
2013	5	4	1							
2014										
2015										
2016	1		1							
2017										
2018										
2019										
2020										

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

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Fiscal Year	Population		Personal Income (Thousands)	Per Capita Personal Income		Civilian Labor Force			
						Employed	Unemployed	Unemployment Rate	
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	322,193	**	15,602,893	** 48,427	**	167,944	6,360	3.6%	*
2018	323,780	**	16,247,217	** 50,180	**	169,048	5,801	3.3%	
2019	323,152		na	na		170,028	5,836	3.3%	
2020	328,690		na	na		na	na	na	

* Updated in 2018

** Updated in 2019

Note:

Personal Income and Per Capita Personal Income data for 2019 & 2020 not available at time of publication.

Employed, Unemployed and Unemployment Rate date for 2020 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	2020			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	16,743	1	9.85%	12,278	1	7.84%
Fayette County Public Schools	6,327	2	3.72%	3,558	3	2.27%
Lexington-Fayette Urban County Government	2,938	3	1.73%	4,057	2	2.59%
Amazon.com	2,700	4	1.59%			
Conduent	2,500	5	1.47%			
Veterans Medical Center	2,000	6	1.18%			
Baptist Healthcare	2,100	7	1.24%	2,496	7	1.59%
Catholic Health Initiatives formerly St. Joseph Hospital	1,847	8	1.09%	2,500	6	1.60%
Lemark International	1,500	9	0.88%	2,800	5	1.79%
Lockheed Martin	1,200	10	0.71%	1,750	9	1.12%
ACS a Zerox Company				3,000	4	1.92%
Wal-Mart				2,027	8	1.29%
Kroger				1,665	10	1.06%
	<u>39,855</u>		<u>23.46%</u>	<u>36,131</u>		<u>23.07%</u>

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	229	142,233
2009 *	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	24	137,332
2010 *	6,491	21,983	8,226	5,711	19,930	12,632	1,881	5,444	25,106	33,256	54	140,714
2011 *	6,790	23,640	8,266	5,680	19,495	11,962	2,088	5,383	25,988	33,620	40	142,952
2012 *	6,733	24,230	8,000	5,396	20,318	12,226	2,010	5,347	27,515	34,619	61	146,455
2013 *	7,144	23,727	7,875	5,030	21,186	12,214	1,906	5,303	32,376	35,860	101	152,722
2014 *	7,545	23,527	7,638	5,218	22,346	12,229	2,000	4,926	30,600	37,218	43	153,290
2015 *	8,742	24,995	7,734	4,891	23,556	12,244	1,957	5,024	32,858	37,885	53	159,939
2016 *	9,591	25,165	7,859	2,335	23,579	11,911	1,775	5,328	30,942	39,458	47	157,990
2017 *	9,633	25,918	7,858	2,173	23,971	11,445	2,001	5,319	30,750	40,767	46	159,881
2018	9,497	26,777	7,987	2,216	24,056	11,506	1,948	5,421	27,592	38,887	49	155,936
2019	10,055	26,987	8,469	2,234	24,561	11,245	2,020	5,438	28,997	38,902	36	158,944

*The Government has corrected years 2001-2017 to reflect the correct employment numbers per category. In addition, fiscal years 2001-2006 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	%
Population and Number of Households						
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	
Economic and Education						
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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administrative Services	86	129	94	47	49	76	78	79	74	77
General Government	70	66	66	67	69	65	67	67	71	72
Finance & Administration	94	68	65	69	70	73	74	73	71	74
Information Technology				44	52	52	51	49	54	52
General Services										
Parks & Recreation	132	140	139	138	144	146	144	139	139	136
Other	130	97	93	98	102	102	97	92	93	95
Law	26	37	40	39	42	23	23	23	21	20
Planning, Preservation, & Development			39	128	137	143	146	147	133	132
Public Safety										
Fire & Emergency Services										
Firefighters & Officers	520	500	520	566	560	565	558	568	623	625
Civilians	18	17	16	16	18	18	26	25	16	14
Police										
Officers	511	504	524	542	518	554	572	604	597	585
Civilians	93	127	126	122	112	87	104	112	105	109
Community Corrections	284	321	312	330	298	293	340	320	313	304
Other	79	81	80	68	74	73	92	91	74	76
Public Works & Development										
Other	240									
Environmental Quality & Public Works		508	484	451	453	468	475	488	504	493
Waste Management	196									
Water & Air Quality	151									
Other	16									
Social Services	99	94	96	96	98	108	109	114	111	108
	<u>2,745</u>	<u>2,689</u>	<u>2,694</u>	<u>2,821</u>	<u>2,796</u>	<u>2,846</u>	<u>2,956</u>	<u>2,991</u>	<u>2,999</u>	<u>2,972</u>

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.

In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition, the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Fire and Emergency Services											
Emergency Medical Calls	34,197	37,000	36,619	37,971	42,151	43,076	46,476	47,930	51,245	46,544	
False Calls	2,870	2,673	2,585	2,983	3,077	2,898	2,915	3,108	3,154	3,074	
Fire Incidents	1,337	1,564	1,293	1,226	1,249	1,248	1,364	1,125	1,028	1,154	
Good Intent Calls	1,271	1,153	1,107	1,108	1,180	1,180	1,128	169	1,252	1,289	
Hazardous Materials Calls	1,118	1,248	1,451	1,686	1,766	2,021	1,976	1,827	1,900	1,776	
Other	79	60	44	54	40	34	46	32	25	36	
Rescues	460	421	449	443	462	501	545	570	740	784	
Rupture - Gas, Water, etc.	47	36	34	31	35	41	44	45	40	78	
Service Calls	1,529	1,707	1,598	2,209	1,968	2,099	2,336	2,838	3,061	3,376	
Police											
Physical Arrests	15,248	20,214	14,592	13,773	17,442	16,356	* 10,990	** 12,481	** 14,801	11,937	**
Parking Violations	42,675	41,849	47,201	46,709	43,055	45,360	48,776	43,305	44,488	40,141	
Traffic Violations	63,546	52,086	40,478	48,193	44,795	36,561	37,635	37,173	47,019	33,150	
Parks and Recreation											
Rounds of Golf	89,291	95,382	96,607	90,410	91,407	101,535	102,082	90,915	85,906	88,458	
Pool Visits	185,421	205,353	169,820	142,062	145,911	167,351	152,466	137,855	141,382	0	****
Building Inspection											
Permits Issued	13,090	13,623	13,860	16,141	15,363	16,653	*** 13,343	*** 9,752	*** 9,188	12,348	***
Inspections	24,563	23,957	24,518	23,262	21,909	27,406	*** 13,517	*** 15,850	*** 18,951	22,098	***
Sanitary Sewers											
Tap-on Inspections	625	644	861	897	930	786	811	573	584	872	
Average daily sewage treatment (mgd)	41	39	39	42	41	41	33	35	47	43	
Solid Waste											
Annual Tons of Refuse Collected	138,331	134,788	135,595	137,728	138,714	149,226	155,493	159,320	175,537	179,204	
Annual Tons of Recyclables Collected	20,402	21,834	22,446	22,583	22,509	21,436	21,041	19,502	15,052	12,947	
Annual Tons of Yard Waste Collected	18,049	21,801	20,492	19,984	21,609	21,933	24,053	21,425	29,181	16,789	
Other Public Works											
Street Resurfacing (miles)	15	28	22	27	27	51	61	41	106	75	

* 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.

**** Due to COVID19 Public Pools did not open

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	23	24
Number of Engines	23	22	22	22	22	22	22	22	22	25
Number of Aerials	7	7	7	7	7	7	7	7	7	7
Number of EC Units	10	10	10	10	11	11	11	12	12	12
Number of Haz-Mat Units	2	2	2	2	2	2	2	2	2	1
Number of Special Operations*						1	1	1	1	9
Police										
Canine Facility	0	0	0	0	0	0	0	0	0	1
Stations	3	3	3	3	3	3	3 *	3 *	3 *	4
Patrol Units	440	429	424	424	430	457	480	517	550	522
Parks and Recreation										
Acres of Parks	4,917	4,282	4,282	4,282	4,282	4,282	4,282	4,273	4,273	4,276
Number of Golf Courses	6	5	5	5	5	5	5	5	5	5
Number of Swimming Pools	9	7	7	7	7	7	7	7	6	6
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	113	119	119	116	118	123	135	127	128	132
Other Public Works										
Streets (miles)	1,634	1,636	1,638	1,641	1,652	1,663	1,667	1,673	1,669	1,675
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,761	182,761
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,662	54,662
Traffic Signals	380	382	376	378	365	374	377	379	384	388

* Updated the number of Polic Stations FY2017-2019

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



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021



Cover by: Amy Wallot/Communications

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Linda Gorton
Mayor

November 19, 2021

Dear Community Members,

The annual report for the fiscal year ending June 30, 2021, reflects fiscal discipline in the face of a pandemic that slowed economic activity throughout our city, and pushed unemployment to unprecedented levels.

It also reflects an economy that began shaking off the effects of COVID-19 by the end of the fiscal year. I predicted that Lexington's economy and the government would adjust to this uncertainty coming from the pandemic, and so we did. In late FY21, our employment levels were approaching pre-pandemic levels, and we saw considerable job growth through significant new private sector investments.

Through belt-tightening, our FY21 budget balanced in the face of the pandemic downturn. We made \$12.6 million in reductions throughout government. We took a strategic approach to these cutbacks, choosing thoughtfully and carefully to maintain the excellent basic services our citizens rely upon.

At the same time, this budget prepared our community to emerge from the pandemic stronger than ever through investments that enabled Lexington to continue to move forward and make progress.

Sincerely,

Handwritten signature of Linda Gorton

Linda Gorton
Mayor

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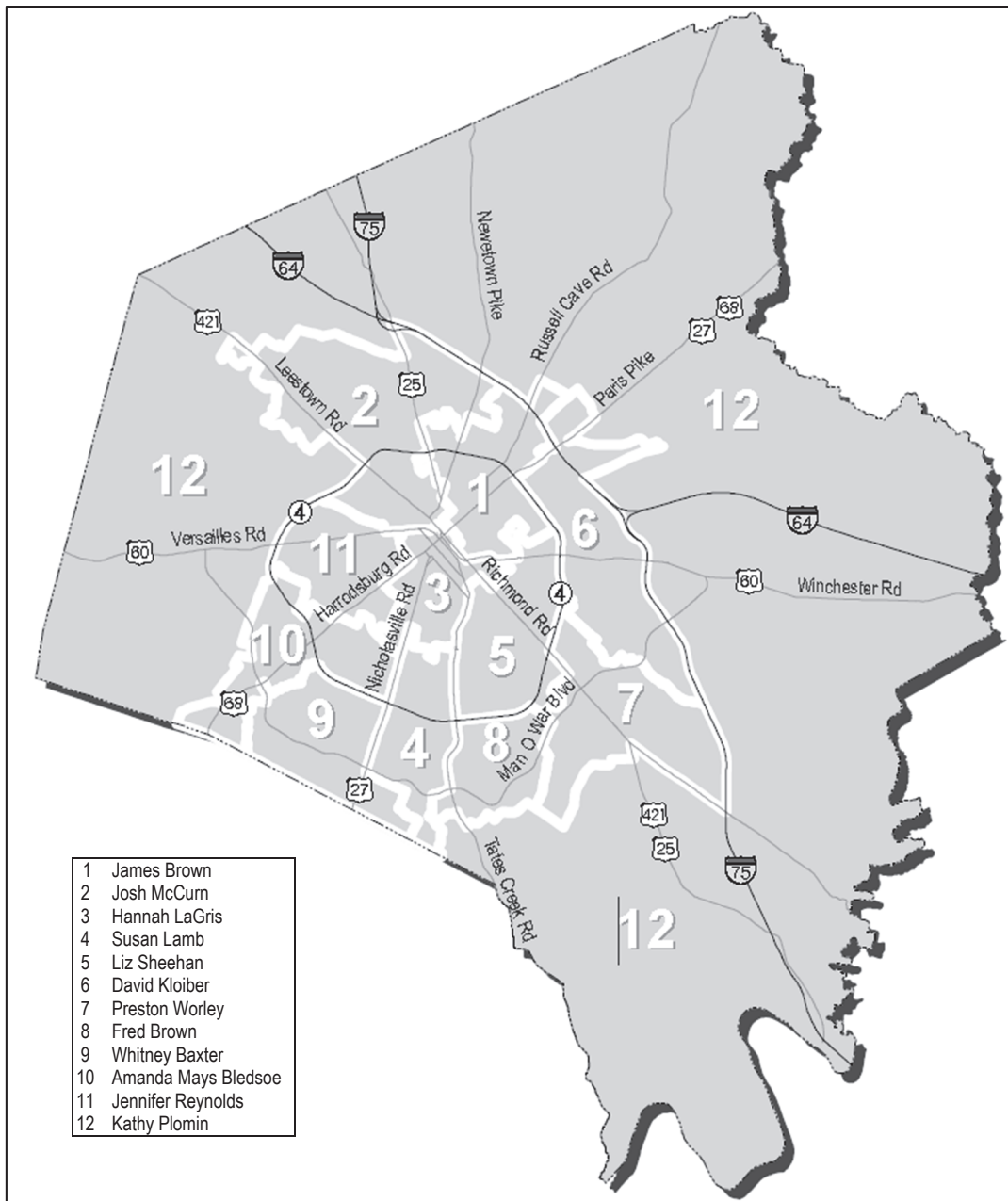
ELECTED OFFICIALS

MAYOR
Linda Gorton

COUNCILMEMBERS-AT-LARGE

Steve Kay – Vice Mayor
Richard Moloney
Chuck Ellinger

DISTRICT COUNCILMEMBERS



MAYOR LINDA GORTON



LEXINGTON

ERIN HENSLEY
COMMISSIONER
FINANCE

November 19, 2021

Citizens of Lexington-Fayette Urban County
Honorable Mayor Linda Gorton
Members of the Urban County Council
Lexington-Fayette Government

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

As Commissioner of Finance, it is my pleasure to present the Comprehensive Annual Financial Report, also called the Financial Report, of the Lexington-Fayette Urban County Government (the Government) (LFUCG) for the fiscal year ended June 30, 2021. The Financial Report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The Financial Report 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. The 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 Financial Report 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, 2021. 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, 2021 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, 2021, 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 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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 in Accordance with Uniform Guidance.

Profile of the Government (As of June 30, 2021)

Demographic Profile

The City of Lexington, with a population of 322,570, 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 to the state's flagship university, the University of Kentucky, with 31,110 postsecondary 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 the Chief of Staff, a Chief Administrative 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, Chief Administrative Officer, Chief Development Officer, Council Clerk, Office of Bluegrass Farm to Table, Office of Diversity and Inclusion, Office of Economic Development, Office of Homelessness Prevention & Intervention, Office of Multicultural Affairs, Office of Purchase of Development Rights, Division of Government Communications, Division of Grants & Special Programs, Division of Historic Preservation, Division of Human Resources, Division of Internal Audit, Division of LexCall, and the Division of Planning
- Information Technology – Divisions of Computer Services and Enterprise Solutions
- Environmental Quality & Public Works – Divisions of Building Inspection, Engineering, 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
- Public Safety – Divisions of Code Enforcement, Community Corrections, Emergency Management, Enhanced 911, Fire & Emergency Services, and Police
- Social Services – Divisions of Community and Resident Services, Aging and Disability Services, Family Services, and Youth Services.



Significant Events (as of November 19, 2021)

Federal Response to COVID-19

The American Rescue Plan Act of 2021 was signed into law on March 11, 2021 in an effort to deliver immediate relief for communities struggling in the wake of COVID-19. This bill authorized funding directly impacting LFUCG, including \$121 million in aid through the State and Local Fiscal Recovery Fund and \$7.6 million in eviction prevention assistance through the Emergency Rental Assistance Program. These funds were partially received and expensed in FY2021, and will continue to impact LFUCG's finances through FY2027. These programs will provide increased funding to support populations disproportionately impacted by COVID-19 and to our local government to ensure the continuity of essential government services.

Local Response to COVID-19

Lexington-Fayette County began to see the impacts of the COVID-19 global pandemic in March 2020. To assist local businesses and residents whose services and income were affected by COVID-19, Lexington-Fayette County continued grant programs for small businesses, emergency financial assistance programs for residents facing evictions or utility shutoffs, and implemented administration of the federal Emergency Rental Assistance Program. These actions were combined with expenditure controls within the local government to ensure fiscal soundness and stability. The effects of COVID-19 and subsequent needs of the community will continue to have an impact throughout FY2022.

Lexington Convention Center

In July 2018, the Lexington Convention Center broke ground on a more than \$275 million renovation and expansion, which is the single largest capital project in Lexington's history. The new Convention Center exhibition space will be increased by over 50% and ballroom space by over 40%. The project is currently over 90% complete, with full completion anticipated in spring 2022. The facility will have over 200,000 square feet of flexible meeting and event space, and will be managed by Oak View Group Facilities as of October 1, 2021.

In March 2020, when the spread of COVID-19 worsened, the convention center and arena began to see a sharp decline in hotel tax revenues which backed the bonds issued for this project. In response to the decline in revenue and less favorable financial outlook, the Government took an active management approach and sought to restructure the existing debt. The refunding bonds issued will pay for capitalized interest through and including March 1, 2023, with the debt maturing from 2049 to 2053, a period that will include the useful life of the renovated facilities. The GO pledge earned the deal ratings of Aa2 from Moody's Investors Service and AA from S&P Global Ratings, matching the GO ratings of Lexington-Fayette County. Both rating agencies said the outlook is stable.

Town Branch Commons and Trail

Construction began in July 2018 for the Town Branch Commons. The project is 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. Water is featured along the path in interactive fountains and planting areas work to collect storm water. 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 \$5.2M federal CMAQ Grant, a \$2.3M federal TAP Grant, a \$1M SLX Grant, a \$5.6M Kentucky Infrastructure Loan, and \$11.8M of local dollars. Completion of the project is expected by December 31, 2022.

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 incurred no penalties for missing a Consent Decree imposed deadline.

The sanitary sewer capital construction component of the Consent Decree consists of 115 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.

As of September 2021, a total of 61 RMP projects have been completed and another 23 are in the design/ construction phase, totaling approximately \$311 million in capital expenditures. Generally projections show total RMP capital project expenses trending 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 has now begun to transition away from the storage tank projects and into the pipeline upgrade projects—schedules of which are being adversely impacted by serious pipe supply shortages and price increases.

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 for both sewer line and pump station operation. Since entering into 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. Key CMOM operational documents (Sewer Overflow Response Plan, Gravity Line Preventative Maintenance Plan and Pump Station Operations Plan for Power Outages) have all been updated in the past 18 months.

LFUCG is in full compliance with its state-issued KPDES permit. The permit expired on May 31, 2020, and LFUCG is waiting for Kentucky to act on the submitted renewal application. As of January 2021, Lexington's Municipal Separate Storm Sewer System (MS4) provisions of the Consent Decree have been terminated, and Lexington's MS4 program is no longer operating under court ordered sanctions.

Finally, as with many other municipal utilities, the COVID-19 pandemic has negatively impacted some project delivery schedules due to staffing and significant supply chain disruptions. Lexington has requested and received regulatory relief for several near-term project schedule milestones. Lexington continues to work closely with US EPA and the Commonwealth of Kentucky to ensure compliance with the term and conditions in these unprecedented times.

Fiscal Outlook

Local Economy

The unemployment rate in Fayette County was 4.6% in June 2021, as compared to 5.3% in June 2020. This decrease shows the beginnings of recovery from the economic pressures created by COVID-19, which continue to be felt in Fayette County. During April 2020 at the onset of the pandemic, unemployment rates reached 14.8%. We expect to see employment numbers continue to rise throughout FY2022.

While employment rates continue to improve, Fayette County has also seen an increase in average weekly wages. Fayette County held an average weekly wage of \$1,017 in first quarter 2021, representing a 3% gain from first quarter 2020. Factored with the



falling unemployment rate, the increase in average weekly wage is projected to result in moderate increases to the Government's major revenue category, Licenses and Permits, during FY2022.

Economic Development Incentives

Lexington Fayette Urban County Government participates in two tax abatement programs in conjunction with the Commonwealth of Kentucky. Each of these programs provides short-term tax incentives to encourage development and job creation, and each project is projected to create long-term financial benefits to the tax base of LFUCG.

Tax Increment Financing (TIF) is an economic development tool used to finance needed infrastructure improvements for a project by earmarking future tax gains resulting from the development of the improvements. This public investment will increase the value of the property as well as in the surrounding area, and may spur further development. The Urban County Council has approved local participation in nine TIF projects, which can include the refund of local property tax, payroll tax, and/or net profit tax generated by a development project. These projects are expected to bring a total investment of \$1.96 billion to Fayette County.

LFUCG also participates in the Commonwealth of Kentucky's Kentucky Business Investment Program. The program is a state administered incentive program, providing partial state and local payroll tax refunds for a period of ten years to certain companies creating at least ten new full-time jobs with average hourly wages of at least one hundred fifty percent of the federal minimum wage. This program is expected to produce total additional payroll of over \$100 million annually to Fayette County. The KBI program has brought new companies into Lexington-Fayette County that provide a current and continuing tax benefit to the government and new job opportunities for our residents.

Strengthening Fiscal Management

Introduction

In the past several years, 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 refinanced existing debt to benefit from the low interest rate environment and decrease its overall debt service burden. This refinancing is anticipated to create a savings of over \$4.4 million during the 15-year issue period, with \$1 million in savings realized during FY2021. As the Federal Reserve considers future rate changes, the Government will monitor the bond market to ensure that it stays in a favorable position regarding its long-term debt.

Budget Control and Financial Management

The Mayor of the Government submits a proposed annual operating 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 Budget,



Finance & Economic Development committee, 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.

As an added control, during 2021 Lexington-Fayette encumbered unused budgetary funds to help manage expenses. This practice allowed for operating savings to be realized, and contributed to the overall positive financial position for LFUCG.

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 2021 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 29th consecutive year, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended July 30, 2020. 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 (GAAP) and applicable legal requirements.

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,



Erin Hensley, Commissioner
Department Of Finance





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Lexington-Fayette Urban County
Kentucky**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

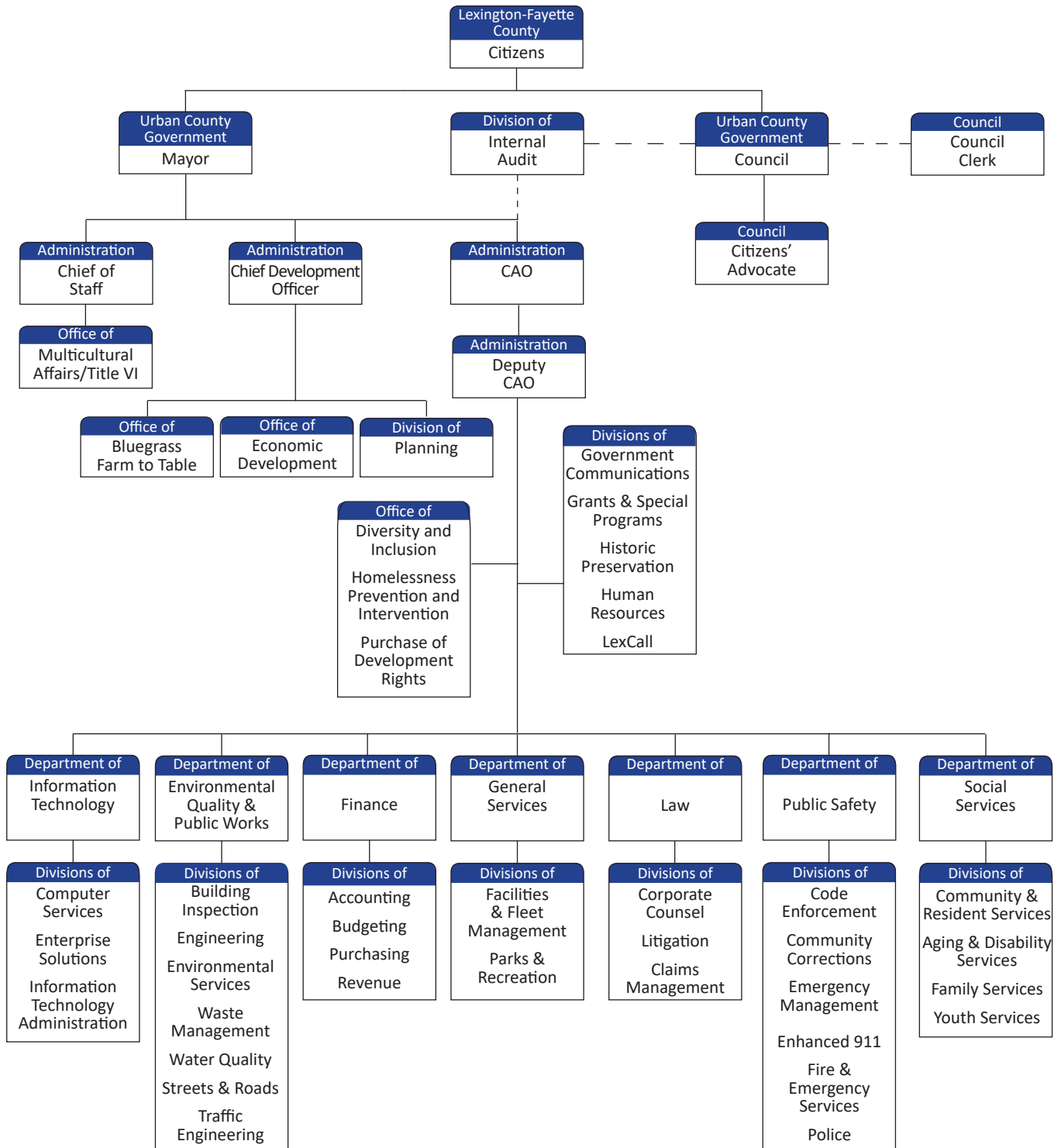
June 30, 2020

Christopher P. Morill

Executive Director/CEO



Lexington-Fayette Urban County Government Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office

Citizens' Advocate Office

Stacey Maynard, Council Administrator

Amber Deitz, Citizens' Advocate

Council Clerk's Office

Abigail Allen, Director

Office of the Mayor

Linda Gorton, Mayor

Internal Audit

Bruce Sahli, Director

Office of the Chief Administrative Officer

Grants and Special Programs
Government Communications
LexCall
GTV3
Human Resources
Office of Homelessness Prevention & Intervention
Purchase of Development Rights
Historic Preservation

Sally Hamilton, Chief Administrative Officer

Charlie Lanter, Director
Stacey Dimon, Supervisor
Kendra Carter, Director
Chris Edwards, Supervisor
John Maxwell, Director
Polly Ruddick, Director
Elizabeth Overman, Program Manager
Bettie L. Kerr, Director

Chief Development Office

Planning

Kevin Atkins, Chief Development Officer

Jim Duncan, Director

Chief Information Office

Computer Services
Enterprise Solutions

Aldona Valicenti, Chief Information Officer

Mike Nugent, Director
Phillip Stiefel, Director

Finance

Accounting and Payroll
Purchasing
Revenue
Budgeting

Erin Hensley, Commissioner

Phyllis Cooper, Director
Todd Slatin, Director
Wes Holbrook, Director
Melissa Lueker, Director

Environmental Quality and Public Works

Environmental Services
Water Quality
Waste Management
Streets and Roads
Traffic Engineering
Building Inspection
Engineering

Nancy Albright, Commissioner

Jennifer Carey, Director
Charles H. Martin, Director
Tracey Thurman, Director
Rob Allen, Director
Jeff Neal, Director
Dewey Crowe, Director
Doug Burton, Director

Law

Susan Speckert, Commissioner

Public Safety

Community Corrections
Division of Emergency Management
E911
Fire and Emergency Services
Police
Code Enforcement

Ken Armstrong, Commissioner

Lisa Farmer, Director
Patricia Dugger, Director
Jonelle Patton, Director
Jason Wells, Chief
Lawrence Weathers, Chief
Alex Olszowy, Director

Social Services

Community & Resident Services
Aging & Disability Services
Family Services
Youth Services

Kacy Allen-Bryant, Commissioner

Danielle Sanders, Director
Kristina Stambaugh, Director
Joanna Rodes, Director
Stephanie Hong, Director

General Services

Facilities and Fleet Management
Parks and Recreation

Chris Ford, Commissioner

Jamshid Baradaran, Director
Monica Conrad, Director



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FINANCIAL SECTION

Strothman and Company

Certified Public Accountants and Advisors

1600 Waterfront Plaza

325 West Main Street

Louisville, KY 40202

502 585 1600



Independent Auditors' Report

The Honorable Mayor Gorton, 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, 2021, 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 amounts included for 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, 2021, 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.

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 112 to 132 and pension and OPEB information on pages 133 to 140 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 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 22, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's 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.

Strothman and Company

Louisville, Kentucky
November 22, 2021

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, 2021. 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

- In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. The pandemic has spanned over one year in length. The currently known impacts are:
 - Revenues for license fees and permits are recovering, up \$38.47 million from the final budgeted amount.
 - The Government has been awarded various grant funds from the U.S. Treasury related to the Coronavirus totaling \$100.35 million dollars. Several assistance programs are underway and several more projects are under review by the Government.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$244.57 million at the close of fiscal year 2020. This amount includes a deficit of approximately (\$774.71) million in unrestricted net position.
- Governmental Activities' net position was (\$128.34) million at the end of fiscal year 2020. Of this amount, \$631.90 million was the net investment in capital assets. The net investment in capital assets comprises 492.37% of total net position.
- Business-Type Activities held a balance of \$372.91 million in net position. The unrestricted fund balance at June 30, 2021 is \$38.53 million, or 36.92% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2021, the Government's governmental funds reported combined ending fund balances of \$171.17 million, an increase of \$13.12 million compared to the previous fiscal year. Of this total amount, \$66.86 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 \$12.35 million or 9.83% 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 \$44.42 million. The committed fund balance designation for economic stabilization held a balance of \$37.96 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 represent planning for various projects combined with management's intent to complete these projects. Assignments for capital projects represent management's intent to complete various capital improvements. These assignments total \$44.89 million for fiscal year 2021.

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, 2021. 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 \$244.57 million as of June 30, 2021, a decrease of \$31.50 million from the previous year. Total depreciation expense government wide was \$78.49 million.

The largest proportion of the Government's net position, \$939.84 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)

	Total Net Position		
	FY 2021	Restated FY 2020	Change
ASSETS			
Current and other assets	\$486,890	\$413,599	\$73,291
Capital assets	<u>1,419,963</u>	<u>1,430,751</u>	<u>(10,788)</u>
Total assets	<u><u>1,906,853</u></u>	<u><u>1,844,350</u></u>	<u><u>62,503</u></u>
DEFERRED OUTFLOWS OF RESOURCES	310,142	236,187	73,955
LIABILITIES			
Current and other liabilities	149,291	81,754	67,537
Long-term liabilities	<u>1,666,140</u>	<u>1,575,906</u>	<u>90,234</u>
Total liabilities	<u><u>1,815,431</u></u>	<u><u>1,657,660</u></u>	<u><u>157,771</u></u>
DEFERRED INFLOWS OF RESOURCES	156,990	146,805	10,185
NET POSITION			
Net Investment in Capital Assets	939,841	994,842	(55,001)
Restricted for:			
Capital Projects	42,964	43,530	(566)
Energy Improvement Projects	589	1,115	(526)
Debt Service	1,419	3,958	(2,539)
Capital Replacement	2,778	2,286	492
Pension	23,459	21,930	1,529
Water Quality Incentive Program	6,833	5,794	1,039
Grants	269	266	3
Maintenance and Operations	1,131	1,215	(84)
Unrestricted	<u>(774,709)</u>	<u>(798,864)</u>	<u>24,155</u>
Total net position	<u><u>\$244,574</u></u>	<u><u>\$276,072</u></u>	<u><u>(\$31,498)</u></u>

Approximately \$79.44 million, or 32.48% 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 (\$128.34) million, or 10.49% of total assets, an increase of \$28.88 million from the previous year. Of this total, \$631.90 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)

	Governmental Activities		
	FY 2021	Restated FY 2020	Change
ASSETS			
Current and other assets	\$334,554	\$246,586	\$87,968
Capital assets	888,308	911,308	(23,000)
Total assets	<u>1,222,862</u>	<u>1,157,894</u>	<u>64,968</u>
DEFERRED OUTFLOWS OF RESOURCES	293,465	219,997	73,468
LIABILITIES			
Current and other liabilities	131,135	58,529	72,606
Long-term liabilities	1,360,513	1,263,611	96,902
Total liabilities	<u>1,491,648</u>	<u>1,322,140</u>	<u>169,508</u>
DEFERRED INFLOWS OF RESOURCES	153,018	141,285	11,733
NET POSITION			
Net Investment in Capital Assets	631,904	693,353	(61,449)
Restricted for:			
Capital Projects	27,584	39,554	(11,970)
Energy Improvement Projects	272	265	7
Debt Service	1,419	1,223	196
Pension	23,459	21,930	1,529
Grants	269	266	3
Maintenance and Operations			
Unrestricted	<u>(813,246)</u>	<u>(842,125)</u>	<u>28,879</u>
Total net position	<u>(\$128,339)</u>	<u>(\$85,534)</u>	<u>(\$42,805)</u>

Table 3 shows the net position of Business-Type Activities totaled \$372.91 million at the end of fiscal year 2021, an increase of \$11.56 million from the previous fiscal year. Of total net position, \$307.94 million, or 82.58%, 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.

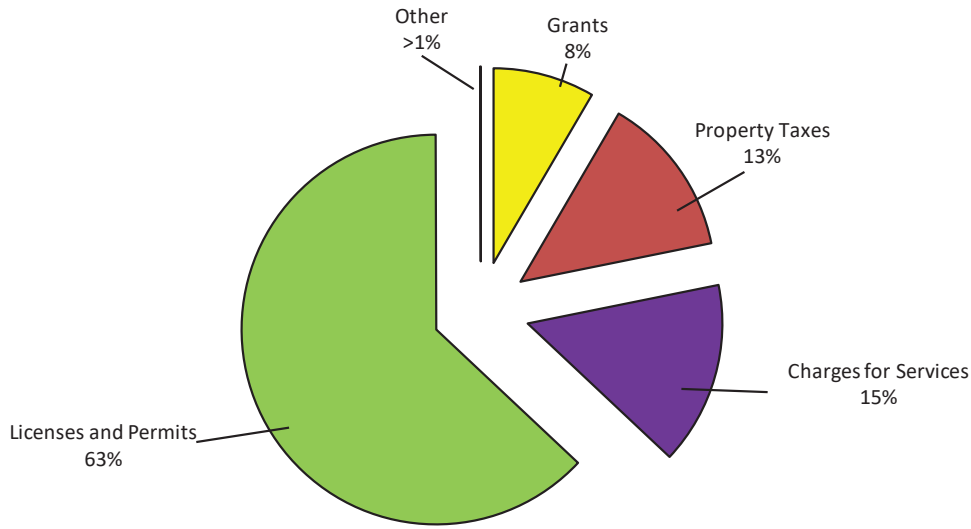
Table 3
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

	Business-Type Activities		
	FY 2021	Restated FY 2020	Change
ASSETS			
Current and other assets	\$152,336	\$166,756	(\$14,420)
Capital assets	531,655	519,443	12,212
Total assets	<u>683,991</u>	<u>686,199</u>	<u>(2,208)</u>
DEFERRED OUTFLOWS OF RESOURCES	16,677	16,190	487
LIABILITIES			
Current and other liabilities	18,157	23,224	(5,067)
Long-term liabilities	305,627	312,295	(6,668)
Total liabilities	<u>323,784</u>	<u>335,519</u>	<u>(11,735)</u>
DEFERRED INFLOWS OF RESOURCES	3,971	5,520	(1,549)
NET POSITION			
Net Investment in Capital Assets	307,936	301,489	6,447
Restricted for:			
Capital Projects	15,380	3,976	11,404
Energy Improvement Projects	317	850	(533)
Debt Service	0	2,736	(2,736)
Capital Replacement	2,778	2,286	492
Water Quality Incentive Program	6,833	5,794	1,039
Maintenance and Operations	1,131	1,215	(84)
Unrestricted	38,538	43,004	(4,466)
Total net position	<u>\$372,913</u>	<u>\$361,350</u>	<u>\$11,563</u>

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 63%, 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 15%, 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 8% of governmental revenue. The remaining >1% in 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 \$509.39 million, which was an increase of \$12.08 million, or 2.43%, from the previous fiscal year. Licenses and permits totaled \$320.97 million, representing 63.01% of total revenues. As stated earlier, this category includes employee withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 2.25% on the total wages received by individuals employed in Lexington-Fayette County and an assessment of 2.25% on the net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$16.47 million, or 5.41% from the previous fiscal year. This is primarily due to an increase in payroll withholdings collected during the fiscal year. Property taxes increased by \$1.75 million, due to an increase in realty taxes collected. Charges for services decreased by \$0.52 million from the previous fiscal year, or 0.67%. Operating and Capital grants decreased by \$9.71 million from the previous fiscal year, or 4.80%. Both of these changes year over year are due to the impact of COVID-19. The negative Other General Revenues of (\$0.28) million was caused by investment losses during the fiscal year.

As noted on Table 4, total expenses of Governmental Activities were \$552.11 million; an increase of \$3.32 million from the previous fiscal year. This is primarily due to the Government’s commitment to control budgets during the pandemic. Chief Development Officer departmental expenditures increased when compared to the prior fiscal year by \$4.87 million dollars primarily due to increased funding for the Government’s jobs fund grant program of \$5.74 million. Administrative Services expenditures increased \$2.66 million primarily due to increased funding of \$2.35 million to support affordable housing projects. Fire and Emergency Services expenditures increased \$7.72 million compared to the prior fiscal year primarily due to salaries and wages increases of \$6.71 million and operating expenditures of \$1.01 million.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities decreased by \$3.03 million from the previous fiscal year. Revenues collected for services provided by the Government decreased \$2.15 million and other general revenues decreased \$0.88 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2019, by \$4.47 million. Primarily Sanitary Sewer and Landfill increased \$5.38 million and \$1.42 million, respectively. Water Quality, Public Facilities, and Other Business-Type Activities expenses decreased \$1.81 million, \$0.38 million, and \$0.13 million, respectively. The largest program among these activities is the Sanitary Sewer system, with expenses of \$71.05 million during the fiscal year, representing 68.06% 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	
	2021	Restated 2020	2021	Restated 2020	2021	Restated 2020
Revenues						
Program Revenues:						
Charges for Services	\$77,382	\$77,903	\$111,049	\$113,200	\$188,431	\$191,103
Operating Grants & Contributions	24,470	34,184			24,470	34,184
Capital Grants & Contributions	16,406	9,710			16,406	9,710
General Revenues:						
Property Taxes	68,366	66,620			68,366	66,620
Licenses & Permits	320,966	304,493			320,966	304,493
Grants & Unrestricted Contributions	2,080	2,433			2,080	2,433
Other General Revenues	(277)	1,974	775	1,652	498	3,626
Total Revenues	<u>509,393</u>	<u>497,317</u>	<u>111,824</u>	<u>114,852</u>	<u>621,217</u>	<u>612,169</u>
Program Expenses						
General Government	35,042	32,299			35,042	32,299
Administrative Services	14,350	11,694			14,350	11,694
Health, Dental, Vision, Workers Comp, General Insurance	27,703	28,528			27,703	28,528
Chief Development Officer	9,347	4,475			9,347	4,475
Information Technology	11,755	11,933			11,755	11,933
Finance	33,443	38,587			33,443	38,587
Environmental Quality & Public Works	96,885	99,635			96,885	99,635
Planning, Preservation, & Development	643	659			643	659
Public Safety	15,536	16,138			15,536	16,138
Police	97,958	98,571			97,958	98,571
Fire & Emergency Services	105,139	97,422			105,139	97,422
Community Corrections	39,572	40,830			39,572	40,830
Social Services	14,282	14,413			14,282	14,413
General Services	14,409	13,772			14,409	13,772
Parks & Recreation	20,252	21,974			20,252	21,974
Law	2,311	2,277			2,311	2,277
Interest on Long-Term Debt	13,486	15,587			13,486	15,587
Sanitary Sewer System			71,045	65,670	71,045	65,670
Public Facilities			6,519	6,899	6,519	6,899
Landfill			6,096	4,678	6,096	4,678
Right of Way			552	627	552	627
Extended School Program			960	1,803	960	1,803
Enhanced 911			5,985	5,074	5,985	5,074
CKY Network			299	417	299	417
Water Quality			12,931	14,745	12,931	14,745
Total Expenses	<u>552,113</u>	<u>548,794</u>	<u>104,387</u>	<u>99,913</u>	<u>656,500</u>	<u>648,707</u>
Increase (Decrease) in Net Position before Transfers	(42,720)	(51,477)	7,437	14,939	(35,283)	(36,538)
Transfers	(160)	(350)	160	350	0	0
Increase (Decrease) in Net Position	(42,880)	(51,827)	7,597	15,289	(35,283)	(36,538)
Net Position, July 1	(85,534)	(33,707)	361,350	346,061	275,816	312,354
Adjustment to Opening Net Position (Note 2.D)	75		3,966		4,041	
Net Position, June 30	<u>(\$128,339)</u>	<u>(\$85,534)</u>	<u>\$372,913</u>	<u>\$361,350</u>	<u>\$244,574</u>	<u>\$275,816</u>

PERSONNEL COSTS

During the year, personnel related expenses for salaries and wages covered by collective bargaining agreements increased approximately \$2.43 million. Police and Community Corrections decreased by \$0.22 million and \$0.83 million, respectively. Fire & Emergency Services increased by \$3.48 million. The decreases in Police and Community Corrections were primarily due to retirements and resignations. The increase in Fire & Emergency Services is primarily due to salary increases. Salary and wage costs, including benefits, for non-collective bargaining employees decreased \$2.09 million or 2.4%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2021.

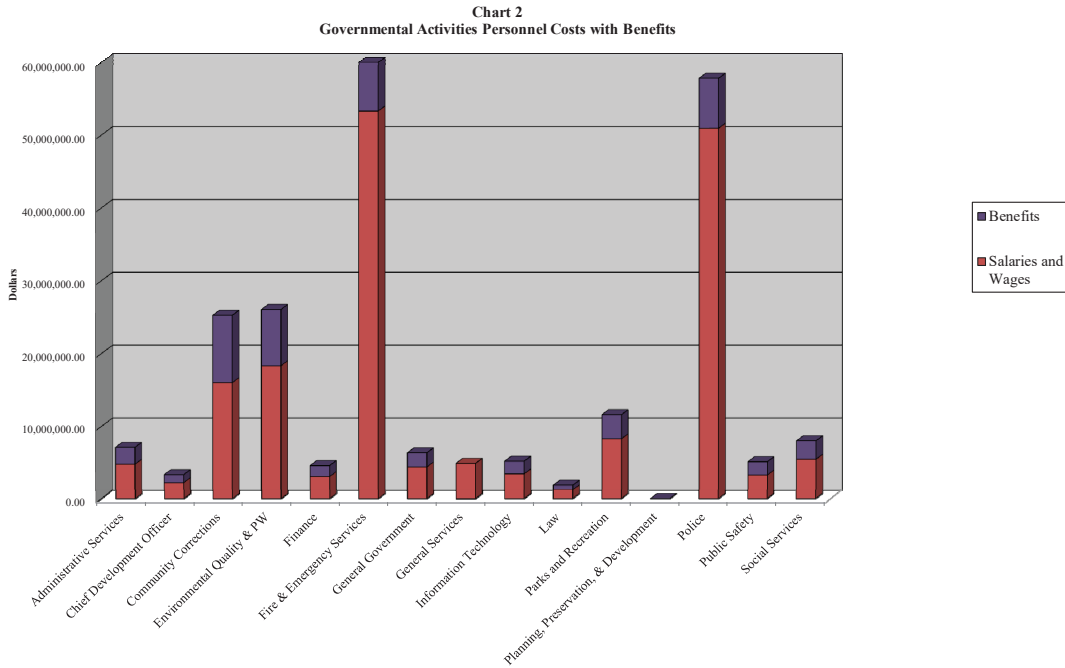
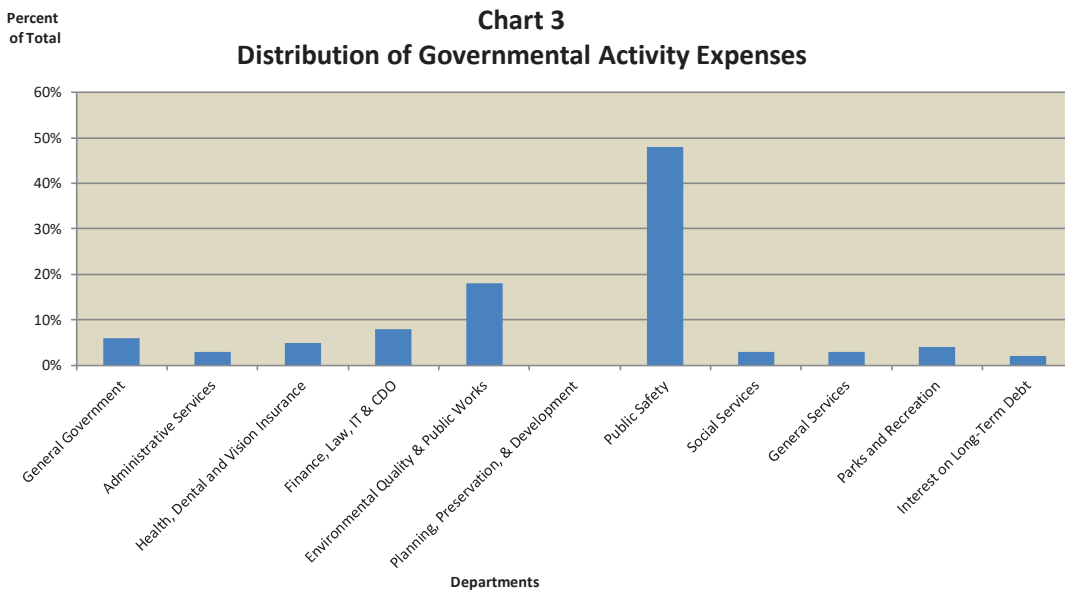


Chart 3 displays the distribution of total costs by governmental activity.



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, 2021 reflect a combined ending fund balance of \$171.17 million, an increase of \$13.12 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 revenues in excess of expenditures of \$5.58 million, offset by net transfers out and proceeds from the issuance of bonds of \$7.72 million. Revenues increased \$14.46 million from the previous fiscal year primarily due to licenses and employee and business returns increases of \$16.86 million. Expenditures increased \$2.69 million over the prior fiscal year. Primarily, grant funded expenditures increased for outside agencies approximately \$5.05 million, offset by Community Corrections expenditures decreasing \$2.36 million. In addition other financing sources and uses decreased \$12.31 million compared to the prior fiscal year primarily due to a reduction in the issuance of debt of \$12.41 million offset by a slight decrease in transfers of \$0.10 million.

The Government had \$12.35 million of unassigned fund balance available in the General Fund at June 30, 2021. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 9.83% of total general fund expenditures for fiscal year 2021. At the end of fiscal year 2021, the fund balance held by the General Fund totaled \$105.49 million, an increase of \$21.57 million, or 25.71%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$23.24 million, offset by other financing uses of \$1.49 million. In addition, there is a decrease from a prior period adjustment of \$0.18 million (see footnote 2.D. for additional details). As mentioned above, revenues for licenses and permits increased \$17.50 million from General Funds compared to the prior fiscal year.

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 \$26.78 million, an increase of \$2.91 million over the prior fiscal year. This increase is primarily due to transfers in of \$3.98 million, offset by expenditures in excess of revenues of \$1.07 million. Revenues increased overall by \$0.76 million compared to the prior fiscal year. Operating expenditures decreased \$1.70 million over the prior fiscal year. Total expenditures were budgeted at \$52.13 million for the fiscal year and actual expenditures totaled \$46.10 million, \$6.03 million under the final budgeted amount.

The Federal and State Grants Fund held a balance of \$0.27 million for fiscal year ended June 30, 2021, steady when compared to 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 Government was awarded \$100.35 million in funding for COVID relief projects. So far the Government has disbursed \$5.1 million in rental assistance. The Government's Urban County Council has created committees to review public feedback to develop additional projects to offset negative impacts on the local economy due to the pandemic.

The Other Governmental Funds primarily relate to costs associated with various capital bond projects. During fiscal year 2021, \$20.70 million was expended on these projects. Bonds in the amount of \$7.52 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 \$372.91 million as of June 30, 2021, an increase of \$11.56 million from the prior fiscal year. Revenues from charges for services decreased \$2.15 million and total expenses increased \$4.47 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held a total net position of \$277.69 million, an increase of \$6.34 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$13.90 million is restricted by bond covenants for capital replacement, projects, and debt service. In addition, \$0.32 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 \$22.98 million, an increase of \$3.96 million from the prior fiscal year. Operating income during fiscal year 2021 was \$5.72 million. The increase in net position is primarily due to operating revenues of \$0.48 million, non-operating expenses of \$1.27 million and transfers in of \$0.28 million. In addition, a prior period adjustment increase of \$4.48 million (see footnote 2.D. for additional details).

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 \$24.09 million, an increase of \$2.49 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2021, the total net position of the Landfill Fund held a balance of \$44.00 million, an increase of \$3.04 million from the prior fiscal year, a 7.42% 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, 2021 the other enterprise funds held total net position of \$1.30 million, a decrease of \$2.37 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 2021, General Fund revenues totaled \$386.03 million, an increase of 5.01% from the previous fiscal year. Total revenues were \$38.8 million above the final budgeted amount. This increase in actual revenue is the result of increases in employee withholdings and business returns of \$37.39 million and insurance premiums collected of \$.88 million above the budgeted amount. Total ad valorem taxes and charges for services were \$0.40 million above the final budgeted amount. Fines and forfeitures, intergovernmental, property sales, and investment returns were \$1.20 million below the final budgeted amount. Other income was \$1.19 million above the final budgeted amount. Total licenses and permits were \$38.47 above the final budgeted amount.

General Fund expenditures of the Government totaled \$362.78 million, an increase of \$14.56 million, or 4.18% over the previous fiscal year. Total budgeted expenditures equaled \$369.35 million. Expenditures were \$6.57 million below the final budgeted amount. Operating expenditures were \$5.49 million below the final budgeted amount. Personnel expenditures, accounting for 61.65% of General Fund expenditures, were \$1.50 million below the final budgeted amount. Divisions with collective bargaining agreements had expenditures \$0.56 million below the final budgeted amount. Personnel expenditures from these divisions account for 52.36% 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.

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

Departments	2021	2020	Change	% Change	% General Fund Expenditures
Non-Collective Bargaining Divisions					
Administrative Services	\$6,248	\$6,005	\$243	4.0%	1.7%
Chief Development Officer	2,552	2,861	(309)	(10.8%)	0.7%
Information Technology	4,977	4,984	(7)	(0.1%)	1.4%
Department of Finance	4,493	4,524	(31)	(0.7%)	1.2%
Department of General Services	4,184	4,355	(171)	(3.9%)	1.2%
Department of Law	1,908	1,913	(5)	(0.3%)	0.5%
Department of Public Safety	4,580	6,445	(1,865)	(28.9%)	1.3%
Department of Social Services	6,860	6,816	44	0.6%	1.9%
Department of Environmental Quality & PW	25,356	10,035	15,321	152.7%	7.0%
General Government	6,040	6,406	(366)	(5.7%)	1.7%
Parks and Recreation	11,243	12,631	(1,388)	(11.0%)	3.1%
Total Non-Collective Bargaining Divisions	78,441	66,975	11,466	17.1%	21.7%
Divisions with Collective Bargaining					
Police	65,717	59,908	5,809	9.7%	18.1%
Community Corrections	25,264	26,495	(1,231)	(4.6%)	7.0%
Fire & Emergency Services	71,034	64,321	6,713	10.4%	19.6%
Total Collective Bargaining Divisions	162,015	150,724	11,291	7.5%	44.7%
Total Personnel Costs with Benefits	\$240,456	\$217,699	\$22,757	10.5%	66.4%

CAPITAL ASSETS

The Government's capital assets totaled \$1.42 billion as of June 30, 2021, 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 \$631.90 million. Governmental Activities net investment in capital assets decreased by \$61.45 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$307.94 million, an increase of \$6.45 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$23.00 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$57.53 million and asset retirements of \$0.85 million, offset capital additions of \$35.38 million. Intangibles, buildings, and infrastructure decreased \$1.23 million, \$2.26 million, and \$30.47 million respectively. Purchase of development rights, land and leasehold improvements, and construction in progress increased \$0.64 million, \$4.20 million, and \$6.98 million respectively.
- Capital assets for Business-Type Activities increased by \$12.21 million. The overall increase was primarily due to additions of \$31.25 million and a prior period adjustment of \$4.12 million, offset by depreciation of \$20.95 million and retirements of \$2.20 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 \$26.92 million in the Governmental Activities and \$31.23 million in Business-Type Activities. The overall decrease from the previous year in construction in progress assets totaled \$30.95 million. The decrease was primarily due to additions of \$49.72 million offset by net asset retirements of \$2.83 million, and assets placed in service of \$77.83 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land*	\$62,895	\$62,895	\$50,823	\$46,422	\$113,718	\$109,317
Purchase of Development Rights	82,560	81,923			82,560	81,923
Intangibles	12,765	13,990	1,905	2,951	14,670	16,941
Buildings	109,619	111,878	21,354	24,757	130,973	136,635
Vehicles, Equipment, & Furniture	46,023	46,887	18,273	17,589	64,296	64,476
Land and Leasehold Improvements	22,735	18,531	5,874	5,988	28,609	24,519
Infrastructure & Sewer Lines/Plants	524,632	555,105	399,898	350,282	924,530	905,387
Construction in Progress	26,922	19,942	33,528	71,455	60,450	91,397
Developments in Progress	157	157	0	0	157	157
Total	\$888,308	\$911,308	\$531,655	\$519,444	\$1,419,963	\$1,430,752

* 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 2021, the Government had \$607.30 million in bonds and notes outstanding; Governmental Activities' debt decreased by \$24.65 million and total debt decreased by \$39.03 million. The decrease in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$7.52 million and refunding debt issuance and payment of \$4.12 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$36.29 million. The Business-Type Activities debt decreased \$14.38 million primarily from bond and note payable proceeds of \$0.39 million, offset by principal payments and amortized bond costs of \$14.77 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 \$3.52 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 \$324.13 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	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds, Notes, Leases	\$363,851	\$388,498	\$132,237	\$138,742	\$496,088	\$527,240
Mortgage Revenue Bonds			38,410	41,248	38,410	41,248
Revenue Bonds			72,802	77,837	72,802	77,837
Total	\$363,851	\$388,498	\$243,449	\$257,827	\$607,300	\$646,325

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 2022 Budget, for all funds combined, net of interfund transfers, is \$666,848 million. Significant initiatives in the budget include:

- A commitment of \$88.26 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree, which will include the issuance of Sewer Revenue Bonds. For additional information see Note 7.
- GO bonds were approved as part of the fiscal year 2022 budget for \$30 million. The bonds will fund projects for Public Safety, building and infrastructure improvements, paving and street maintenance, and fleet replacement.

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, 2021

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$172,774,345	\$59,145,543	\$231,919,888	\$74,308,645
Investments	55,401,329	63,815,774	119,217,103	24,269,582
Receivables (Net)	37,393,781	8,397,725	45,791,506	3,091,010
Due from Other Governments	10,261,186		10,261,186	6,201,726
Due from Primary Government				1,866,118
Other Current Assets				651,399
Inventories and Prepaid Expenses	2,656,409	335,131	2,991,540	1,021,526
Net Pension Asset	23,459,159		23,459,159	2,118,567
Restricted Assets:				
Cash				10,340,534
Receivables (Net)	4,483,721		4,483,721	1,623,138
Grants Receivable	1,000,000		1,000,000	5,175,214
Investments	25,809,397	20,642,467	46,451,864	109,759,944
Other				44,938
Capital Assets:				
Non-depreciable	183,139,258	85,166,702	268,305,960	125,587,431
Depreciable (Net)	705,168,465	446,488,608	1,151,657,073	411,044,544
Other Assets	1,314,032		1,314,032	2,135,568
Total Assets	\$1,222,861,082	\$683,991,950	\$1,906,853,032	\$779,239,884
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Bond Refunding	\$6,580,572	\$2,449,971	\$9,030,543	\$1,014,151
Deferred Pension Amounts	191,705,884	8,047,184	199,753,068	9,641,748
Deferred Other Post Employment Benefit Amounts	95,178,511	6,179,614	101,358,125	6,016,020
Deferred Amount on Note Payable				2,527,500
Total Deferred Outflows of Resources	\$293,464,967	\$16,676,769	\$310,141,736	\$19,199,419
LIABILITIES				
Accounts, Contracts Payable and				
Accrued Liabilities	\$18,483,784	\$5,996,241	\$24,480,025	\$14,932,464
Interest Payable	4,387,633	381,098	4,768,731	138
Internal Balances	1,864,160	(1,864,160)		
Due to Other Governments	11,367		11,367	
Due to Component Units	1,866,118		1,866,118	2,527,500
Unearned Revenue and Other	74,493,174	220,403	74,713,577	209,335
Claims Liabilities	30,027,749		30,027,749	
Liabilities Payable from				
Restricted Assets:				
Accounts, Contracts and Retainage Payable		981,265	981,265	3,394,295
Bonds and Notes Payable		11,564,005	11,564,005	
Interest Payable		878,153	878,153	1,115,330
Noncurrent Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	34,510,000	2,777,134	37,287,134	13,007,892
Compensated Absences	4,238,481	1,025,341	5,263,822	604,840
Landfill Closure and Postclosure Care Costs		443,321	443,321	
Due in More Than One Year:				
Unearned Revenue and Other	39,489		39,489	339,377
Bonds and Notes Payable	329,340,861	229,108,310	558,449,171	333,536,704
Compensated Absences	26,036,382	1,751,385	27,787,767	903,285
Landfill Closure and Postclosure Care Costs		12,278,844	12,278,844	
Net Other Post Retirement Benefit Liability	355,298,815	13,878,432	369,177,247	17,861,321
Net Pension Liability	611,048,921	44,364,256	655,413,177	84,156,956
Total Liabilities	\$1,491,646,934	\$323,784,028	\$1,815,430,962	\$472,589,437
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	\$7,236,987	\$1,178,656	\$8,415,643	\$4,979,052
Deferred Other Post Employment Benefit Amounts	145,781,423	2,792,597	148,574,020	2,790,274
Deferred Amount on Bond Refunding				168,990
Total Deferred Inflows of Resources	\$153,018,410	\$3,971,253	\$156,989,663	\$7,938,316

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net Investment in Capital Assets	\$631,903,811	\$307,936,575	\$939,840,386	\$277,970,299
Restricted for:				
Governmental and Program Funds				570,062
Fees				854,851
Capital Projects	27,584,087	15,379,698	42,963,785	4,159,712
Energy Improvement Projects	272,322	316,686	589,008	
Debt Service	1,419,095		1,419,095	60,710,948
Capital Replacement		2,777,850	2,777,850	
Pension	23,459,159		23,459,159	
Water Quality Incentive Program		6,833,487	6,833,487	
Grants	269,294		269,294	
Maintenance and Operations		1,131,267	1,131,267	
Unrestricted (Deficit)	(813,247,063)	38,537,875	(774,709,188)	(26,354,323)
Total Net Position	(\$128,339,295)	\$372,913,438	\$244,574,143	\$317,911,549

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, 2021

Function/Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Administrative Services	\$14,349,559	\$567,300	\$14,246,359	\$393,675	\$857,775	\$0	\$857,775	\$0
Chief Development Officer	9,346,711	134,655		1,100,677	(8,111,379)		(8,111,379)	
Community Corrections	39,571,500	7,770,541	16,819		(31,784,140)		(31,784,140)	
Environmental Quality & Public Works	96,885,122	5,170,881	282,157	14,685,264	(76,746,820)		(76,746,820)	
Finance	33,442,989	181,688			(33,261,301)		(33,261,301)	
Fire & Emergency Services	105,140,016	10,212,082	3,395,494		(91,532,440)		(91,532,440)	
General Government	35,042,036	17,505,729	179,472		(17,356,835)		(17,356,835)	
General Services	14,409,495	96,112			(14,313,383)		(14,313,383)	
Health, Dental, and Vision	27,703,355	27,703,355						
Information Technology	11,754,934	8			(11,754,926)		(11,754,926)	
Law	2,310,561	344			(2,310,217)		(2,310,217)	
Parks & Recreation	20,251,657	3,980,164	22,149		(16,249,344)		(16,249,344)	
Planning, Preservation, & Development	643,085				(643,085)		(643,085)	
Police	97,958,013	1,613,296	3,912,139	226,737	(92,205,841)		(92,205,841)	
Public Safety	15,536,244	570,258	1,244,184		(13,721,802)		(13,721,802)	
Social Services	14,282,123	1,875,735	1,170,970		(11,235,418)		(11,235,418)	
Interest on Long-Term Debt	13,486,302				(13,486,302)		(13,486,302)	
Total Governmental Activities	552,113,702	77,382,148	24,469,743	16,406,353	(433,855,458)	0	(433,855,458)	
Business-Type Activities:								
Sanitary Sewer System	71,045,009	77,390,312				6,345,303	6,345,303	
Public Facilities	6,519,030	5,717,363				(801,667)	(801,667)	
Landfill	6,096,303	7,062,426				966,123	966,123	
Right of Way	552,084	759,809				207,725	207,725	
Extended School Program	960,424	183,657				(776,767)	(776,767)	
Enhanced 911	5,985,370	4,116,670				(1,868,700)	(1,868,700)	
CKY Network	299,418	374,504				75,086	75,086	
Water Quality	12,930,972	15,444,468				2,513,496	2,513,496	
Total Business-Type Activities	104,388,610	111,049,209	0	0	0	6,660,599	6,660,599	
Total Primary Government	\$656,502,312	\$188,431,357	\$24,469,743	\$16,406,353	(\$433,855,458)	\$6,660,599	(\$427,194,859)	

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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, 2021

Function/Program Activities	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	
Component Units:								
Lexington Center Corporation	\$20,352,742	\$10,816,368	\$97,500	\$381,000				(\$9,057,874)
Lexington Airport Board	26,341,426	14,539,170	9,995,526	11,497,728				9,690,998
Fayette County Department of Health	23,081,588	4,240,237	11,514,939					(7,326,412)
Nonmajor Component Units	48,577,316	3,296,304	11,980,293	976,289				(32,324,430)
Total Component Units	<u>\$118,353,072</u>	<u>\$32,892,079</u>	<u>\$33,588,258</u>	<u>\$12,855,017</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$39,017,718)</u>
General Revenues:								
Property Taxes					\$68,365,906	\$0	\$68,365,906	\$56,249,863
Licenses Fees - Wages and Net Profits Taxes					320,966,286		320,966,286	
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant					2,079,748		2,079,748	
Income on Investments					(276,837)	775,068	498,231	1,197,779
Net Change in Fair Value of Investments								(213,245)
Gain on Sale of Capital Assets							0	4,587
Miscellaneous								(353,381)
Transfers					(160,156)	160,156		
Total General Revenues and Transfers					<u>390,974,947</u>	<u>935,224</u>	<u>391,910,171</u>	<u>56,885,603</u>
Change in Net Position					<u>(42,880,511)</u>	<u>7,595,823</u>	<u>(35,284,688)</u>	<u>17,867,885</u>
Net Position, Beginning					<u>(85,277,652)</u>	<u>361,349,336</u>	<u>276,071,684</u>	<u>300,179,332</u>
Adjustment to Opening Net Position (Note 2.D.)					<u>(181,132)</u>	<u>3,968,279</u>	<u>3,787,147</u>	<u>(135,668)</u>
Net Position, Beginning - Restated					<u>(85,458,784)</u>	<u>365,317,615</u>	<u>279,858,831</u>	<u>300,043,664</u>
Net Position, Ending					<u>(\$128,339,295)</u>	<u>\$372,913,438</u>	<u>\$244,574,143</u>	<u>\$317,911,549</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$46,506,247	\$8,919,852	\$61,483,238	\$16,877,788	\$133,787,125
Investments	34,583,269	19,860,483		957,577	55,401,329
Receivables:					
Loans			1,786,298		1,786,298
License Fees	29,561,664				29,561,664
Other	13,082,663	(445,219)		595,879	13,233,323
Less Allowance for Uncollectible Amounts	(5,437,139)		(1,786,298)		(7,223,437)
Due from Other Governments			10,261,186		10,261,186
Due from Other Funds	190,362		1,167,863		1,358,225
Inventories and Prepaid Items	2,182,047	32,783		13,028	2,227,858
Restricted Investments	1,547,064		29,299	24,233,034	25,809,397
Total Assets	<u>\$122,216,177</u>	<u>\$28,367,899</u>	<u>\$72,941,586</u>	<u>\$42,677,306</u>	<u>\$266,202,968</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$6,941,442	\$1,070,176	\$1,558,269	\$1,344,099	\$10,913,986
Accrued Payroll & Related Liabilities	5,803,852	519,812	62,328		6,385,992
Due to Other Funds				1,358,225	1,358,225
Due to Other Governments	11,367				11,367
Due to Component Units	1,866,118				1,866,118
Unearned Revenue and Other	2,106,466		71,051,695	1,335,013	74,493,174
Total Liabilities	<u>16,729,245</u>	<u>1,589,988</u>	<u>72,672,292</u>	<u>4,037,337</u>	<u>95,028,862</u>
Fund Balances:					
Nonspendable	2,182,047	32,783		13,028	2,227,858
Restricted for:					
Public Works				9,722,290	9,722,290
Public Safety	1,419,095			898,709	2,317,804
Capital Projects				27,584,087	27,584,087
Grants Projects			269,294		269,294
Urban Services		26,694,268			26,694,268
Energy Improvement Projects	221,462	50,860			272,322
Committed for:					
General Government	6,455,660				6,455,660
Economic Stabilization	37,964,969				37,964,969
Assigned to:					
General Government	43,894,927			421,855	44,316,782
Capital Projects	999,854				999,854
Unassigned	12,348,918				12,348,918
Total Fund Balances	<u>105,486,932</u>	<u>26,777,911</u>	<u>269,294</u>	<u>38,639,969</u>	<u>171,174,106</u>
Total Liabilities and Fund Balances	<u>\$122,216,177</u>	<u>\$28,367,899</u>	<u>\$72,941,586</u>	<u>\$42,677,306</u>	<u>\$266,202,968</u>

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, 2021

Total Fund balances - Governmental Funds		\$171,174,106
Amounts reported for Governmental Activities in the Statement of Net Position is different because:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,705,783,696	
Less accumulated depreciation	<u>(817,475,973)</u>	888,307,723
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		23,459,159
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.		
Restricted receivables (Net)		5,483,721
Other assets		1,314,032
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(363,850,861)	
Unearned revenue and other	(39,489)	
Interest payable	(4,387,633)	
Compensated absences	(30,274,863)	
Net pension liability and other post retirement benefits	<u>(966,347,736)</u>	(1,364,900,582)
Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)		
		6,580,572
Outflows and inflows related to pension have been deferred in the Statement of Net Position		
		184,468,897
Outflows and inflows related to other post employment benefit amounts have been deferred in the Statement of Net Position		
		(50,602,912)
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.		
		8,240,149
Internal balances due to non-governmental activities related to items listed above		
		<u>(1,864,160)</u>
Net Position of Governmental Activities		<u><u>(\$128,339,295)</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, 2021

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
License Fees and Permits	\$326,612,154	\$2,176,752	\$0	\$0	\$328,788,906
Taxes	26,768,336	41,597,570			68,365,906
Charges for Services	27,072,970	1,094,547			28,167,517
Fines and Forfeitures	182,915	24			182,939
Intergovernmental	800,011		42,955,845	7,137,758	50,893,614
Exactions				347,624	347,624
Property Sales	217,207	546,056			763,263
Income on Investments	165,279	(471,318)	14,052	15,150	(276,837)
Other	4,208,261	90,939	735,225	30,691	5,065,116
Total Revenues	386,027,133	45,034,570	43,705,122	7,531,223	482,298,048
EXPENDITURES					
Current:					
Administrative Services	12,750,700	515,569	1,260,003		14,526,272
Chief Development Officer	8,001,842		1,272,019		9,273,861
Community Corrections	36,715,303		214,527	323,098	37,252,928
Environmental Quality & Public Works	14,390,426	34,481,417	905,228	181,223	49,958,294
Finance	5,432,311	46,651	5,609	379	5,484,950
Fire and Emergency Services	80,327,101		5,566,688		85,893,789
General Government	2,793,205	2,870,283	333,735	20,983	6,018,206
General Services	7,331,240	413,005	13,318		7,757,563
Information Technology	9,587,385	937,351	73,088		10,597,824
Law	2,205,664	16,011	5,690	10,000	2,237,365
Outside Agencies	21,492,687		8,980,950		30,473,637
Parks and Recreation	17,697,044		64,411	119,620	17,881,075
Planning, Preservation, & Development				29,594	29,594
Police	72,139,684		7,682,275	336,595	80,158,554
Public Safety	13,462,051		712,001		14,174,052
Social Services	9,423,574		1,782,758		11,206,332
Debt Service:					
Principal	33,720,000				33,720,000
Interest	13,783,238				13,783,238
Other Debt Service	74,713			167,388	242,101
Capital:					
Equipment	852,624	6,354,757	509,409	4,214,382	11,931,172
Acquisitions and Construction	603,752	466,092	17,748,269	15,297,585	34,115,698
Total Expenditures	362,784,544	46,101,136	47,129,978	20,700,847	476,716,505
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,242,589	(1,066,566)	(3,424,856)	(13,169,624)	5,581,543
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				6,800,000	6,800,000
Premium on Bonds				903,352	903,352
Discount on Bonds				(182,745)	(182,745)
Issuance of Refunding Debt, par	19,645,000			29,685,000	49,330,000
Issuance of Refunding Debt, discount	(104,233)				(104,233)
Payment to Refunded Debt Escrow Agent	(19,461,738)			(29,405,525)	(48,867,263)
Transfers In	12,131,161	4,000,000	3,903,800		20,034,961
Transfers Out	(13,698,804)	(25,000)	(475,663)	(5,995,650)	(20,195,117)
Total Other Financing Sources (Uses)	(1,488,614)	3,975,000	3,428,137	1,804,432	7,718,955
Net Change in Fund Balances	21,753,975	2,908,434	3,281	(11,365,192)	13,300,498
Fund Balances, Beginning	83,914,089	23,869,477	266,013	50,005,161	158,054,740
Adjustment to Opening Fund Balance (Note 2.D.)	(181,132)				(181,132)
Fund Balances, Beginning - Restated	83,732,957	23,869,477	266,013	50,005,161	157,873,608
Fund Balances, Ending	\$105,486,932	\$26,777,911	\$269,294	\$38,639,969	\$171,174,106

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, 2021**

Net change in fund balances - Governmental Funds \$13,300,498

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	35,306,324	
Less current year depreciation	<u>(57,531,902)</u>	(22,225,578)

The net effect of various miscellaneous transactions involving capital assets
(i.e. sales, trade-ins, and donations) is to decrease net position. (774,571)

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		(55,069)
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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	(6,800,000)	
Issuance of refunding debt	(49,330,000)	
Premium on bonds	(903,352)	
Discount on refunding bonds	104,233	
Discount on bonds	182,745	
Loss on refunding	5,872,263	
Principal payment to refunded bond escrow agent	42,995,000	
Principal payments	<u>33,720,000</u>	25,840,889

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	1,529,474	
Amortization of current year bond (discounts) premiums	2,569,052	
Amortization of current year bond refunding losses	(543,689)	
Change in net pension liability	(101,681,912)	
Change in net other post retirement benefit liability	(18,258,689)	
Change in deferred outflows from pension plans	18,373,999	
Change in deferred outflows from other post retirement benefits	51,875,324	
Change in deferred inflows from pension plans	16,508,622	
Change in deferred inflows from other post retirement benefits	(28,242,101)	
Unearned revenue and other	(33,739)	
Change in accrued interest payable	296,936	
Change in restricted receivables (net)	(296,893)	
Change in compensated absences	<u>(1,575,023)</u>	<u>(59,478,639)</u>

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. 511,959

Change in net position of Governmental Activities (\$42,880,511)

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
ASSETS & DEFERRED OUTFLOWS OF RESOURCES							
Current Assets:							
Cash	\$11,719,695	\$3,241,673	\$18,243,506	\$18,051,057	\$7,889,612	\$59,145,543	\$38,987,220
Investments	26,638,811	311,485	30,279,703	5,091,907	1,493,868	63,815,774	
Receivables:							
User Fees Receivable	14,145,254		2,163,867	2,645,973		18,955,094	
Other Receivables	461,565	81,078	30,045	3,491	406,032	982,211	35,933
Less Allowance for Uncollectible Accounts	(8,558,221)		(1,504,560)	(1,440,932)	(35,867)	(11,539,580)	
Inventories and Prepaid Expenses	183,430		32,099	52,776	66,826	335,131	428,551
Total Current Assets	44,590,534	3,634,236	49,244,660	24,404,272	9,820,471	131,694,173	39,451,704
Noncurrent Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	17,864,617					17,864,617	
Reserved for Capital Replacement	2,681,850			96,000		2,777,850	
Capital Assets:							
Land	6,040,804	36,699,993	5,194,637	2,887,441		50,822,875	
Land Improvements	354,183	23,498,213	17,199,342	169,259	10,000	41,230,997	
Buildings	5,202,774	114,754,327	800,936	179,393	7,514	120,944,944	
Sewer Plants	304,250,711		88,764			304,339,475	
Sewer Lines	296,634,289		410,356	15,078,206		312,122,851	
Leasehold Improvements		2,087,090				2,087,090	
Vehicles, Equipment, and Furniture	37,270,512	2,769,922	242,814	392,266	2,983,435	43,658,949	
Intangibles	6,620,642	262,270	597,535	1,220,656	1,532,086	10,233,189	
Less Accumulated Depreciation	(242,868,931)	(123,796,736)	(13,699,654)	(2,730,096)	(4,217,796)	(387,313,213)	
Construction in Progress	33,033,572			494,581		33,528,153	
Total Noncurrent Assets	467,085,023	56,275,079	10,834,730	17,787,706	315,239	552,297,777	0
Total Assets	511,675,557	59,909,315	60,079,390	42,191,978	10,135,710	683,991,950	39,451,704
Deferred outflows of resources:							
Deferred Amount on Bond Refunding	\$492,003	\$1,957,968	\$0	\$0	\$0	\$2,449,971	
Deferred Other Post Employment Benefit Amounts	3,240,236		289,282	1,573,893	1,076,203	6,179,614	
Deferred Pension Amounts	4,162,274		396,719	1,995,788	1,492,403	8,047,184	
Total Deferred Outflows of Resources	7,894,513	1,957,968	686,001	3,569,681	2,568,606	16,676,769	0
Total Assets & Deferred Outflows of Resources	\$519,570,070	\$61,867,283	\$60,765,391	\$45,761,659	\$12,704,316	\$700,668,719	\$39,451,704

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
LIABILITIES							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	\$4,412,539	\$103,377	\$98,687	\$619,305	\$40,170	\$5,274,078	\$1,183,806
Accrued Payroll	359,253		36,666	173,724	152,520	722,163	
Claims Payable							30,027,749
Bonds Payable		2,510,000		267,134		2,777,134	
Interest Payable		374,922		6,176		381,098	
Unearned Revenue and Other			2,693	217,710		220,403	
Compensated Absences	475,296		8,084	203,493	338,468	1,025,341	
Landfill Closure and Postclosure Care Costs			443,321			443,321	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	981,265					981,265	
Bonds and Notes Payable	11,564,005					11,564,005	
Interest Payable	878,153					878,153	
Total Current Liabilities	18,670,511	2,988,299	589,451	1,487,542	531,158	24,266,961	31,211,555
Noncurrent Liabilities:							
Bonds and Notes Payable	189,272,513	35,899,948		3,935,849		229,108,310	
Compensated Absences	1,109,023		72,758	203,493	366,111	1,751,385	
Landfill Closure and Postclosure Care Costs			12,278,844			12,278,844	
Net Other Post Employment Benefit Liability	7,323,735		633,352	3,578,579	2,342,766	13,878,432	
Net Pension Liability	23,411,294		2,024,593	11,439,405	7,488,964	44,364,256	
Total Noncurrent Liabilities	221,116,565	35,899,948	15,009,547	19,157,326	10,197,841	301,381,227	0
Total Liabilities	\$239,787,076	\$38,888,247	\$15,598,998	\$20,644,868	\$10,728,999	\$325,648,188	\$31,211,555
Deferred Inflows of Resources							
Deferred Other Post Employment Benefit Amounts	\$1,473,671	\$0	\$127,442	\$720,076	\$471,408	\$2,792,597	
Deferred Pension Amounts	621,984		53,789	303,918	198,965	1,178,656	
Total Deferred Inflows of Resources	2,095,655	0	181,231	1,023,994	670,373	3,971,253	0
Total Liabilities & Deferred Inflows of Resources	\$241,882,731	\$38,888,247	\$15,780,229	\$21,668,862	\$11,399,372	\$329,619,441	\$31,211,555
NET POSITION							
Net Investment in Capital Assets	\$263,469,420	\$19,828,465	\$10,834,730	\$13,488,721	\$315,239	\$307,936,575	\$0
Restricted for:							
Capital Projects	11,219,383					11,219,383	
Capital Projects - Park Acquisition		4,160,315				4,160,315	
Capital Replacement	2,681,850			96,000		2,777,850	
Energy Improvement Projects	316,686					316,686	
Water Quality Incentive Program				6,833,487		6,833,487	
Maintenance and Operations		1,131,267				1,131,267	
Unrestricted		(2,141,011)	34,150,432	3,674,589	989,705	36,673,715	8,240,149
Total Net Position	\$277,687,339	\$22,979,036	\$44,985,162	\$24,092,797	\$1,304,944	371,049,278	\$8,240,149
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,864,160	
Net Position of Business-Type Activities						<u>\$372,913,438</u>	

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
OPERATING REVENUES							
User Charges	\$67,943,984	\$0	\$6,817,528	\$15,433,537	\$0	\$90,195,049	\$45,433,160
Fees	1,892,298	298,207	245,965		4,665,819	7,102,289	
Exactions	58,727					58,727	
License Fees and Permits					759,809	759,809	
Rental Income		5,035,363				5,035,363	
Theater Revenues		77,324				77,324	
Other	7,351,626	306,469	(1,067)	10,209	9,012	7,676,249	
Total Operating Revenues	<u>77,246,635</u>	<u>5,717,363</u>	<u>7,062,426</u>	<u>15,443,746</u>	<u>5,434,640</u>	<u>110,904,810</u>	<u>45,433,160</u>
OPERATING EXPENSES							
Treatment Plant	8,146,604					8,146,604	
Collection System	2,684,663					2,684,663	
Property Management		1,874,471				1,874,471	
Theater Management		69,642				69,642	
Landfill			3,354,014			3,354,014	
Right of Way					545,760	545,760	
Extended School Program					860,305	860,305	
Enhanced 911					5,852,181	5,852,181	
CKY Network					299,418	299,418	
Administration	38,528,583		2,117,153	12,291,173	97,008	53,033,917	3,735,003
Depreciation	16,327,030	3,298,088	625,136	561,272	142,624	20,954,150	
Claims and Benefit Payments							41,041,799
Total Operating Expenses	<u>65,686,880</u>	<u>5,242,201</u>	<u>6,096,303</u>	<u>12,852,445</u>	<u>7,797,296</u>	<u>97,675,125</u>	<u>44,776,802</u>
Operating Income (Loss)	<u>11,559,755</u>	<u>475,162</u>	<u>966,123</u>	<u>2,591,301</u>	<u>(2,362,656)</u>	<u>13,229,685</u>	<u>656,358</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
NONOPERATING REVENUES (EXPENSES)							
Income on Investments	700,993	94	53,770	19,260	951	775,068	
Interest Expense and Fiscal Agent Fees	(4,963,374)	(1,537,970)		(78,527)		(6,579,871)	
Amortization of Bond Costs	390,817	261,141				651,958	
Gain (Loss) on Sale of Capital Assets	(785,572)					(785,572)	
Total Nonoperating Revenues (Expenses)	(4,657,136)	(1,276,735)	53,770	(59,267)	951	(5,938,417)	0
Income (Expenses) Before Transfers	6,902,619	(801,573)	1,019,893	2,532,034	(2,361,705)	7,291,268	656,358
Transfers In		284,280			200,000	484,280	
Transfers Out	(120,000)				(204,124)	(324,124)	
Change in Net Position	6,782,619	(517,293)	1,019,893	2,532,034	(2,365,829)	7,451,424	656,358
Net Position, Beginning	271,344,149	19,016,679	43,995,883	21,602,091	3,670,773		7,583,791
Adjustment to Opening Net Position (Note 2.D.)	(439,429)	4,479,650	(30,614)	(41,328)			
Net Position, Beginning - Restated	270,904,720	23,496,329	43,965,269	21,560,763	3,670,773		7,583,791
Net Position, Ending	\$277,687,339	\$22,979,036	\$44,985,162	\$24,092,797	\$1,304,944		\$8,240,149

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Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	144,399
Change in net position of Business-Type Activities	<u>\$7,595,823</u>

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, 2021

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Cash Flows from Operating Activities:							
Receipts from Customers	\$74,235,874	\$2,146,818	\$6,804,326	\$15,361,836	\$5,378,728	\$103,927,582	\$0
Receipts from Employees and Other Sources							35,517,122
Receipts from Interfund Services Provided		3,524,779				3,524,779	10,244,164
Payments to Suppliers	(35,105,538)	(1,986,653)	(2,772,502)	(4,626,474)	(1,645,067)	(46,136,234)	(3,638,017)
Payments to Employees	(12,938,286)		(1,383,105)	(5,879,818)	(5,263,708)	(25,464,917)	
Payments for Interfund Services Used	(2,653,378)		(225,301)	(945,287)	(110,682)	(3,934,648)	
Payments for Claims							(40,376,222)
Net Cash Provided by (Used in) Operating Activities	23,538,672	3,684,944	2,423,418	3,910,257	(1,640,729)	31,916,562	1,747,047
Cash Flows from Noncapital Financing Activities:							
Transfers In		284,280			200,000	484,280	
Transfers Out	(120,000)				(204,124)	(324,124)	
Net Cash Provided by (Used in) Noncapital Financing Activities	(120,000)	284,280	0	0	(4,124)	160,156	0
Cash Flows from Capital and Related Financing Activities:							
Purchase of Capital Assets	(30,217,323)			(909,351)	(113,670)	(31,240,344)	
Proceeds from Note Payable	387,655					387,655	
Principal Paid on Bonds	(11,212,512)	(2,390,000)		(262,351)		(13,864,863)	
Interest and Fiscal Agent Fees Paid on Bonds	(5,041,621)	(1,537,970)		(78,527)		(6,658,118)	
Proceeds on Sale of Capital Assets	1,409,495					1,409,495	
Net Cash Used in Capital and Related Financing Activities	(44,674,306)	(3,927,970)	0	(1,250,229)	(113,670)	(49,966,175)	0
Cash Flows from Investing Activities:							
Purchase of Investments	25,322,416	(94)	(52,871)	(4,846)	(951)	25,263,654	
Income on Investments	140,115	94	53,770	31,815	951	226,745	
Net Cash Flows Provided by Investing Activities	25,462,531	0	899	26,969	0	25,490,399	0
Net Increase (Decrease)	4,206,897	41,254	2,424,317	2,686,997	(1,758,523)	7,600,942	1,747,047
Cash at Beginning of Year	7,512,798	3,200,419	15,819,189	15,364,060	9,648,135	51,544,601	37,240,173
Cash at End of Year	\$11,719,695	\$3,241,673	\$18,243,506	\$18,051,057	\$7,889,612	\$59,145,543	\$38,987,220

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Business-Type Activities					Total	Governmental Activities Internal Service Funds
	Enterprise Funds						
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Loss)	\$11,559,755	\$475,162	\$966,123	\$2,591,301	(\$2,362,656)	\$13,229,685	\$656,358
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	16,327,030	3,298,088	625,136	561,272	142,624	20,954,150	
Allowance for Bad Debts	912,720		183,782	(73,900)		1,022,602	
(Increase) Decrease in Assets:							
Accounts Receivable	(3,051,439)		(284,542)	(277,268)		(3,613,249)	
Other Receivables	39,688	(45,766)	24,189		(55,912)	(37,801)	(6,763)
Inventories and Prepaid Expenses	(121,797)		(32,099)	(49,963)	(15,440)	(219,299)	(15,712)
Due from Other Funds	990		792		5,309	7,091	334,889
(Increase) Decrease in Deferred Outflows:							
Deferred Other Post Employment Benefit Amounts	(1,122,330)		(99,556)	(545,164)	(393,480)	(2,160,530)	
Deferred Pension Amounts	824,394		61,166	415,948	123,983	1,425,491	
Increase (Decrease) in Liabilities:							
Accounts Payable	(5,075,782)	(12,828)	(49,152)	(370,080)	(1,478)	(5,509,320)	112,698
Accrued Payroll	57,827		9,091	38,023	16,011	120,952	
Claims Payable							665,577
Unearned Revenue			2,253	195,358		197,611	
Other Liabilities		(29,712)	757,795	(391)		727,692	
Compensated Absences	344,109		12,536	35,706	(9,292)	383,059	
Net Other Post Employment Benefit Liability	1,981,005		171,316	967,973	633,697	3,753,991	
Net Pension Liability	1,679,956		145,281	820,873	537,396	3,183,506	
Increase (Decrease) in Deferred Inflows:							
Deferred Other Post Employment Benefit Amounts	(432,931)		(37,440)	(211,542)	(138,488)	(820,401)	
Deferred Pension Amounts	(384,523)		(33,253)	(187,889)	(123,003)	(728,668)	
Total Adjustments	11,978,917	3,209,782	1,457,295	1,318,956	721,927	18,686,877	1,090,689
Net Cash Provided by (Used In) Operating Activities	\$23,538,672	\$3,684,944	\$2,423,418	\$3,910,257	(\$1,640,729)	\$31,916,562	\$1,747,047

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	<u>Pension Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Custodial Funds</u>
ASSETS			
Cash and Cash Equivalents	\$1,550,703	\$27,165,360	\$3,856,141
Receivables:			
Interest Receivable	3,667,196		50
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	1,908,044		
Corporate Debt	118,091,042		
Municipal Obligations	5,050,371		
US Agencies	1,310,956		
US Government Obligations	64,715,182		
Repurchase Agreements	39,967,643		
Other Investments:			
Equity Mutual Funds	514,022,186		
Equity Real Estate	76,527,440		
Equity Securities - Domestic	1,443,832		
Equity Securities - International	243,262,670		
Total Investments	<u>1,066,299,366</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$1,071,517,265</u>	<u>\$27,165,360</u>	<u>\$3,856,191</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$17,944	\$0	\$251,373
Securities Lending Transactions	39,967,643		
Total Liabilities	<u>\$39,985,587</u>	<u>\$0</u>	<u>\$251,373</u>
NET POSITION			
Net position restricted for pensions	<u>\$1,031,531,678</u>		
Pool Participants		<u>\$27,165,360</u>	
Individuals, organizations, and Other Governments			<u>\$3,604,818</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2021

	Pension Trust Funds	Investment Trust Funds	Custodial Funds
ADDITIONS			
Contributions:			
Employer	\$31,406,687	\$8,907,124	\$0
Employer - Administration	5,684,418		
Plan Members	10,985,494		3,050,936
Other	69,240		492,264
Total Contributions	<u>48,145,839</u>	<u>8,907,124</u>	<u>3,543,200</u>
Investment Income:			
Net Change in Fair Value of Investments	222,755,992		
Interest	12,433,075	7,743	
Dividends	2,875,438		
Total Investment Income	<u>238,064,505</u>	<u>7,743</u>	<u>0</u>
Less Investment Expense	2,186,016	2,200	
Net Investment Income	<u>235,878,489</u>	<u>5,543</u>	<u>0</u>
Income from Securities Lending Activities:			
Securities Lending Income	86,783		
Securities Lending Expenses:			
Borrower Rebates	(11,711)		
Management Fees	34,661		
Total Securities Lending Expenses	<u>22,950</u>	<u>0</u>	<u>0</u>
Net Income from Securities Lending Activities	<u>63,833</u>	<u>0</u>	<u>0</u>
Total Additions	<u>284,088,161</u>	<u>8,912,667</u>	<u>3,543,200</u>
DEDUCTIONS			
Benefit Payments	74,432,046	7,212,825	464,914
Administrative Expense	484,698		2,407,330
Total Deductions	<u>74,916,744</u>	<u>7,212,825</u>	<u>2,872,244</u>
Net Increase	209,171,417	1,699,842	670,956
Net Position, Beginning	<u>822,360,261</u>	<u>25,465,518</u>	<u>2,933,862</u>
Net Position, Ending	<u>\$1,031,531,678</u>	<u>\$27,165,360</u>	<u>\$3,604,818</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2021

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$5,827,003	\$11,265,970	\$27,717,498	\$29,498,174	\$74,308,645
Investments		10,507,126		13,762,456	24,269,582
Receivables:					
Accounts Receivable	596,663	1,918,384	81,082	178,448	2,774,577
Other		66,599		249,834	316,433
Due from Primary Government	581,606			1,284,512	1,866,118
Due from Other Governments				6,201,726	6,201,726
Other Current Assets		651,399			651,399
Inventories and Prepaid Expenses			29,575	991,951	1,021,526
Net Pension Asset				2,118,567	2,118,567
Restricted Current Assets:					
Cash		9,436,027		904,507	10,340,534
Accounts Receivable	1,100,440	522,698			1,623,138
Investments	93,197,511	13,729,556		2,832,877	109,759,944
Grants Receivable	1,015,502	4,159,712			5,175,214
Other		44,938			44,938
Capital Assets:					
Non-depreciable	83,868,255	28,365,217	456,800	12,897,159	125,587,431
Depreciable (Net)	192,088,721	162,196,672	1,630,559	55,128,592	411,044,544
Other Assets	163,627		1,971,941		2,135,568
Total Assets	378,439,328	242,864,298	31,887,455	126,048,803	779,239,884
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Amount on Bond Refunding	\$0	\$1,014,151	\$0	\$0	\$1,014,151
Deferred Amount on Note Payable				2,527,500	2,527,500
Deferred Pension Amounts			4,257,650	5,384,098	9,641,748
Deferred Other Post Employment Benefit Amounts			2,879,187	3,136,833	6,016,020
Total Deferred Outflows of Resources	0	1,014,151	7,136,837	11,048,431	19,199,419
Total Assets and Deferred Outflows of Resources	\$378,439,328	\$243,878,449	\$39,024,292	\$137,097,234	\$798,439,303
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	\$10,461,174	\$1,328,484	\$1,616,536	\$1,526,270	\$14,932,464
Interest Payable				138	138
Due to Component Units				2,527,500	2,527,500
Unearned Revenue and Other		166,276	39,966	3,093	209,335
Liabilities Payable from Restricted Assets:					
Accounts Payable		3,394,295			3,394,295
Interest Payable		1,115,330			1,115,330
Noncurrent Liabilities:					
Due Within One Year					
Compensated Absences				604,840	604,840
Bonds and Notes Payable	3,835,000	7,615,000		1,557,892	13,007,892
Due in More Than One Year					
Compensated Absences			578,877	324,408	903,285
Bonds and Notes Payable	240,178,588	74,788,846		18,569,270	333,536,704
Other		339,377			339,377
Net Other Post Retirement Benefit Liability			11,423,258	6,438,063	17,861,321
Net Pension Liability			63,730,740	20,426,216	84,156,956
Total Liabilities	\$254,474,762	\$88,747,608	\$77,389,377	\$51,977,690	\$472,589,437
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Amounts	\$0	\$0	\$540,168	\$4,438,884	\$4,979,052
Deferred Other Post Employment Benefit Amounts			1,272,574	1,517,700	2,790,274
Deferred Amount on Bond Refunding		\$168,990			168,990
Total Deferred Inflows of Resources	0	168,990	1,812,742	5,956,584	7,938,316
Total Liabilities and Deferred Inflows of Resources	\$254,474,762	\$88,916,598	\$79,202,119	\$57,934,274	\$480,527,753
NET POSITION					
Net Investment in Capital Assets	\$116,837,120	\$109,552,102	\$2,087,359	\$49,493,718	\$277,970,299
Restricted for:					
Governmental and Program Funds			182,275	387,787	570,062
Fees	854,851				854,851
Capital Projects		4,159,712			4,159,712
Debt Service	38,899,465	21,674,696	136,787		60,710,948
Unrestricted	(32,626,870)	19,575,340	(42,584,248)	29,281,455	(26,354,323)
Total Net Position	\$123,964,566	\$154,961,850	(\$40,177,827)	\$79,162,960	\$317,911,549

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, 2021

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
Lexington Center Corporation									
Lexington Center Operations	\$7,080,469	\$10,816,368	\$97,500	\$381,000	\$4,214,399				\$4,214,399
Depreciation	4,097,289				(4,097,289)				(4,097,289)
Interest on Long-Term Debt	9,174,984				(9,174,984)				(9,174,984)
Total Lexington Center Corporation	20,352,742	10,816,368	97,500	381,000					(9,057,874)
Lexington Airport Board									
Airport Operations	13,276,324	14,539,170	9,995,526	11,497,728		\$22,756,100			22,756,100
Depreciation	10,739,739					(10,739,739)			(10,739,739)
Interest on Long-Term Debt	2,325,363					(2,325,363)			(2,325,363)
Total Lexington Airport Board	26,341,426	14,539,170	9,995,526	11,497,728					9,690,998
Fayette County Department of Health									
Department of Health Operations	22,686,875	4,240,237	11,514,939				(\$6,931,699)		(6,931,699)
Depreciation	394,713						(394,713)		(394,713)
Total Fayette County Department of Health	23,081,588	4,240,237	11,514,939						(7,326,412)
Nonmajor Component Units	48,577,316	3,296,304	11,980,293	976,289				(\$32,324,430)	(32,324,430)
Total Component Units	\$118,353,072	\$32,892,079	\$33,588,258	\$12,855,017	(\$9,057,874)	\$9,690,998	(\$7,326,412)	(\$32,324,430)	(\$39,017,718)
General Revenues:									
Taxes					\$4,478,857		\$9,347,605	\$42,423,401	\$56,249,863
Income on Investments					283,085	\$648,792	52,413	213,489	1,197,779
Net Change in Fair Value of Investments						(213,245)			(213,245)
Gain on Sale of Capital Assets								4,587.00	4,587
Miscellaneous					(574,326)	258,220		(37,275)	(353,381)
Total General Revenues					4,187,616	693,767	9,400,018	42,604,202	56,885,603
Change in Net Position					(4,870,258)	10,384,765	2,073,606	10,279,772	17,867,885
Net Position, Beginning					128,834,824	144,577,085	(42,115,765)	68,883,188	300,179,332
Adjustment to Opening Net Position (Note 2.D.)							(135,668)		(135,668)
Net Position, Beginning-Restated					128,834,824	144,577,085	(42,251,433)	68,883,188	300,043,664
Net Position, Ending					\$123,964,566	\$154,961,850	(\$40,177,827)	\$79,162,960	\$317,911,549

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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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 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 (4.50%) 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.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
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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 \$14,000 to support the Ferry's operations in fiscal year 2021.

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.

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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 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.

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, investment, and custodial). Since these assets are being held for the benefit of a third party (private parties, investors, 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.

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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.

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. Custodial 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.

Custodial 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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Investment Trust Fund operates under the Sewer indenture established to provide that the net revenues from the sewer system operations are deposited into a Bond Account held by a Trustee, whereby the bondholders are beneficiaries. In fiscal year 2014 the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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. The account must provide coverage of 120% of the maximum annual debt service.

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.

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 custodial funds. Federal and State Grant funds and capital projects funds adopt project-length budgets. Additional special revenue funds which are budgeted include the Industrial Revenue Bond Fund, Police Confiscated Funds, the Public Safety Fund, County Aid Fund, Municipal Aid Fund, and Mineral Severance 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

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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 2021. The net effect of these supplemental appropriations was a decrease of \$10,627,933 in the General Fund and a decrease of \$1,467,669 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 2022, 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 2021 were levied on September 15, 2021, 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 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, 2021, balances of interfund amounts receivable or payable

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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, 2021 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. The balances of the restricted asset’s accounts in the governmental funds are as follows:

Various purpose general obligation notes account	\$24,312,689
Federal Grants and Contracts	29,299
Debt Service on QECB Bond	<u>1,467,409</u>
Total restricted assets	<u>\$25,809,397</u>

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

Sanitary sewer reserve for construction and capital acquisition	\$17,864,617
Sanitary sewer and stormwater capital replacement account	<u>2,777,850</u>
Total restricted assets	<u>\$20,642,467</u>

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.

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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 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.

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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.
- Net 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 net 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.
- Net 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 net postemployment benefits liability in the CERS multi-employer defined benefit pension plan.
- Net 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 net 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 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, differences between projected and actual earnings, 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, 2020.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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, 2021.

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, 2021.

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. Committed fund balance for the General Fund is further classified as follows:

Committed for:

Affordable Housing & Homelessness Intervention	\$2,986,870
Economic Stabilization	37,964,969
Chief Development Officer	2,134,456
Social Services	954,500
Special Programs	379,834
Committed Fund Balance	\$44,420,629

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. The Urban County Council suspended this requirement for fiscal year 2021.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2021

- 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, 2021 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Administrative Services	\$125,000	\$0
Information Technology	150,000	
General Government	44,176,281	421,855
General Services	403,500	
Social Services	40,000	
Assigned Fund Balance	\$44,894,781	\$421,855

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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, 2020.

The Government recognized aggregate Pension Expense of \$95,648,618 for all pension plans of the primary government.

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, 2020.

The Government recognized aggregate OPEB Expense of \$(5,322,048) for all OPEB plans of the primary government.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2021

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, 2021:

	<u>Excess Expenditures</u>
General Fund:	
Building Inspection	\$91,240
Coroner	9,903
DEEM/Enhanced 911	104,130
Emergency Management	229,810
Enterprise Solutions	34,560
Internal Audit Office	11,102
Lex Call	15,072
Police	116,558
Public Safety Administration	85,385
Revenue	21,551
Youth Services	250,006
Urban Services Fund:	
Central Purchasing	\$1,507
Enterprise Solutions	388
Fleet & Facilities Management	24,439
Indirect Cost Allocation	400,148

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

C. Fund Deficits

Proprietary funds – the Extended School Program had a fund deficit of (\$1,716,601) as a result of the net pension liability.

D. Prior Period Adjustments

Primary Government

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

General Funds: Recognize unreimbursable expenditures from the prior fiscal year in the amount of \$255,746. Recognize revenue from 2017 in the amount of \$74,614.

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

Sanitary Sewer Funds: Unrecognize revenues from the prior fiscal year in the amount of \$358,303. Unrecognize revenues from fiscal year 2019 and 2018 in the amount of \$32,955 and \$48,171, respectively.

Public Facilities Corporation Funds: Recognize revenues from the prior fiscal year in the amount of \$358,303. Capitalize land acquired in fiscal years 2000 and 1998 of \$630,000 and \$3,491,347, respectively.

Landfill Fund: Unrecognize revenues from fiscal year 2019 and 2018 in the amount of \$12,436 and \$18,178, respectively.

Water Quality Funds: Unrecognize revenues from fiscal year 2019 and 2018 in the amount of \$16,788 and \$24,540, respectively.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

Component Units

The Fayette County Department of Health reduced net position by \$135,668 to recognize grant expenditures from the prior fiscal year.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments, and Securities Lending

Primary Government

The Government's bank balances at June 30, 2021 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 as amended March 18, 2019, 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, 2021 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	\$44,972,699	\$44,972,699		
Money Market Mutual Funds	49,542,213		\$49,542,213	
Certificates of Deposit	1,697,628		1,697,628	
Commercial Paper	12,992,280	12,992,280		
U.S. Government Agency Obligations	56,464,147		56,464,147	
Total Investments	\$165,668,967	\$57,964,979	\$107,703,988	\$0

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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 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 Type	Fair Value	Investment Maturities (in years)				S&P Rating	Fair Value
		Less Than 1 Year	1 to 5	6 to 10	More than 10		
Cash and Cash Equivalents	\$44,972,699	\$44,972,699				AA	\$56,464,147
Money Market Mutual Funds	49,542,213	49,542,213				NA	109,204,820
Certificates of Deposit	1,697,628	1,041,792		\$450,356	\$205,479		
Commercial Paper	12,992,280	12,992,280					
U.S. Government Agency Obligations	56,464,147	8,270,058	\$48,194,090				
Total Investments	\$165,668,967	\$116,819,042	\$48,194,090	\$450,356	\$205,479		

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.

Investment Trust Fund

The Government’s investment trust fund operates under the Sewer indenture established to provide that the net revenues from the sewer system operations are deposited into a Bond Account held by a Trustee. The account must provide coverage of 120% of the maximum annual debt service. The fund follows the Government’s policy in accordance with Kentucky Revised Statute (KRS) 66.480 and the Government’s investment policy.

Sewer Investment Trust Fund

Investment Type	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for	Observable	Unobservable
		Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Money Market Mutual Funds	\$27,165,360		\$27,165,360	

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,

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

broker/dealer quotes, and 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.

Sewer Investment Trust Fund							
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
Money Market Mutual Funds	\$27,165,360	\$27,165,360	\$0	\$0	\$0	NA	\$27,165,360

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, 2021 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
Debt Securities				
Bank Loans	\$1,908,044		\$1,908,044	
Corporate Debt	112,612,009	2,074	112,541,607	\$68,328
Municipal Obligations	5,050,371		5,050,371	
SL Comingle Fund	39,967,643		39,967,643	
US Agencies	1,310,956		1,310,956	
US Government Obligations	61,352,927		61,352,927	
	<u>\$222,201,950</u>	<u>\$2,074</u>	<u>\$222,131,548</u>	<u>\$68,328</u>
Other Investments				
Equity Mutual Funds	\$487,234,954		\$487,234,954	
Equity Real Estate	76,527,440		76,527,440	
Equity Securities - Domestic	1,443,832	707,080	191,082	545,670
Equity Securities - International	243,262,670		243,262,670	
	<u>\$1,030,670,846</u>	<u>\$709,154</u>	<u>\$1,029,347,694</u>	<u>\$613,998</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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 primarily Exide which underwent bankruptcy reorganization in October, 2020. The private common stock was newly created by Energy Technologies Holdings as part of the bankruptcy reorganization of Exide Technologies in October 2020. Level 3 inputs from domestic Equity Securities are fair valued by broker quotes daily.

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

Asset Class	Target Allocation
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	4.50%
Total Equities	63.00%
US Core Fixed Income	15.50%
US High Yield Fixed Income	7.50%
Total Fixed Income	23.00%
Real Estate	9.00%
Real Return	5.00%
Total Plan	100.00%

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)
June 30, 2021

Investment Type	Fair Value	Policemen's and Firefighters' Retirement Fund				S&P Rating	Fair Value
		Investment Maturities (in years)					
		Less Than 1	1 to 5	6 to 10	More than 10		
Debt Securities						A	\$45,063,448
Bank Loans	1,908,044		\$659,802	\$1,248,242		AA	78,191,850
Corporate Debt	112,612,009	\$2,698,692	54,425,494	42,730,380	\$12,757,443	AAA	6,333,632
International Bonds						B	18,294,387
Municipal Obligations	5,050,371		1,685,219	2,323,460	1,041,692	BB	28,279,902
SL Comingle Fund	39,967,643	25,480,889		13,199,445	1,287,309	BBB	22,607,304
US Agencies	1,310,956		349,895	831,754	129,307	CCC	2,601,871
US Government Obligations	61,352,927	4,645,065	19,315,901	4,724,336	32,667,625	D	114,075
	<u>\$222,201,950</u>	<u>\$32,824,647</u>	<u>\$76,436,311</u>	<u>\$65,057,617</u>	<u>\$47,883,375</u>	NR	829,184,378
Other Investments							
Equity Mutual Funds	\$487,234,954	\$487,234,954					
Equity Real Estate	76,527,440	76,527,440					
Equity Securities - Domestic	1,443,832	1,272,982			170,850		
Equity Securities - International	243,262,670	243,262,670					
	<u>\$1,030,670,846</u>	<u>\$841,122,693</u>	<u>\$76,436,311</u>	<u>\$65,057,617</u>	<u>\$48,054,225</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.

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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As of June 30, 2021, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$39,967,643. Investments of the CEPF as of June 30, 2021 are summarized and categorized in the following table:

City Employees Pension Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Debt Securities:				
Corporate Debt	\$5,479,033		\$5,479,033	
US Agencies				
US Government Obligations	3,362,255	\$3,362,255		
	<u>8,841,288</u>	<u>3,362,255</u>	<u>5,479,033</u>	<u>-</u>
Other Investments:				
Equity Mutual Funds	26,787,232		26,787,232	
	<u>\$35,628,520</u>	<u>\$3,362,255</u>	<u>\$32,266,265</u>	<u>\$0</u>

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%
	<u>100.00%</u>

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

City Employees Pension Fund							
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
Debt Securities:							
Corporate Debt	\$5,479,033	\$1,205,555	\$3,978,570	\$294,908		AAA	\$492,873
US Agencies						AA	3,845,973
US Government Obligations	3,362,255			1,438,447	\$1,923,808	A	3,224,500
	8,841,288	1,205,555	3,978,570	1,733,355	1,923,808	BBB	1,277,942
						NR	26,787,232
Other Investments:							
Equity Mutual Funds	26,787,232	26,787,232					
	\$35,628,520	\$27,992,787	\$3,978,570	\$1,733,354	\$1,923,808		

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:

	Reported Amount/ Fair Value
U.S. Government and Government Agency Obligations	\$56,394,964
Investments not subject to categorization:	
Certificates of Deposit	27,085,159
Money Market Funds	50,549,403
Total Investments	\$134,029,526

As of June 30, 2021, LCC had \$5,827,003 and \$1,100,400 in deposits and investments, respectively, which were uninsured and uncollateralized.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

B. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental Activities:				
Nondepreciable Assets:				
Land	\$62,895,468	\$0	\$0	\$62,895,468
Purchase of Development Rights	81,923,017	637,246		82,560,263
Intangibles	10,111,385	493,197		10,604,582
Construction in Progress	19,941,980	23,697,230	(16,717,256)	26,921,954
Developments in Progress	156,990			156,990
Depreciable Assets:				
Buildings	197,342,547	4,000,426		201,342,973
Intangibles	21,162,145	102,068		21,264,213
Vehicles, Equipment, & Furniture	157,060,176	10,331,496	(8,673,695)	158,717,977
Land & Leasehold Improvements	53,180,734	7,772,909	(33,380)	60,920,263
Infrastructure *	1,064,013,865	4,418,884		1,068,432,749
Sewer Lines	11,749,467			11,749,467
Sewer Plants	216,797			216,797
Totals at Historical Cost	1,679,754,571	51,453,456	(25,424,331)	1,705,783,696
Less Accumulated Depreciation For:				
Buildings	(85,464,956)	(6,259,005)		(91,723,961)
Intangibles	(17,283,673)	(1,820,041)		(19,103,714)
Vehicles, Equipment, & Furniture	(110,173,379)	(11,000,988)	8,478,983	(112,695,384)
Land & Leasehold Improvements	(34,649,719)	(3,559,347)	23,644	(38,185,422)
Infrastructure	(518,885,883)	(34,654,045)		(553,539,928)
Sewer Lines	(1,964,918)	(234,140)		(2,199,058)
Sewer Plants	(24,170)	(4,336)		(28,506)
Total Accumulated Depreciation	(768,446,698)	(57,531,902)	8,502,627	(817,475,973)
Governmental Activities Capital Assets, Net	\$911,307,873	(\$6,078,446)	(\$16,921,704)	\$888,307,723
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Nondepreciable Assets:				
Land *	\$50,543,044	\$279,831	\$0	\$50,822,875
Construction in Progress	71,454,475	26,021,605	(63,947,927)	33,528,153
Intangibles	908,663	100,000		1,008,663
Depreciable Assets:				
Buildings	120,817,519	127,425		120,944,944
Intangibles	9,183,013	41,513		9,224,526
Vehicles, Equipment & Furniture	41,224,597	3,664,641	(1,230,289)	43,658,949
Land & Leasehold Improvements	42,950,767	367,320		43,318,087
Infrastructure	22,430,210	954,019	(391,998)	22,992,231
Sewer Lines	239,951,436	49,179,184		289,130,620
Sewer Plants	291,670,500	12,668,975		304,339,475
Totals at Historical Cost	891,134,224	93,404,513	(65,570,214)	918,968,523
Less Accumulated Depreciation For:				
Buildings	(96,060,529)	(3,530,187)		(99,590,716)
Intangibles	(7,140,383)	(1,188,001)		(8,328,384)
Vehicles, Equipment & Furniture	(23,635,168)	(2,961,766)	1,210,977	(25,385,957)
Land & Leasehold Improvements	(36,962,650)	(481,092)		(37,443,742)
Infrastructure	(2,548,373)	(472,680)		(3,021,053)
Sewer Lines	(87,098,248)	(5,439,450)		(92,537,698)
Sewer Plants	(114,124,691)	(6,880,973)		(121,005,664)
Total Accumulated Depreciation	(367,570,042)	(20,954,147)	1,210,977	(387,313,213)
Business-Type Activities Capital Assets, Net	\$523,564,182	\$72,450,366	(\$64,359,237)	\$531,655,310

* Restated beginning balance due to prior period adjustment

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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

Governmental Activities:

General Government	\$1,349,693
Computer Information Technology	879,160
Chief Development Officer	1,926
Administrative Services	560,428
Finance	573,829
Public Safety	824,679
Environmental Quality & Public Works	37,413,536
Police	2,291,488
Fire and Emergency Services	2,261,217
Law	11,123
Community Corrections	2,594,563
Social Services	623,135
General Services	5,973,730
Parks and Recreation	1,849,604
Planning, Preservation, & Development	323,791
Total depreciation expense - Governmental Activities	\$57,531,902

Business-Type Activities:

Sanitary Sewer System	\$16,327,030
Public Facilities Corporation	3,298,088
Landfill	625,136
Right of Way	6,324
Extended School Program	3,111
Enhanced 911	133,189
Water Quality	561,272
Total depreciation expense - Business-Type Activities	\$20,954,150

	Discretely Presented Component Units			
	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Assets:				
Land	\$40,660,245			\$40,660,245
Construction in Progress *	32,810,788	\$15,817,289	(\$36,145,065)	12,483,012
Other	158,877,389	92,763,171	(179,196,385)	72,444,175
Depreciable Assets:				
Buildings & Improvements	303,518,278	193,739,109	(3,757,632)	493,499,755
Vehicles, Equipment, & Furniture *	94,450,049	11,124,344	(2,239,816)	103,334,577
Land & Leasehold Improvements	82,816,512	15,771,028	(298,674)	98,288,866
Intangibles	240,467	43,150		283,617
Totals at Historical Cost	713,373,728	329,258,091	(221,637,572)	820,994,247
Less Accumulated Depreciation	(269,875,285)	(20,404,165)	5,917,179	(284,362,271)
Component Unit Activities				
Capital Assets, Net	\$443,498,443	\$308,853,926	(\$215,720,393)	\$536,631,976

* Restated beginning balance due to prior period adjustment

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

Construction Commitments

The Government has active construction projects as of June 30, 2021. The projects include building improvements, capital repairs and maintenance, land improvements, sanitary sewer storm collection systems, storm drainage and major roadways. At June 30, 2021, the Government had the following commitments on construction contracts:

Project	Commitment
Buildings	\$96,722
Capital Repairs & Maintenance	1,654,963
Land Improvements	10,220,457
Sanitary Sewer Collection System	87,559,917
Sanitary Sewer Treatment System	3,484,170
Storm Drainage	6,660,668
Street Resurfacing Maintenance	5,824,070
Streets & Roadways	16,488,910
Street Lighting	148,071
Traffic Control & Markings	407,623
	\$132,545,571

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, 2021. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2021, is as follows:

Fund Description	Due from (to) General Fund
Federal & State Grants	\$1,167,863
Other Governmental Funds	(1,358,225)
Total due from General Fund	(\$190,362)

Receivable Entity	Payable Entity	Amount
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	\$1,284,512
Component unit - Lexington Center Corporation	Primary government - General fund	581,606
Total		\$1,866,118

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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 & State Grants	Nonmajor Governmental	Total Governmental	Sanitary Sewer	Public Facilities Corp	Landfill	Water Quality	Nonmajor Proprietary	Total Proprietary
General	\$0	\$4,000,000	\$737,473	(\$3,454,110)	\$1,283,363	\$0	\$284,280	\$0	\$0	\$0	\$284,280
Urban Services	(4,000,000)		25,000		(3,975,000)						
Fed & State Grants	(737,473)	(25,000)		(2,541,540)	(3,304,013)	(120,000)				(4,124)	(124,124)
Nonmajor Governmental	3,454,110		2,541,540		5,995,650						
Sanitary Sewer	120,000				120,000						
Public Facilities Corp	(284,280)				(284,280)						
Nonmajor Proprietary			4,124		4,124						
Grand Total	(\$1,447,643)	\$3,975,000	\$3,308,137	(\$5,995,650)	(\$160,156)	(\$120,000)	\$284,280	\$0	\$0	(\$4,124)	\$160,156

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, 2021

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and net pension liabilities at June 30, 2021 are as follows:

	Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
Governmental Activities						
Bonds, Notes, Loans, and Leases:						
Pension Obligation, Series 2009B	Police/Fire Pension Fund	\$70,610,000	3.50% - 6.00%	1-Apr-2029	\$36,435,000	\$3,720,000
General Obligation, Series 2010H	Refunding of 2001B	\$4,465,000	1.00%-3.80%	1-Dec-2021	540,000	540,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	\$31,000,000	2.50% - 4.00%	1-Oct-2032	2,910,000	1,435,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	\$6,275,000	2.00% - 4.00%	1-Jul-2024	3,080,000	780,000
General Obligation, Series 2013A	Road Resurfacing	\$11,275,000	2.00% - 5.00%	1-Oct-2023	3,610,000	1,145,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	2,460,000	500,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2037	2,360,000	755,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	36,015,000	2,960,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	4,245,000	985,000
General Obligation, Series 2014C	QECB Detention Center	\$2,900,000	3.25%	1-Jun-2027	2,795,000	0
General Obligation, Series 2015A	Refunding of 2006C,2009A,2010G	\$19,845,000	3.00% - 5.00%	1-Oct-2028	11,355,000	1,415,000
General Obligation, Series 2015B	CIP projects	\$24,860,000	2.00% - 5.00%	1-Oct-2035	15,715,000	1,460,000
General Obligation, Series 2016A	Historic Courthouse Renovation	\$22,450,000	.80%-3.00%	1-Aug-2036	18,740,000	970,000
General Obligation, Series 2016B	CIP projects	\$8,870,000	2.00% - 5.00%	1-Aug-2036	6,535,000	645,000
General Obligation, Series 2016C	CIP projects	\$37,555,000	2.00% - 5.00%	1-Oct-2036	26,605,000	3,100,000
General Obligation, Series 2016D	Refunding of 2006D Detention Center	\$28,495,000	4.00% - 5.00%	1-Nov-2024	12,020,000	3,820,000
General Obligation, Series 2017A	CIP projects	\$32,435,000	3.00% - 5.00%	1-Sep-2037	24,880,000	2,780,000
General Obligation, Series 2017B	Refunding of 2010D Police/Fire Pension	\$22,445,000	2.00% - 2.85%	1-Jun-2030	21,075,000	2,125,000
General Obligation, Series 2018A	CIP projects	\$42,055,000	3.00% - 5.00%	1-Oct-2038	37,180,000	2,625,000
General Obligation, Series 2019A	CIP projects	\$18,110,000	3.00% - 5.00%	1-Nov-2039	16,860,000	1,315,000
General Obligation, Series 2020A	CIP projects	\$6,800,000	2.00% - 5.00%	1-Nov-2030	6,800,000	545,000
General Obligation, Series 2020B	Refunding of 2012A Police/Fire Pension	\$19,645,000	.20%-1.58%	1-Oct-2032	19,645,000	325,000
General Obligation, Series 2020C	Refunding of 2013C	\$11,485,000	1.00%-1.25%	1-Nov-2033	11,485,000	195,000
General Obligation, Series 2020D	Refunding of 2014B	\$18,200,000	.28%-1.68%	1-Nov-2034	18,200,000	370,000
					<u>22,305,860</u>	
Premiums and Discounts						
Total Bonds, Notes, and Loans Payable					<u>363,850,860</u>	<u>34,510,000</u>
Other Liabilities:						
Compensated Absences					30,274,863	4,238,481
Net Other Post Employment Benefit Liability					355,298,815	
Net Pension Liability					<u>611,048,921</u>	
Total Other Liabilities					<u>996,622,599</u>	<u>4,238,481</u>
Total Governmental Activities					<u>\$1,360,473,459</u>	<u>\$38,748,481</u>
Business-Type Activities						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	\$24,190,000	3.00% - 5.00%	1-Sep-2030	\$18,945,000	\$3,095,000
Sanitary Sewer, Series 2019A	SWR CIP Projects	\$50,730,000	2.125% - 5.00%	1-Apr-2040	47,860,000	1,675,000
Public Facilities, Series 2016D Refunding	Refunding	\$42,590,000	2.65% - 5.00%	1-Oct-2031	33,710,000	2,510,000
Radcliffe road A209-09	SRF Loan	\$113,523	2.00%	1-Jun-2030	56,943	5,835
KIA Streetscape A209-8	SRF Loan	\$1,254,980	2.00%	1-Dec-2030	658,398	63,591
So. Elkhorn A09-01	SRF Loan	\$14,045,119	2.00%	1-Dec-2031	8,069,464	697,943
Wolf Run A10-08	SRF Loan	\$8,373,431	2.00%	1-Dec-2035	6,894,194	414,265
A13-002 Bob-O-Link	SRF Loan	\$2,711,427	1.75%	1-Dec-2038	2,303,246	121,541
A13-003 East Lake	SRF Loan	\$743,414	1.75%	1-Dec-2037	598,254	33,914
A13-003 Century Hills	SRF Loan	\$1,327,844	1.75%	1-Dec-2037	1,068,567	60,575
A13-003 West Hickman Trk A	SRF Loan	\$4,338,726	1.75%	1-Dec-2037	3,491,541	197,929
A13-003 Woodhill Trk	SRF Loan	\$3,588,635	1.75%	1-Dec-2037	2,887,913	163,711
A13-018 E2A	SRF Loan	\$5,264,306	1.75%	1-Dec-2037	4,352,868	237,959
A13-007 AW PH3	SRF Loan	\$1,154,472	1.75%	1-Dec-2037	795,771	45,117
A13-007 IDLHR N	SRF Loan	\$620,324	1.75%	1-Dec-2037	499,021	28,272
A13-002 Wolf Run Trk	SRF Loan	\$452,195	1.75%	1-Dec-2038	384,121	20,270
A13-002 Wolf Run WWS	SRF Loan	\$5,725,025	1.75%	1-Dec-2038	4,863,175	256,627
A12-016 Blue Sky	SRF Loan	\$1,594,026	2.00%	1-Dec-2036	1,252,887	72,396
A13-007 Wallhampton Rogers	SRF Loan	\$719,816	1.75%	1-Dec-2037	579,003	32,820
A13-007 Cardinal-Laramie PH1-3	SRF Loan	\$226,247	1.75%	1-Dec-2037	181,968	10,320
A13-015 Town Branch	SRF Loan	\$20,309,618	1.75%	1-Dec-2038	17,246,532	910,088
A14-001 Lower Cane Run WWS	SRF Loan	\$12,168,449	1.75%	1-Dec-2038	10,330,006	545,108
A13-015 Marquis Ave	SRF Loan	\$583,329	1.75%	1-Dec-2038	495,352	26,139
A13-015 UK Trunk	SRF Loan	\$3,009,695	1.75%	1-Dec-2038	2,555,774	134,867
A15-026 West Hickman WWS*	SRF Loan	\$62,289,235	1.75%	1-Dec-2038	55,772,823	2,843,518
A13-007 Rodgers Rd	SRF Loan	\$1,780,179	1.75%	1-Dec-2037	1,431,880	81,179
A17-003 Lower Griffin Gate Trunk	SRF Loan	\$1,286,628	1.75%	1-Dec-2037	1,121,021	57,154
A17-005 Town Branch PH 1*	SRF Loan	\$9,969,585	1.75%	1-Dec-2040	4,367,248	
					<u>10,676,479</u>	
Premiums and Discounts						
Total Bonds, Notes, and Loans Payable					<u>243,449,449</u>	<u>14,341,139</u>
Other Liabilities:						
Compensated Absences					2,776,726	1,025,341
Landfill Closure & Postclosure Care Costs					12,722,165	443,321
Net Other Post Employment Benefit Liability					13,878,432	
Net Pension Liability					<u>44,364,256</u>	
Total Other Liabilities					<u>73,741,579</u>	<u>1,468,662</u>
Total Business-Type Activities					<u>\$317,191,028</u>	<u>\$15,809,801</u>

*Amounts represents draws as of 6/30/2021

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	\$362,130,000	\$56,130,000	(\$76,715,000)	\$341,545,000	\$34,510,000
Net of Bond Premiums and Discounts	26,368,338	(1,493,425)	(2,569,052)	22,305,860	
Total Bonds, Notes, and Loans Payable	388,498,338	54,636,575	(79,284,052)	363,850,860	34,510,000
Other Liabilities:					
Compensated Absences	28,699,840	3,014,747	(1,439,724)	30,274,863	4,238,481
Net Other Post Employment Benefit Liability	337,040,126	101,139,967	(82,881,278)	355,298,815	
Net Pension Liability	509,367,009	201,664,786	(99,982,874)	611,048,921	
Total Governmental Activities Long-Term Liabilities	\$1,263,605,313	\$360,456,074	(\$263,587,928)	\$1,360,473,459	\$38,748,481
Business-Type Activities					
Bonds, Notes, and Loans:					
Revenue Bonds	\$71,345,000	\$0	(\$4,540,000)	\$66,805,000	\$4,770,000
Mortgage Revenue Bonds	36,100,000		(2,390,000)	33,710,000	2,510,000
Notes and Loans	138,805,178	387,655	(6,934,863)	132,257,970	7,061,139
Bonds, Notes, and Loans Payable	246,250,178	387,655	(13,864,863)	232,772,970	14,341,139
Net of Bond Premiums and Discounts	11,576,410	0	(899,931)	10,676,479	
Total Bonds, Notes, and Loans Payable	257,826,588	387,655	(14,764,794)	243,449,449	14,341,139
Other Liabilities:					
Compensated Absences	2,393,667	514,419	(131,359)	2,776,727	1,025,341
Landfill Closure and Postclosure Care Costs	11,964,370		757,795	12,722,165	443,321
Net Other Post Employment Benefit Liability	10,124,441	4,526,574	(772,582)	13,878,432	
Net Pension Liability	41,180,750	5,250,811	(2,067,305)	44,364,256	
Total Business-Type Activities Long-Term Liabilities	\$323,489,816	\$10,679,458	(\$16,978,246)	\$317,191,029	\$15,809,801

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
2022	\$12,245,115	\$34,510,000	\$4,764,160	\$11,831,139	\$1,445,181	\$2,510,000	\$18,454,456	\$48,851,139
2023	10,733,075	34,660,000	4,435,806	10,630,859	1,316,431	2,640,000	16,485,312	47,930,859
2024	9,225,291	35,455,000	4,146,115	10,918,716	1,181,057	2,775,000	14,552,463	49,148,716
2025	7,680,642	30,770,000	3,846,600	11,218,972	1,038,806	2,915,000	12,566,048	44,903,972
2026	6,384,229	31,085,000	3,544,896	11,521,672	889,306	3,065,000	10,818,431	45,671,672
2027-2031	15,561,927	124,160,000	12,969,430	62,312,313	2,139,056	16,480,000	30,670,413	202,952,313
2032-2036	4,093,305	41,240,000	6,063,990	54,317,872	43,641	3,325,000	10,200,936	98,882,872
2037-2042	377,406	9,665,000	1,177,180	26,311,427			1,554,586	35,976,427
Total	\$66,300,990	341,545,000	\$40,948,177	199,062,970	\$8,053,478	33,710,000	\$115,302,645	574,317,970
Less principal payable within one year		34,510,000		11,831,139		2,510,000		48,851,139
Long term principal due after one year		\$307,035,000		\$187,231,831		\$31,200,000		\$525,466,831

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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	
2022	\$3,835,000	\$7,615,000	\$1,557,892	\$13,007,892
2023	4,085,000	4,690,000	723,363	9,498,363
2024	4,350,000	4,740,000	782,957	9,872,957
2025	4,620,000	4,880,000	1,764,674	11,264,674
2026	4,910,000	5,105,000	613,213	10,628,213
2027-2035	47,920,000	49,490,000	1,457,858	98,867,858
2036-2040	36,150,000	5,240,000	553,805	41,943,805
2041-2045	47,575,000			47,575,000
2046-2050	54,095,000		12,673,400	66,768,400
2051-2054	25,810,000			25,810,000
Total	233,350,000	81,760,000	20,127,162	335,237,162
Less payable within one year	(3,835,000)	(7,615,000)	(1,557,892)	(13,007,892)
Refinancing loss/premium-discount	10,663,588	643,846		11,307,434
Long term principal due after one year	\$240,178,588	\$74,788,846	\$18,569,270	\$333,536,704
Fiscal Year	Interest			Total
	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	
2022	\$10,081,083	\$2,121,991	\$0	\$12,203,074
2023	9,883,082	2,007,019	414,212	12,304,313
2024	9,672,208	1,885,947	389,288	11,947,443
2025	9,447,957	1,757,843	363,530	11,569,330
2026	9,209,708	1,615,820	321,487	11,147,015
2027-2035	71,515,180	8,184,082	282,426	79,981,688
2036-2040	29,625,663	163,427	1,153,602	30,942,692
2041-2045	20,081,537		960,397	21,041,934
2046-2050	8,329,239		925,629	9,254,868
2051-2054	1,350,917		740,503	2,091,420
Total	\$179,196,574	\$17,736,129	\$5,551,074	\$202,483,777

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. \$55,306,428 of Sewer System Revenue Bonds, Series 2019A, issued at a premium and payable annually in principal installments ranging from \$1,275,000 to 3,320,000 plus interest over 20 years for the purpose of financing various improvements to the Sanitary Sewer System mandated by the consent decree agreement with the Environmental Protection Agency.

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.

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.

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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 \$8,888,648, 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.
8. KIA Loan A13-18 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 A12-16 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 A13-15 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.

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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, 2021 the Government has received only a partial draw of \$62,289,235 with the remaining balance of \$5,654,953 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 principal 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.
14. KIA Loan A17-005 issued in the amount of \$9,969,585 for the replacement of 5,600 linear feet of 12 inch sewer pipes with 21 inch sewer pipes. Additionally a source water pump and a Bio-swale for surface water treatment from paved areas will be installed. As of June 30, 2021 the Government has received only a partial draw of \$4,367,248 with the remaining balance of \$5,602,337 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 principal 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 \$25,000 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. \$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.
2. \$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.
3. \$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.
4. \$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.

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5. \$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. Of the outstanding balance \$19,645,000 was refunded through the issuance of Series 2020B, leaving a remaining balance of \$4,300,000.
6. \$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.
7. \$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.
8. \$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.
9. \$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 principal installments ranging from \$595,000 to \$1,195,000 plus interest over 20 years. Of the outstanding balance \$11,485,000 was refunded through the issuance of Series 2020C, leaving a remaining balance of \$3,085,000
10. \$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.
11. \$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, 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. Of the outstanding balance \$18,200,000 was refunded through the issuance of Series 2020C, leaving a remaining balance of \$5,185,000

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12. \$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.
13. \$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.
14. \$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.
15. \$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.
16. \$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 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.
17. \$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

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- 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.
18. \$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.
 19. \$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.
 20. \$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.
 21. \$42,055,000 Series 2018A 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 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. Issued at a premium and payable in annual principal payments ranging from \$1,060,000 to \$3,595,000 plus interest over 20 years.
 22. \$18,110,000 Series 2019A Various Purpose General Obligation Bonds financing repairs and upgrades and equipping of fire stations, safety operations, new firetrucks and other fire safety related projects, new police equipment, new police cars, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, pedestrian safety improvements, renovations, repairs and upgrades related to public buildings, new voting machines, public art funding and various other improvements within departments of the Lexington-Fayette Urban County Government. Issued at a premium and payable in annual principal payments ranging from \$210,000 to \$1,900,000 plus interest over 20 years.
 23. 6,800,000 Series 2020A Various Purpose General Obligation Bonds financing, new police cars, road resurfacing, traffic signal upgrades, and various other improvements within departments of the Lexington-Fayette Urban County Government. Issued at a premium and payable in annual principal payments ranging from \$545,000 to \$785,000 plus interest over 10 years.
 24. \$22,445,000 Series 2020B Taxable General Obligation Pension Funding Refunding Bonds issued to finance the refunding of a portion of the 2012A Lexington-Fayette Urban County Government Taxable General Obligation

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Pension Funding Bonds. Issued at Par and payable in annual principal payments ranging from \$325,000 to \$2,005,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$ 1,998,958 over the life of the bonds resulting in net present value savings of \$1,993,274 or 11.15% of the refunded principal.

25. \$11,485,000 Series 2020C, Various Purpose General Obligation Refunding Bonds to finance the refunding of the 2013C Various Purpose General Obligation Bonds. Issued at Par and payable in annual principal payments ranging from \$195,000 to \$1,150,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$1,070,316 over the life of the bonds resulting in net present value savings of \$1,075,104 or 10.67% of the refunded principal.
26. \$18,200,000 Series 2020D, Various Purpose General Obligation Refunding Bonds to finance the refunding of the 2014B Various Purpose General Obligation Bonds. Issued at Par and payable in annual principal payments ranging from \$370,000 to \$1,785,000 plus interest over 14 years. The refunding provided for a cumulative savings of \$1,353,965 over the life of the bonds resulting in net present value savings of \$1,358,474 or 9.03% 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, 2021 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.

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, 2019	\$0
Claims and changes in estimates	36,111,252
Claims paid	(36,111,252)
Surplus at June 30, 2020	0
Claims and changes in estimates	35,517,122
Claims paid	<u>(35,517,122)</u>
Surplus at June 30, 2021	<u>\$0</u>

B. Insurance and Risk Management – The Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through the 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.

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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, 2021 the undiscounted estimated liability was \$32,750,742. The discounted estimated liability as of June 30, 2021 was \$28,946,969. 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, 2019	\$1,759,830	\$3,695,230	\$207,831	\$21,086,140	\$26,749,031
Claims and changes in estimates FY20	(1,580,682)	(1,367,803)	(787,871)	(5,050,024)	(8,786,380)
Claims Incurred FY 2020	1,234,764	1,432,895	761,791	6,064,512	9,493,962
Liability at June 30, 2020	1,413,912	3,760,322	181,751	22,100,628	27,456,613
Claims and changes in estimates FY21	(1,474,941)	(868,651)	423,677	(5,389,121)	(7,309,037)
Claims Incurred FY 2021	1,464,707	1,399,466	(458,761)	6,393,980	8,799,393
Liability at June 30, 2021	\$1,403,678	\$4,291,137	\$146,667	\$23,105,487	\$28,946,969

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.

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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 8 Locations	500,000	\$5,000,000 Annual Aggregate for 8 Specified Locations
Earthquake Loss	250,000	\$100,000,000 Per Occurrence
Electronic Data Processing	250,000	Included in Property Limits
Traffic Control Equipment	250,000	Included in Property Limits
Cyber Coverage – First Party	100,000	\$2,000,000 Aggregate
Boiler and Machinery	100,000	\$100,000,000 Per Occurrence
Electronic Data Processing	100,000	\$10,000,000 Per Occurrence
Auto Physical Damage	250,000	Included in Property Limits
Auto Liability	1,500,000	\$2,000,000 Combined Single Limit Per Occurrence/included in \$8,000,000 Commercial Excess Liability Umbrella
General Liability	1,500,000	\$2,000,000 Per Occurrence with varying sublimits/\$4,000,000 per aggregate included in \$8,000,000 Commercial Excess Liability Umbrella
Public Officials Liability	1,500,000	\$2,000,000 Per Occurrence & Aggregate included in \$8,000,000 Commercial Excess Liability Umbrella
Law Enforcement Liability	1,500,000	\$5,000,000 Per Occurrence & Aggregate
Excess Law Enforcement Liability		\$3,000,000 Per Occurrence & Aggregate
Workers' Compensation	1,000,000	Statutory Per Occurrence
Employers' Liability	1000000	\$2,000,000 Per Occurrence & Aggregate
Cyber Liability	75000	\$2,000,000 Aggregate w/ \$1.9M sublimit for Ransomware subject to 5% co-insurance
Pollution Liability	75000	\$1,000,000 Aggregate
Aviation Liability	N/A	\$20,000,000 Per Occ.

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, 2021 the Government has accrued approximately \$11,900,000 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

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the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse 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. Under the terms of a Lease Agreement dated June 15, 1993 and Supplemental Lease Agreement (Agreement) dated September 18, 2008, LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2008A 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 operational revenue. The Agreement grants LFUCG an exclusive option to renew the lease for additional 1-year periods through June 30, 2022, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. This Agreement was terminated and replaced on October 1, 2018.

New Lease Agreement dated October 1, 2018 (New Agreement), LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2018 Bonds. The New Agreement grants LFUCG an option to renew the lease for additional 1-year periods through June 30, 2049, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. LCC and LFUCG entered into a Management Contract dated June 15, 1993. Under this contract, LCC has full possession and control of the Project on behalf of LFUCG. The contract also provides that, in the event operating revenues exceed operating expenses in a given year, this excess may be used to establish reasonable reserves for efficient operation, depreciation, replacement of equipment, and repairs. Any remaining surplus shall be seasonably remitted to LFUCG. Accordingly, LCC has established a Capital Replacements Reserve Account to be used to fund expected replacements and major repairs of fixed assets. And a Current Operating Reserve Account to be used to provide a reasonable reserve for the operations of LCC. The Management Contract between LCC and LFUCG is coterminous with the term of the New Agreement and is automatically renewed from year to year with the New Agreement.

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 terminated 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. In an agreement signed September 20, 2018 an effective date of January 1, 2019. The new agreement establishes monthly contribution from Visit LEX of \$62,500 and LCC agrees to fund an "Incentive Fund" in the amount of \$250,000. The first three years of the agreement, LCC shall maintain an annual limit in the fund of \$125,000 thereafter. The agreement has a term of 66 months with 5-year automatic renewals and a final 54 month term for a total of 30 years. Due to significant loss of Transient Room Tax revenues in 2020 a new agreement has been approved and the new terms are listed in sections G.

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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. In October 2018, LCC received approximately \$221 million through the sale of bonds for the Convention Project and the Commonwealth funded its \$60 million commitment.

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.

On December 4, 2018, LCC entered into a tri-party agreement between Town Branch Fund (the Fund), LFUCG and LCC to develop, construct and maintain the Town Branch Commons park project (Park Project). The Park Project will consist of approximately 9 acres of property that is now known as the Cox Street Parking Lot. LCC commits to leasing the property to the Fund under certain lease terms that will be finalized for least 75% of the total budget cost of construction of the Park Project. LFUCG will assist the Fund with the procurement of any permits and procedures for park construction and operations. If the Fund cannot raise sufficient funds as outlined in the agreement, the agreement will be terminated on December 4, 2023, with no further obligations from the Parties.

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

The COVID-19 pandemic has adversely impacted the Airport's operations for FY 2021 and FY 2020. The estimated loss of revenue for the Airport is approximately \$13,000,000 from March 2020 through June 2021. The Airport has received \$3,461,000 and \$9,996,000 in COVID FAA relief grants from the Federal Aviation Administration (FAA) for FY 2020 and FY 2021, respectively. The Airport has also been awarded an additional COVID FAA relief grant in the amount of \$7,100,000 that it expects to receive in FY 2022. These grants are to assist with approved expenditures and debt payments.

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 Library made capital investment during the fiscal year for equipment and building improvements and construction. The most significant investment was the purchase of the Village Branch property. The Library will be replacing the branch with a new approximately 30,000 square foot free standing building with construction planned

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to start late fiscal year 2022. The Library also continued the improvement project on the Central parking garage and invested in computer and technology improvements.

In September 2008, the Library closed on financing for the Northside branch with Kentucky League of Cities. The total balance of both loans was \$2,216,611 at June 30, 2021.

On March 29, 2012, the Library closed on financing for the Energy Project with the Kentucky League of Cities. Financing the program with revenue bonds 2014 Series A. The outstanding bond payable about was \$537,500 at June 30, 2021.

On December 30, 2014, the Library closed on financing for the relocation project related to the Eagle Creek Branch with Kentucky Bank. The construction lease has a fixed rate of 2.78% and the principal balance is \$1,736,877 as of June 30, 2021.

In March 2020, the World Health Organization declared COVID-19 as a pandemic. Operations will continue to be impacted, but the disruption is uncertain and cannot be quantified.

G. Lexington Convention and Visitors Bureau – The Bureau has pledged a portion of its occupancy tax receipts to the Lexington Center Corporation (LCC) to support the growth and expansion of the arena and convention facilities. The Bureau's original agreement pledged \$248,000 to the LCC for fiscal year 2019. A new agreement was executed effective January 1, 2019 that terminated the prior agreement and provides financial assistance through fiscal year 2024. The agreement includes five auto renewals to allow the agreement to extend through 2049. This agreement requires the Bureau to pay annually \$750,000 to help meet the LCC expansion project bond requirements. The amount is payable in equal monthly installments of \$62,500 being due the last day of each month. LCC may assign its rights to the Bureau's contributions to the bondholders or lenders and in such event, the Bureau would be required to make payments directly to the lender. As of June 30, 2020, the balance of funds payable under this agreement is \$2,527,500 and is recognized as a deferred outflows of resources in the Statement of Net Position. In FY20 due to the significant loss of Transient Room Tax revenues caused by the COVID-19 Pandemic, Visit Lex and LCC have agreed to the deferral of a portion of the Visit Lex contributions to LCC for a three-year period. Visit Lex contribute the sum of \$97,500 annually in monthly installments of \$8,125 during the period of July 1, 2020 to June 30, 2022, increasing to \$405,000 annually in monthly installment of \$33,750 during the period from July 1, 2022 through June 30, 2023. Visit Lex will resume monthly installments of \$62,500 with an interest rate of 2.63% per annum, by paying an additional monthly amount of approximately \$16,333 for 120 consecutive months.

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, 2021, there were 13 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$48,083,697.

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. On June 2, 2021, the Commonwealth of Kentucky

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entered into a Forward Delivery Agreement with PNC Bank to fully refund the outstanding balance of \$98,995,000 2011A Eastern State Hospital Project.

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, 2021 were as follows:

General Fund	\$10,702,720
Urban Service Fund	9,524,397
Nonmajor Governmental Funds	11,456,840

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2021 for these funds are as follows:

Sanitary Sewer System	\$95,035,728
Public Facilities Corporatic	162,343
Water Quality	14,115,479
Landfill	91,402
Nonmajor Enterprise Funds	601,015

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, 2021, 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 \$443,485 for tax credits related to fiscal year 2020 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, 2021, three state abatement agreements have been entered into with local businesses.

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- *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 \$55,500 for tax credits related to fiscal year 2020 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, 2021, 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 \$178,264 for tax credits related to fiscal year 2020 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, 2021, two state abatement agreements have been entered into with local businesses.

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 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, 2021, twenty one (21) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of \$1,047,524.

L. Affordable Housing Loan Program – On May 8, 2014, the Government passed Ordinance 52-2014 establishing the affordable housing loan program to promote housing projects by developers to provide more affordable housing options to qualifying residents of Lexington, Kentucky. The Urban County Council also issued a memorandum on August 11, 2014 establishing funding in the amount of \$2,000,000 beginning in fiscal year 2015 and thereafter, for total funding as of June 30, 2021 of \$15,000,000. As of June 30, 2021, there are \$4,454,249 in outstanding loans for this program.

M. Jobs Fund Loan Program – On December 5, 2013, the Government passed Ordinance 153-2013 establishing a local economic development incentive program in order to attract or expand the level of employment in Lexington-Fayette County. The purpose of the program is to provide certain qualified businesses with local funding through grants, loans, forgivable loans, or other agreements. The program is focused on attracting innovative businesses and promoting expansion of existing businesses, with a priority focus on advanced manufacturing, technology, professional shared service operations, or healthcare, or which have or will be locating their primary base of operations or headquarters in Lexington-Fayette County. In addition, Ordinance 152-2013 establishes the “Economic Development Investment Board” to perform duties related to the program. The typical maximum of any funding agreement will not exceed \$50,000 for a grant agreement and \$250,000 for a loan or other agreement. Upon the recommendation of the Chief Development Officer and Economic Development Investment Board, the final

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approval for all agreements is given by the Urban County Council. The Urban County Council established funding with ordinance 51-2014 on May 15, 2014, in the amount of \$1,000,000 beginning in fiscal year 2014 and thereafter for total funding as of June 30, 2021 of \$4,020,000. As of June 30, 2021, there are \$1,314,032 in outstanding loans for this program.

In March 2020, the Mayor issued an executive order that granted a 90-day deferral to all jobs fund loan recipients. The mayor amended her executive order to provide an additional 90-day deferral for loan recipients, for a total deferral of 180-days. Additionally, the Economic Development Investment Board considered individual requests from program recipients for payment deferrals and restructuring due to impacts from COVID-19. Regular compliance and payments are scheduled to begin to resume in fiscal year 2022.

In addition, one loan recipient has defaulted and the Government is in active negotiation for settlement. The amount of settlement is not estimable at this time. The outstanding loan amount as of June 30, 2021 is \$240,860.

Small Business Economic Recovery Program – During Fiscal Year 2021, the Urban Council appropriated \$5,000,000 to small business recovery programs. The Small Business Economic Recovery Grant Program was created to award \$2,500,000 to support the recovery of small businesses in Lexington. Eligible businesses were invited to apply for up to \$25,000 in grant assistance, and were required to establish goals to sustain or increase employment and/or payroll. Businesses that do not meet their benchmarks will be required to pay back the grant based on a sliding scale of the proportion of the benchmarks achieved.

N. Business Disruption – In March 2020, the World Health Organization declared the spread of the Coronavirus Disease (“COVID-19”) as a global pandemic and recommended worldwide mitigation measures. The COVID-19 pandemic had significant effects on global markets, supply chains, businesses, and communities. Specific to the Government, the pandemic impacted various parts of its operations and financial results due to mandated closure of businesses which resulted in the reduction of jobs which negatively impacted Occupational License Tax and Net Profits Tax revenues. In response to the COVID-19 pandemic, the Government created grant programs for small businesses and emergency financial assistance programs for residents facing evictions or utility shutoffs.

Management believes the Government has taken appropriate actions to mitigate the negative impact. However, if the pandemic continues to evolve, the subsequent needs of the community will continue to have an impact on future operations. The extent to which the full impact of COVID-19 and its aftereffects are still unknown and cannot be reasonably estimated.

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

It is the Government’s intent to issue bonds in January 2022 in the amount of \$30 million. The bonds will fund various projects including infrastructure improvements, fleet replacement, public safety projects, and information technology improvements.

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Component Unit

On August 31, 2021, the LCC Board of Directors approved a management agreement with Oak View Group LLC (OVG) to manage the day-to-day operations of all LCC facilities on behalf of LCC. OVG will be responsible for the marketing, sales, box office, finance, operations, and generate new business opportunities and attract a variety of events that will bring visitors and drive economic impact for Lexington and the region. OVG’s management of all facilities is scheduled to begin October 1, 2021 and continue through June 30, 2026.

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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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, 2020:

	PFRF	CEPF
	Number	Number
Inactive Plan Participants:		
Retirees and beneficiaries currently receiving benefits	1,261	56
Active Plan Participants:		
Active members	1,193	
Total	2,454	56

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.

C. Contributions

The contribution requirements and benefit provisions for the PFRF are established by state statute and Government ordinance. In fiscal year 2021, the Government contributed 38.63% 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	38.63%
Plan Member	12.00%

D. Net Pension Liability

The Government’s net pension liability/(asset) was measured as of June 30, 2020, 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, 2020	July 1, 2020
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	24 years closed	15 years open
Asset valuation method	5 year smoothed market	Market
Actuarial assumptions:		
Investment rate of return	6.74%	4.77%
Projected salary increases	9.50% to 4.00%	N/A
Cost-of-living adjustments	See Note 8.A. on page 93	3.00%
Inflation	2.75%	N/A

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

	PFRF			CEPF		
	<u>Increase (Decrease)</u>			<u>Increase (Decrease)</u>		
	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)
Balances at 6/30/2019	\$1,033,492,266	\$766,780,680	\$266,711,586	\$9,054,261	\$30,983,947	(\$21,929,686)
Changes for the year:						
Service Cost	21,523,014		21,523,014			
Interest	72,718,815		72,718,815	442,128		442,128
Differences between expected and actual experience	12,804,385		12,804,385	(348,011)		(348,011)
Changes of assumptions	63,209,919		63,209,919	486,789		486,789
Contributions-employer		32,549,517	(32,549,517)			
Contributions-employee		10,875,896	(10,875,896)			
Net investment income		40,611,737	(40,611,737)		2,111,700	(2,111,700)
Benefit payments, including refunds of employee contributions	(63,711,393)	(63,711,393)		(1,136,223)	(1,136,223)	
Administrative expense		(468,526)	468,526		(1,320)	1,320
Other changes		106,394	(106,394)			
Net changes	106,544,740	19,963,625	86,581,115	(555,317)	974,157	(1,529,474)
Beginning of the Year Adj		3,657,852	(3,657,852)			
Balances at 6/30/2020	\$1,140,037,006	\$790,402,157	\$349,634,849	\$8,498,944	\$31,958,104	(\$23,459,160)

The following presents the net pension liability of the Government's CEPF pension plan, calculated using the discount rate of 4.77%, 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 (3.77%) or 1-percentage-point higher (5.77%) than the current rate:

	1% Decrease (3.77%)	Current Discount Rate (4.77%)	1% Increase (5.77%)
CEPF's net pension liability (asset)	(\$22,947,779)	(\$23,459,160)	(\$23,916,689)

The following presents the net pension liability of the Government's PFRF pension plan, calculated using the discount rate of 6.74%, 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 (6.74%) or 1-percentage-point higher (7.74%) than the current rate:

	1% Decrease (5.74%)	Current Discount Rate (6.74%)	1% Increase (7.74%)
PFRF's net pension liability	\$490,726,398	\$349,634,849	\$233,287,191

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

For the year ended June 30, 2020, the Government recognized PFRF pension expense of \$72,741,682 and CEPF pension expense of (\$781,463), respectively.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

At June 30, 2020, the CEPF and PFRF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CEPF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$0	\$291,824
Total	\$0	\$291,824

PFRF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$38,784,918	\$0
Changes of assumptions	75,941,112	
Difference between projected and actual earnings on pension plan investments	1,421,506	
Employer contributions subsequent to the Measurement date	31,475,926	
Total	\$147,623,462	\$0

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:

2022	\$81,512
2023	(64,667)
2024	(203,256)
2025	(105,413)
2026	0
Thereafter	0

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:

Year ended June 30:

2022	\$38,853,683
2023	31,624,489
2024	25,383,424
2025	18,359,651
2026	1,926,289
Thereafter	0

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. In addition, the health insurance is

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

administered as one plan and actuarial calculations cannot reasonably be separated into separate PFRF and CEPF plans.

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, 2020 the plan membership data is as follows:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,087
Active Plan Participants:	
Active members	1,162
Total	2,249

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 8G. 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 FROM THE POLICEMEN’S & FIREFIGHTERS’ RETIREMENT FUND

Service Retirement – Employees are eligible to retire with twenty years of credited service. This can include both actual service and purchased time.

Occupational Disability Retirement – Total and permanent disability incurred while in the line of duty.

Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least five years of service in the fund and a disabling injury that results from non-occupational causes.

ELIGIBILITY FOR BENEFITS FROM CITY EMPLOYEE’S PENSION FUND

Service Retirement – Employees are eligible to retire with thirty years of credited service or at age 60 with twenty years of service.

Accidental Disability Retirement – Total and permanent disability incurred while in the line of duty.

Ordinary Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least ten years of service in the fund and a disabling injury that results from non-occupational causes that renders them totally and permanently disabled.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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 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, 2018:

Plan Option	Single	Two Party
Humana PPO-A	\$758.91	\$1,388.29
Humana PPO-B	561.61	1,027.36
Humana HSA1	511.15	935.04
Humana HSA2	501.48	797.53
Humana Seniors Medicare Advantage Plan	338.22	676.44
Anthem Seniors Standard Plan	163.31	326.62
Anthem Seniors Comprehensive Plan	191.39	382.78

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.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

Total OPEB Liability (TOL) of the Government

Total OPEB Liability	\$273,520,879
Fiduciary Net Position	0
Net OPEB Liability	<u>\$273,520,879</u>
FNP % of the TOPEBL	<u>0%</u>

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation	2.40%
Real Wage growth	N/A
Wage Inflation	N/A
Municipal Bond Index Rate	
Prior Measurement Date	3.50%
Measurement Date	2.21%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.75% by 2029
Post-Medicare	5.25% for 2020 decreasing to an ultimate rate of 4.75% by 2023

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.

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)

	<u>Increase / (Decrease)</u>
	<u>Total OPEB Liability (TOL)</u>
Balances at 6/30/2019	<u>\$277,382,388</u>
Changes for the year:	
Service Cost*	12,871,670
Interest on the TOL and Cash Flow	9,615,077
Differences between expected and actual experience**	(72,950,809)
Changes of assumptions***	51,980,631
Benefit payments	<u>(5,378,078)</u>
Net changes	<u>(3,861,509)</u>
Balances at 6/30/2020	<u>\$273,520,879</u>

- * The service cost includes interest for the year.
- ** The majority of the decrease in the Total OPEB Liability due to experience was due to lower than anticipated Medicare premiums.
- *** The majority of the increase in the Total OPEB Liability due to assumption changes was due to the change in the Discount Rate, which is based on the Municipal Bond Rate.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2021

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Government, calculated using the discount rate of 2.21%, 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 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Net OPEB Liability	\$324,760,336	\$273,520,879	\$233,428,075

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
Net OPEB Liability	\$234,457,122	\$273,520,879	\$325,014,745

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

For the year ended June 30, 2020, the Government recognized OPEB expense of \$(4,702,352). At June 30, 2020 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
Difference between expected and actual experience	\$0	\$109,239,758
Changes of assumptions	53,613,067	20,086,427
Employer contributions subsequent to the Measurement date	5,684,418	
Total	<u>\$59,297,485</u>	<u>\$129,326,185</u>

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:	
2022	\$(27,189,099)
2023	(27,189,099)
2024	(17,467,499)
2025	(2,206,798)
2026	(1,660,623)
Thereafter	0

Payable to the OPEB Plan

At June 30, 2020, the Government had no payables for outstanding contributions to the Plan required for the year ended June 30, 2020.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

F. Pension Plan Financial Statements

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
June 30, 2021

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and Cash Equivalents	\$956,055	\$594,648	\$1,550,703
Interest Receivable	3,628,877	38,319	3,667,196
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	1,908,044		1,908,044
Corporate Debt	112,612,009	5,479,033	118,091,042
Municipal Obligations	5,050,371		5,050,371
SL Comingled Funds	39,967,643		39,967,643
US Agencies	1,310,956		1,310,956
US Government Obligations	61,352,927	3,362,255	64,715,182
Other Investments:			
Equity Mutual Funds	487,234,954	26,787,232	514,022,186
Equity Real Estate	76,527,440		76,527,440
Equity Securities - Domestic	1,443,832		1,443,832
Equity Securities - International	243,262,670		243,262,670
Total Investments	<u>1,030,670,846</u>	<u>35,628,520</u>	<u>1,066,299,366</u>
Total Assets	<u>\$1,035,255,778</u>	<u>\$36,261,487</u>	<u>\$1,071,517,265</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$17,798	\$146	\$17,944
Securities Lending Transactions	39,967,643		39,967,643
Total Liabilities	<u>\$39,985,441</u>	<u>\$146</u>	<u>\$39,985,587</u>
NET POSITION			
Net position restricted for pensions	<u>\$995,270,337</u>	<u>\$36,261,341</u>	<u>\$1,031,531,678</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

STATEMENT OF CHANGES IN NET POSITION
June 30, 2021

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
Employer	\$31,406,687	\$0	\$31,406,687
Employer - Administration	5,657,879	26,539	5,684,418
Plan Members	10,985,494		10,985,494
Other	69,240		69,240
Total Contributions	<u>48,119,300</u>	<u>26,539</u>	<u>48,145,839</u>
Investment Income:			
Net Change in Fair Value of Investments	219,555,592	3,200,400	222,755,992
Interest	10,306,722	2,126,353	12,433,075
Dividends	2,832,588	42,850	2,875,438
Total Investment Income	<u>232,694,902</u>	<u>5,369,603</u>	<u>238,064,505</u>
Less Investment Expense	2,099,169	86,847	2,186,016
Net Investment Income	<u>230,595,733</u>	<u>5,282,756</u>	<u>235,878,489</u>
Income from Securities Lending Activities:			
Securities Lending Income	86,783		86,783
Securities Lending Expenses:			
Borrower Rebates	(11,711)		(11,711)
Management Fees	34,661		34,661
Total Securities Lending Expenses	<u>22,950</u>	<u>0</u>	<u>22,950</u>
Net Income on Securities Lending Activities	<u>63,833</u>	<u>0</u>	<u>63,833</u>
Total Additions	<u>278,778,866</u>	<u>5,309,295</u>	<u>284,088,161</u>
DEDUCTIONS			
Benefit Payments	73,426,771	1,005,275	74,432,046
Administrative Expense	483,915	783	484,698
Total Deductions	<u>73,910,686</u>	<u>1,006,058</u>	<u>74,916,744</u>
Net Increase	204,868,180	4,303,237	209,171,417
Net Position, Beginning	<u>790,402,157</u>	<u>31,958,104</u>	<u>822,360,261</u>
Net Position, Ending	<u>\$995,270,337</u>	<u>\$36,261,341</u>	<u>\$1,031,531,678</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

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 19.30%. 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 30.06%.

The amounts contributed to CERS were \$19,311,623, \$20,050,133, and \$16,718,583 respectively, for the years ended June 30, 2021, 2020, and 2019. The contractually required contribution amounts to CERS were \$21,851,163, \$20,990,058, and \$21,120,711 respectively, for the years ended June 30, 2021, 2020, and 2019.

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, 2020, the Government reported a liability of \$305,778,330 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

net pension liability was based on a projection of the Government’s long term share of contributions to the pension plan relative to the projected contributions of all participating governmental agencies, as actuarially determined. At June 30, 2020, the Government’s portion of nonhazardous and hazardous was 3.06% and 2.34%, respectively.

At June 30, 2020, the Government reported pension expense of \$27,708,528. At June 30, 2020, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$8,053,991	
Difference between projected and actual earnings on pension plan investments	12,867,903	\$5,392,330
Change of assumptions	11,860,901	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	35,185	2,731,489
Government contributions subsequent to the measurement date	19,311,623	
Total	<u>\$52,129,603</u>	<u>\$8,123,819</u>

The \$19,311,623 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 subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$10,946,759
2022	7,203,995
2023	3,537,977
2024	3,005,432
2025	0
Thereafter	0

The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2020, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The Total Pension liability as of June 30, 2020 is determined using these updated assumptions. It is our opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB No. 68.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

The total pension liability in the June 30, 2020 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	2.30%

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	\$290,065,177	\$235,210,053	\$189,787,925
Hazardous	87,212,341	70,568,277	56,982,322
CERS’s net pension liability	\$377,277,518	\$305,778,330	\$246,770,247

Payable to the Pension Plan

At June 30, 2021, the CERS reported payables of \$114,179 from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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 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 3, 2020, is comprised of David L. Harris, Chair, Governor Appointee; Keith Peercy, Vice Chair, elected by SPRS; W. Joe Brothers, Governor Appointee; John E. Chilton, Governor Appointee; Kelly Downard, Governor Appointee; Joseph L. Grossman, Governor Appointee; C. Prewitt Lane, Governor Appointee; J.T. Fulkerson, Governor Appointee; Matthew Monteiro, Governor Appointee; Gerina Whethers, Personnel Secretary Ex-Officio; and one vacant Governor Appointee position; Raymond Campbell Connell, elected by KERS; Sherry Lynn Kremer, elected by KERS; Betty Pendergrass, elected by CERS; 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

Relationship to Combining Financial Statements

The Schedule was reconciled to the Plan's Combining Statement of Changes in Fiduciary Net Position – Insurance Fund in KRS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020, 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 are considered as an OPEB asset. As a result, the reported plan fiduciary net position for the Insurance Fund as of June 30, 2020, 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 Fiduciary Net Position and in accordance with requirements promulgated by Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. The net OPEB liability at June 30, 2020, 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, CERS Hazardous, KERS Non-hazardous, KERS 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 the employees contributions are set by Kentucky Revised Statute 61.702(2)(b)(1). KRS recognized employer and employee contributions to the plans through June 30, 2020. OPEB expenses are recognized as the benefits come due for the CERS Non-hazardous, CERS Hazardous, KERS Non-hazardous, and KERS Hazardous Insurance Plans, 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, 2020. 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.

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, 2020, 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 allocation.

The Employer Allocation Percentage has been rounded to six decimal places.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

The components of the net OPEB liability of CERS for the Government as of June 30, 2020, calculated in accordance with GASB Statement No. 74, are as follows (dollars in thousands):

	CERS	
	Non-Hazardous	Hazardous
Total OPEB Liability	\$153,181,747	\$52,538,644
Fiduciary Net Position	79,149,621	30,914,402
Net OPEB Liability	\$74,032,126	\$21,624,242
FNP % of TOPEBL	93.53%	69.95%

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, 2020, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan’s fiscal year ending June 30, 2020, using the generally accepted actuarial principles. The following actuarial valuation as of June 30, 2020:

Inflation	2.3%
Payroll Growth Rate	2.0% for CERS nonhazardous and hazardous
Salary Increase	3.3% to 10.30% nonhazardous; 3.05% to 19.05% hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.90% at January 1, 2022, and gradually increasing to an ultimate trend rate of 4.05% over a period of 14 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduce by 11 % to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the net liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2021

20-year amortization bases. This change does not impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

Discount Rate

The projection of cash flows used to determine the discount rate of 5.34% for CERS Non-hazardous, and 5.30% 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 net actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS’ actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS’ 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 real rates of return for each major asset class are summarized in the CAFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. If there is a pattern of legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, GRS may be required to project contributions that are reflective of recent actual contribution efforts regardless of the stated funding policy (as required by paragraph 50 of GASB Statement No. 74). Legislation has been enacted for multiple years (for Fiscal Year 18/19, Fiscal Year 19/20, and Fiscal Year 20/21) that allowed certain employers (referred to as “Quasi” agencies) in the KERS Non-hazardous Fund to contribute 8.41% of pay into the insurance fund, which is less than the actuarially determined contribution rate. GRS confirmed that the single discount rate used in the GASB calculations remains unchanged if these Quasi agencies were assumed to continue making contributions at a reduced rate in future years.

The following presents the net OPEB liability of the Government’s CERS OPEB Nonhazardous plan, calculated using the discount rate of 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
Nonhazardous	\$95,109,532	\$74,032,113	\$56,720,529

The following presents the net OPEB liability of the Government’s CERS OPEB Hazardous plan, calculated using the discount rate of 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
Hazardous	\$29,354,362	\$21,624,255	\$15,395,357

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:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

	1% Decrease	Current Discount Rate	1% Increase
Nonhazardous	\$57,319,360	\$74,032,113	\$94,313,434
Hazardous	15,453,328	21,624,255	29,210,879
CERS's net OPEB liability	\$72,772,688	\$95,656,368	\$123,524,313

Contributions

The Government's non-hazardous contribution rate was 4.76%. 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 9.52%.

The contribution amounts to CERS were \$5,053,403, \$5,238,327, and \$5,762,562, respectively, for the years ended June 30, 2021, 2020, and 2019. The contractually required contribution amounts to CERS were \$5,153,353, \$5,487,323, and \$6,655,493, respectively, for the years ended June 30, 2021, 2020, and 2019.

Pension Expense, Deferred Inflows and Outflows of Resources

At June 30, 2020, the Government reported OPEB expense of \$12,979,439. 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, 2020, is based on the June 30, 2018, 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, 2020, 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
Difference between expected and actual experience	\$13,111,272	\$14,538,290
Difference between projected and actual earnings on pension plan investments	5,572,494	2,151,942
Change of assumptions	16,404,952	98,233
Changes in proportion and differences between Employer contributions and proportionate share of contributions		2,459,370
Government contributions subsequent to the measurement date	6,971,922	
Total	\$42,060,640	\$19,247,835

The \$6,971,922 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 subsequent fiscal period rather than in the current fiscal period.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021

Other amount reported 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:	
2021	\$4,264,375
2022	4,479,349
2023	3,552,734
2024	3,527,961
2025	16,464
Thereafter	0

Payable to the OPEB Plan

At June 30, 2021, the CERS reported payables credit balance of \$12,151 from the Government for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

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

Standards that will Become Effective for FY 2021 and Later Year Financial Statements

Statement No. 87, *Leases*, the objective of which is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. (FY 2022)

Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement establishes that a conduit debt obligation is not a liability of the issuer. (FY 2022)

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, provides guidance on the accounting and financial reporting for SBITAs, by establishing that a SBITA results in an intangible asset and a corresponding subscription liability, capitalization criteria, and required note disclosures. (FY 2023)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, this statement clarifies when the entity has no governing board and the government performs the functions that a board would normally perform, the consideration of consolidation should be the same as if the government appointed a voting majority of a hypothetical governing board and modifies the applicability of certain component unit criteria as they relate to various benefit plans. (FY 2022)

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term *annual comprehensive financial report* and its acronym *ACRF*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. (FY2022)

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
POLICE CONFISCATED FEDERAL FUNDS
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$250,000	\$250,000	\$254,627	\$4,627
Total Revenues	<u>250,000</u>	<u>250,000</u>	<u>254,627</u>	<u>4,627</u>
EXPENDITURES				
Current:				
Police	567,000	549,914	208,483	(341,431)
Capital:				
Equipment	490,000	494,000	33,116	(460,884)
Total Expenditures	<u>1,057,000</u>	<u>1,043,914</u>	<u>241,599</u>	<u>(802,315)</u>
Excess (Deficiency) of Revenues Over Expenditures	(807,000)	(793,914)	13,028	806,942
OTHER FINANCING SOURCES (USES)				
Transfers Out		4,058		(4,058)
Total Other Financing Sources (Uses)	<u>0</u>	<u>4,058</u>	<u>0</u>	<u>(4,058)</u>
Net Change in Fund Balance	<u>(\$807,000)</u>	<u>(\$789,856)</u>	<u>\$13,028</u>	<u>\$802,884</u>
Fund Balance, Beginning			<u>0</u>	
Fund Balance, Ending			<u>\$13,028</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
POLICE CONFISCATED STATE FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$600,000	\$600,000	\$196,556	(\$403,444)
Total Revenues	<u>600,000</u>	<u>600,000</u>	<u>196,556</u>	<u>(403,444)</u>
EXPENDITURES				
Current:				
Police	265,000	198,160	128,112	(70,048)
Total Expenditures	<u>265,000</u>	<u>198,160</u>	<u>128,112</u>	<u>(70,048)</u>
Excess (Deficiency) of Revenues Over Expenditures	335,000	401,840	68,444	(333,396)
OTHER FINANCING SOURCES (USES)				
Transfers Out		(59,500)		59,500
Total Other Financing Sources (Uses)	<u>0</u>	<u>(59,500)</u>	<u>0</u>	<u>59,500</u>
Net Change in Fund Balance	<u>\$335,000</u>	<u>\$342,340</u>	<u>\$68,444</u>	<u>(\$273,896)</u>
Fund Balance, Beginning			<u>693,553</u>	
Fund Balance, Ending			<u>\$761,997</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
PUBLIC SAFETY FUNDS
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$250,000	\$250,000	\$185,654	(\$64,346)
Total Revenues	<u>250,000</u>	<u>250,000</u>	<u>185,654</u>	<u>(64,346)</u>
EXPENDITURES				
Current:				
Capital:				
Equipment		164,422	161,422	(3,000)
Acquisitions and Construction		51,033	51,033	
Total Expenditures	<u>0</u>	<u>215,455</u>	<u>212,455</u>	<u>(3,000)</u>
Excess (Deficiency) of Revenues (Under) Expenditures	250,000	34,545	(26,801)	(61,346)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(300,000)	(300,000)	(300,000)	
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>0</u>
Net Change in Fund Balance	<u>(\$50,000)</u>	<u>(\$265,455)</u>	<u>(\$326,801)</u>	<u>(\$61,346)</u>
Fund Balance, Beginning			463,513	
Fund Balance, Ending			<u>\$136,712</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
INDUSTRIAL REVENUE BOND FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u>
REVENUES				<u>(Negative)</u>
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(70,000)	(70,000)		70,000
Total Other Financing Sources (Uses)	<u>(70,000)</u>	<u>(70,000)</u>	<u>0</u>	<u>70,000</u>
Net Change in Fund Balance	<u>(\$70,000)</u>	<u>(\$70,000)</u>	<u>\$0</u>	<u>\$70,000</u>
Fund Balance, Beginning			135,725	
Fund Balance, Ending			<u>\$135,725</u>	

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
MUNICIPAL AID FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental	\$2,970,586	\$2,970,586	\$5,660,848	\$2,690,262
Income on Investments	5,000	5,000	100	(4,900)
Total Revenues	<u>2,975,586</u>	<u>2,975,586</u>	<u>5,660,948</u>	<u>2,685,362</u>
EXPENDITURES				
Current:				
Capital:				
Acquisitions and Construction	300,000	1,433,746	935,325	(498,421)
Total Expenditures	<u>300,000</u>	<u>1,433,746</u>	<u>935,325</u>	<u>(498,421)</u>
Excess (Deficiency) of Revenues Over Expenditures	2,675,586	1,541,840	4,725,623	3,183,783
OTHER FINANCING SOURCES (USES)				
Transfers Out	(3,054,110)	(5,457,543)	(3,798,099)	1,659,444
Total Other Financing Sources (Uses)	<u>(3,054,110)</u>	<u>(5,457,543)</u>	<u>(3,798,099)</u>	<u>1,659,444</u>
Net Change in Fund Balance	<u>(\$378,524)</u>	<u>(\$3,915,703)</u>	\$927,524	<u>\$4,843,227</u>
Fund Balance, Beginning			<u>5,030,964</u>	
Fund Balance, Ending			<u>\$5,958,488</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
COUNTY AID FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$388,226	\$388,226	\$531,505	\$143,279
Income on Investments	3,000	3,000	65	(2,935)
Total Revenues	<u>391,226</u>	<u>391,226</u>	<u>531,570</u>	<u>140,344</u>
EXPENDITURES				
Current:				
Capital:				
Acquisitions and Construction		770,598	782,057	11,459
Total Expenditures	<u>0</u>	<u>770,598</u>	<u>782,057</u>	<u>11,459</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>391,226</u>	<u>(379,372)</u>	<u>(250,487)</u>	<u>128,885</u>
Net Change in Fund Balance	<u>\$391,226</u>	<u>(\$379,372)</u>	<u>(\$250,487)</u>	<u>\$128,885</u>
Fund Balance, Beginning			<u>3,573,194</u>	
Fund Balance, Ending			<u>\$3,322,707</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
MINERAL SEVERANCE FUND
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Intergovernmental	\$200,000	\$200,000	\$308,568	\$108,568
Income on Investments	1,000	1,000	22	(978)
Total Revenues	<u>201,000</u>	<u>201,000</u>	<u>308,590</u>	<u>107,590</u>
EXPENDITURES				
Current:				
Environmental Quality & Public Works	250,000	167,734	124,969	(42,765)
Capital:				
Acquisitions and Construction		479		(479)
Total Expenditures	<u>250,000</u>	<u>168,213</u>	<u>124,969</u>	<u>(43,244)</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>(49,000)</u>	<u>32,787</u>	<u>183,621</u>	<u>150,834</u>
Net Change in Fund Balance	<u>(\$49,000)</u>	<u>\$32,787</u>	<u>\$183,621</u>	<u>\$150,834</u>
Fund Balance, Beginning			<u>238,234</u>	
Fund Balance, Ending			<u>\$421,855</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
2021 BOND PROJECTS
For the Year Ended June 30, 2021

	Budgeted Amounts		Variance with Final Budget-Posi	
	Original	Final	Actual	(Negative)
REVENUES				
Other	\$0	\$10,512	\$16,645	\$6,133
Income on Investments			1,033	1,033
Total Revenues	<u>0</u>	<u>10,512</u>	<u>17,678</u>	<u>7,166</u>
EXPENDITURES				
Current:				
Debt Service:				
Other Debt Service		167,388	167,388	
Capital:				
Equipment	1,760,000	1,462,313	1,463,813	1,500
Acquisitions and Construction	5,862,927	4,243,188	4,697,837	454,649
Total Expenditures	<u>7,622,927</u>	<u>5,872,889</u>	<u>6,329,038</u>	<u>456,149</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(7,622,927)	(5,862,377)	(6,311,360)	(448,983)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt		6,800,000	6,800,000	
Premium on Bonds		903,352	903,352	
Discount on Bonds		(182,745)	(182,745)	
Issuance of Refunding Debt, par		29,685,000	29,685,000	
Payment to Refunded Debt Escrow Agent		(29,405,525)	(29,405,525)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>7,800,082</u>	<u>7,800,082</u>	<u>0</u>
Net Change in Fund Balance	<u>(\$7,622,927)</u>	<u>\$1,937,705</u>	<u>\$1,488,722</u>	<u>(\$448,983)</u>
Fund Balance, Beginning			<u>0</u>	
Fund Balance, Ending			<u>\$1,488,722</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
SANITARY SEWER FUNDS
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
User Charges	\$67,500,000	\$67,500,000	\$67,943,984	\$443,984
Fees	2,225,000	2,225,000	1,892,298	(332,702)
Exactions			58,727	58,727
Property Sales			1,409,495	1,409,495
Other	1,001,000	17,222,424	7,351,626	(9,870,798)
Income on Investments	599,000	599,000	700,993	101,993
Total Revenues	<u>71,325,000</u>	<u>87,546,424</u>	<u>79,357,123</u>	<u>(8,189,301)</u>
EXPENDITURES				
Current:				
General Government	1,980,034	1,806,350	2,200,711	394,361
Administrative Services	242,713	242,377	234,370	(8,007)
Chief Development Officer	45,928	45,928	46,539	611
Environmental Quality & Public Works	29,404,265	44,187,995	43,883,179	(304,816)
Finance	2,517,607	2,518,690	2,253,679	(265,011)
Information Technology	737,211	645,109	590,971	(54,138)
Social Services	160,000	160,000	118,151	(41,849)
General Services	73,163	72,889	874,141	801,252
Law and Risk Management	101,564	103,404	97,269	(6,135)
Debt Service:				
Principal	6,657,983	11,396,772	11,212,512	(184,260)
Interest	2,434,735	5,041,622	4,963,374	(78,248)
Other Debt Service	256,468	265,176	(125,641)	(390,817)
Capital:				
Equipment	2,462,700	2,723,734	2,697,583	(26,151)
Acquisitions and Construction	20,719,930	34,590,905	3,527,666	(31,063,239)
Total Expenditures	<u>67,794,301</u>	<u>103,800,951</u>	<u>72,574,504</u>	<u>(31,226,447)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,530,699	(16,254,527)	6,782,619	23,037,146
OTHER FINANCING SOURCES (USES)				
Transfers Out	20,943	19,851		(19,851)
Total Other Financing Sources (Uses)	<u>20,943</u>	<u>19,851</u>	<u>0</u>	<u>(19,851)</u>
Net Change in Fund Balance	<u>\$3,551,642</u>	<u>(\$16,234,676)</u>	\$6,782,619	<u>\$23,017,295</u>
Fund Balance, Beginning			271,344,149	
Adjustment to Opening Fund Balance (Note 2.D.)			<u>(439,429)</u>	
Fund Balance, Ending			<u>\$277,687,339</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
PUBLIC FACILITIES CORPORATION FUNDS
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Fees	\$430,000	\$430,000	\$298,207	(\$131,793)
Rental Income	5,477,208	5,477,208	5,035,363	(441,845)
Other			306,469	306,469
Theatre Revenues	780,000	780,000	77,324	(702,676)
Income on Investments	3,000	3,000	94	(2,906)
Total Revenues	<u>6,690,208</u>	<u>6,690,208</u>	<u>5,717,457</u>	<u>(972,751)</u>
EXPENDITURES				
Current:				
General Government			37,885	37,885
Environmental Quality & Public Works			7,558	7,558
Finance	777	777	777	0
Public Safety			5,345	5,345
Police			46,576	46,576
Fire and Emergency Services			94,178	94,178
Social Services			16,268	16,268
General Services	2,088,903	2,607,689	2,455,780	(151,909)
Parks and Recreation		8,762	117,093	108,331
Outside Agencies	700,000	700,000	70,741	(629,259)
Debt Service:				
Principal	3,143,966	2,390,000	2,390,000	0
Interest	813,716	1,567,682	1,537,970	(29,712)
Other Debt Service			(261,141)	(261,141)
Capital:				
Equipment		9,567		(9,567)
Acquisitions and Construction	24,000	24,000		(24,000)
Total Expenditures	<u>6,771,362</u>	<u>7,308,477</u>	<u>6,519,030</u>	<u>(789,447)</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(81,154)	(618,269)	(801,573)	(183,304)
OTHER FINANCING SOURCES (USES)				
Transfers In			284,280	284,280
Transfers Out	(3,000,000)	(3,000,000)		3,000,000
Total Other Financing Sources (Uses)	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>284,280</u>	<u>3,284,280</u>
Net Change in Fund Balance	<u>(\$3,081,154)</u>	<u>(\$3,618,269)</u>	<u>(\$517,293)</u>	<u>\$3,100,976</u>
Fund Balance, Beginning			<u>19,016,679</u>	
Adjustment to Opening Fund Balance (Note 2.D.)			<u>4,479,650</u>	
Fund Balance, Ending			<u><u>\$22,979,036</u></u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
LANDFILL FUND
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive
				(Negative)
REVENUES				
User Charges	\$6,775,000	\$6,775,000	\$6,817,528	\$42,528
Fees	265,000	265,000	245,965	(19,035)
Other	130,000	130,000	(1,067)	(131,067)
Theatre Revenues	0	0	0	0
Income on Investments	450,000	450,000	53,770	(396,230)
Total Revenues	<u>7,620,000</u>	<u>7,620,000</u>	<u>7,116,196</u>	<u>(503,804)</u>
EXPENDITURES				
Current:				
General Government	215,454	215,454	222,827	7,373
Administrative Services	76,938	76,938	66,446	(10,492)
Environmental Quality & Public Works	3,686,730	3,684,756	4,469,944	785,188
Finance	642,383	642,173	463,972	(178,201)
Information Technology	102,165	70,066	34,178	(35,888)
Social Services	20,000	20,000	18,229	(1,771)
Law and Risk Management	30,958	30,958	29,463	(1,495)
Capital:				
Equipment		2,199	2,199	0
Acquisitions and Construction	40,000	121,977	789,045	667,068
Total Expenditures	<u>4,814,628</u>	<u>4,864,521</u>	<u>6,096,303</u>	<u>1,231,782</u>
Excess (Deficiency) of Revenues Over Expenditures	2,805,372	2,755,479	1,019,893	(1,735,586)
Net Change in Fund Balance	<u>\$2,805,372</u>	<u>\$2,755,479</u>	\$1,019,893	<u>(\$1,735,586)</u>
Fund Balance, Beginning			43,995,883	
Adjustment to Opening Fund Balance (Note 2.D.)			(30,614)	
Fund Balance, Ending			<u>\$44,985,162</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
STORMWATER FUNDS
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
User Charges	\$15,000,000	\$15,000,000	\$15,433,537	\$433,537
Other	195,000	195,000	10,209	(184,791)
Income on Investments	90,000	90,000	19,260	(70,740)
Total Revenues	<u>15,285,000</u>	<u>15,285,000</u>	<u>15,463,006</u>	<u>178,006</u>
EXPENDITURES				
Current:				
General Government	837,649	819,040	944,909	125,869
Administrative Services	110,571	110,571	96,797	(13,774)
Chief Development Officer			(2,574)	(2,574)
Environmental Quality & Public Works	9,785,209	8,452,066	9,724,799	1,272,733
Finance	823,046	822,145	505,427	(316,718)
Information Technology	303,337	253,899	239,738	(14,161)
Social Services	20,000	20,000	15,211	(4,789)
General Services			16,734	16,734
Parks and Recreation	65,808	65,808	64,584	(1,224)
Law and Risk Management	123,397	123,397	113,796	(9,601)
Debt Service:				
Principal	498,721	498,721	262,351	(236,370)
Interest	176,959	176,959	78,527	(98,432)
Other Debt Service	20,003	20,003	8,800	(11,203)
Capital:				
Equipment	115,250	148,218	139,517	(8,701)
Acquisitions and Construction	2,400,000	1,577,344	722,356	(854,988)
Total Expenditures	<u>15,279,950</u>	<u>13,088,171</u>	<u>12,930,972</u>	<u>(157,199)</u>
Excess (Deficiency) of Revenues Over Expenditures	5,050	2,196,829	2,532,034	335,205
Net Change in Fund Balance	<u>\$5,050</u>	<u>\$2,196,829</u>	<u>\$2,532,034</u>	<u>\$335,205</u>
Fund Balance, Beginning			21,602,091	
Adjustment to Opening Fund Balance (Note 2.D.)			(41,328)	
Fund Balance, Ending			<u>\$24,092,797</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
RIGHT OF WAY PROGRAM FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u>
				<u>(Negative)</u>
REVENUES				
Fees	\$480,000	\$480,000	\$759,809	\$279,809
Total Revenues	480,000	480,000	759,809	279,809
EXPENDITURES				
Current:				
Environmental Quality & Public Works	533,183	547,420	471,748	(75,672)
Information Technology	79,746	79,746	74,012	(5,734)
General Services			6,324	6,324
Total Expenditures	612,929	627,166	552,084	(75,082)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,929)	(147,166)	207,725	354,891
Net Change in Fund Balance	<u>(\$132,929)</u>	<u>(\$147,166)</u>	\$207,725	<u>\$354,891</u>
Fund Balance, Beginning			1,590,079	
Fund Balance, Ending			<u>\$1,797,804</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
EXTENDED SCHOOL PROGRAM FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u> <u>(Negative)</u>
REVENUES				
Fees	\$2,125,500	\$2,125,500	\$183,657	(\$1,941,843)
Total Revenues	<u>2,125,500</u>	<u>2,125,500</u>	<u>183,657</u>	<u>(1,941,843)</u>
EXPENDITURES				
Current:				
General Government	212,470	212,470	97,008	(115,462)
Parks and Recreation	1,854,907	1,536,632	863,416	(673,216)
Total Expenditures	<u>2,067,377</u>	<u>1,749,102</u>	<u>960,424</u>	<u>(788,678)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	58,123	376,398	(776,767)	(1,153,165)
Net Change in Fund Balance	<u>\$58,123</u>	<u>\$376,398</u>	<u>(\$776,767)</u>	<u>(\$1,153,165)</u>
Fund Balance, Beginning			(939,834)	
Fund Balance, Ending			<u>(\$1,716,601)</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
ENHANCED 911 FUND
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Fees	\$4,500,233	\$4,500,233	\$4,107,658	(\$392,575)
Other	5,440	5,440	9,012	3,572
Income on Investments	30,000	30,000	478	(29,522)
Total Revenues	<u>4,535,673</u>	<u>4,535,673</u>	<u>4,117,148</u>	<u>(418,525)</u>
EXPENDITURES				
Current:				
General Government	74,436	66,990		(66,990)
Information Technology	2,100	2,100	1,929	(171)
Public Safety	5,962,081	5,978,916	5,876,174	(102,742)
General Services			8,661	8,661
Law and Risk Management			96	96
Capital:				
Equipment	212,179	212,179	212,179	0
Acquisitions and Construction			(113,669)	(113,669)
Total Expenditures	<u>6,250,796</u>	<u>6,260,185</u>	<u>5,985,370</u>	<u>(274,815)</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(1,715,123)	(1,724,512)	(1,868,222)	(143,710)
OTHER FINANCING SOURCES (USES)				
Transfers In			200,000	200,000
Transfers Out	(27,020)	(27,020)	(4,124)	22,896
Total Other Financing Sources (Uses)	<u>(27,020)</u>	<u>(27,020)</u>	<u>195,876</u>	<u>222,896</u>
Net Change in Fund Balance	<u>(\$1,742,143)</u>	<u>(\$1,751,532)</u>	<u>(\$1,672,346)</u>	<u>\$79,186</u>
Fund Balance, Beginning			<u>2,633,142</u>	
Fund Balance, Ending			<u>\$960,796</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
CKY NETWORK FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u>
				<u>(Negative)</u>
REVENUES				
Fees	\$371,072	\$371,072	\$374,504	\$3,432
Total Revenues	<u>371,072</u>	<u>371,072</u>	<u>374,504</u>	<u>3,432</u>
EXPENDITURES				
Current:				
Public Safety	359,640	360,280	299,418	(60,862)
Total Expenditures	<u>359,640</u>	<u>360,280</u>	<u>299,418</u>	<u>(60,862)</u>
Excess (Deficiency) of Revenues Over Expenditures	11,432	10,792	75,086	64,294
OTHER FINANCING SOURCES (USES)				
Transfers Out		(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$11,432</u>	<u>(\$189,208)</u>	<u>(\$124,914)</u>	<u>\$64,294</u>
Fund Balance, Beginning			<u>215,033</u>	
Fund Balance, Ending			<u>\$90,119</u>	

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$185,951,110	\$185,951,110	\$209,644,958	\$23,693,848 a
Business Returns	36,110,870	36,110,870	49,811,199	13,700,329 a
Insurance Premiums	34,830,660	34,830,660	35,707,967	877,307
Regulated License Fee	980,000	980,000	707,195	(272,805)
Franchise Fee	25,532,710	25,532,710	25,094,967	(437,743)
Bank Franchise Fee	1,780,000	1,780,000	2,176,752	396,752
Vehicle License	250,000	250,000	249,661	(339)
Deed Tax Fee	2,100,000	2,100,000	2,613,359	513,359
Registration Fee	390,000	414,475	441,928	27,453
Filing Fee - Planning & Zoning	96,000	96,000	97,175	1,175
Animal License	48,000	48,000	37,964	(10,036)
Certificates of Occupancy	6,000	6,000	6,635	635
Hotel - Motel License Fee	40,700	40,700	22,394	(18,306)
Total Licenses and Permits	288,116,050	288,140,525	326,612,154	38,471,629
Taxes:				
Realty Taxes	23,660,990	23,242,000	23,101,266	(140,734)
Personal Taxes	1,700,000	1,660,000	1,665,126	5,126
PSC Taxes	800,000	1,011,000	824,474	(186,526)
Property Tax Discount	(450,000)	(440,000)	(462,081)	(22,081)
Property Tax Commission	(1,075,000)	(1,069,000)	(1,080,927)	(11,927)
Delinquent - Realty & Personal	100,000	110,000	202,810	92,810
Motor Vehicle Ad Valorem Tax	2,200,000	2,117,000	2,423,198	306,198
County Clerk Com - Motor Vehicle	(80,000)	(72,000)	(84,039)	(12,039)
Supplementary Tax Bills	10,000	5,000	87,788	82,788
Omitted Tax	110,000	80,000	90,721	10,721
Total Taxes	26,975,990	26,644,000	26,768,336	124,336
Charges for Services:				
Accident Report Sales	125,400	125,400	91,242	(34,158)
Administrative Collection Fees	93,750	93,750	5,092	(88,658)
Adult Probation Fees	53,000	53,000	47,191	(5,809)
Animal Shelter Collections	18,000	18,000	17,871	(129)
Building Permits	2,102,000	2,102,000	2,014,370	(87,630)
Computer Services Fees	3,000	3,000	3,396	396
Detention Center	8,223,437	8,223,437	7,299,599	(923,838)
Developer Landscape Fees	6,000	6,000	6,170	170
District Court Jail Fees	96,000	96,000	44,173	(51,827)
Domestic Relations Collection	500	500	50	(450)
Downtown Arts Center	89,000	89,000	8,692	(80,308)
EMS	8,250,000	8,250,000	9,895,792	1,645,792
Excess Fees and Collections	2,740,000	2,740,000	3,488,903	748,903
Golf Course Collections	3,025,000	3,025,000	2,962,821	(62,179)
Park Land Acquisition	301,000	301,000	178,458	(122,542)
Parks & Recreation Programs	1,070,725	1,070,725	442,694	(628,031)
Rent or Lease Income	600,213	600,213	566,456	(33,757)
Total Charges for Services	26,797,025	26,797,025	27,072,970	275,945
Fines and Forfeitures	254,000	254,000	182,915	(71,085)
Intergovernmental	878,197	908,197	800,011	(108,186)
Property Sales	300,000	300,000	217,207	(82,793)
Investments	1,100,000	1,100,000	165,279	(934,721)
Other Income:				
Contributions		229,602	238,113	8,511
Other Income	350,000	350,000	1,273,542	923,542
Penalties & Interest	603,000	603,000	1,194,493	591,493
School Board Tax Fee	15,000	15,000	16,250	1,250
Payment in Lieu of Taxes	93,000	93,000	94,862	1,862
Miscellaneous	1,591,517	1,730,793	1,391,001	(339,792)
Total Other Income	2,652,517	3,021,395	4,208,261	1,186,866
Total Revenues	347,073,779	347,165,142	386,027,133	38,861,991

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
Council Office	2,934,839	2,973,052	2,810,770	(162,282)
Office of the Mayor	1,677,205	1,693,631	1,656,248	(37,383)
Special Programs	158,750	160,750	68,910	(91,840)
Board of Elections	676,992	692,620	399,985	(292,635)
Clerk of the Urban County Council	511,968	512,276	453,713	(58,563)
County Attorney	1,041,881	1,041,881	1,041,601	(280)
Coroner	1,177,859	1,203,659	1,213,562	9,903
Property Valuation Administrator	320,715	320,715	320,715	
Contingency	5,520,670			
Circuit Judges	452,482	452,482	438,459	(14,023)
County Court Clerk	108,650	108,650	91,229	(17,421)
Citizens' Advocate	39,041	39,041	35,210	(3,831)
Commonwealth Attorney	254,275	254,275	244,268	(10,007)
County Judge Executive	18,801	18,801	13,894	(4,907)
Indirect Cost Allocation	(5,308,580)	(5,308,580)	(5,946,447)	(637,867) b
Total General Government	9,585,548	4,163,253	2,842,117	(1,321,136)
Administrative Services:				
Office of the Chief Administrative Officer	3,856,689	7,115,182	6,412,395	(702,787) b
Historic Preservation	315,146	318,655	315,361	(3,294)
Government Communications	805,597	809,341	796,105	(13,236)
Grants & Special Projects	659,173	643,677	638,578	(5,099)
Human Resources	3,572,437	3,579,283	3,341,152	(238,131) b
Internal Audit Office	638,214	633,462	644,564	11,102
Lex Call	320,272	320,272	335,344	15,072
Neighborhood Programs	50,000	102,946	82,506	(20,440)
Purchase of Development Rights	212,039	230,347	184,695	(45,652)
Total Administrative Services	10,429,567	13,753,165	12,750,700	(1,002,465)
Chief Development Officer				
Chief Development Officer	3,384,838	5,951,206	5,849,551	(101,655)
Planning	2,251,009	2,305,267	2,152,291	(152,976)
Total Chief Development Officer	5,635,847	8,256,473	8,001,842	(254,631)
Department of Information Technology:				
Office of the CIO	1,089,102	1,060,893	1,049,268	(11,625)
Computer Services	7,339,431	7,545,284	7,365,671	(179,613)
Enterprise Solutions	1,161,691	1,177,882	1,212,442	34,560
Total Information Technology	9,590,224	9,784,059	9,627,381	(156,678)
Department of Finance:				
Accounting	1,549,686	1,550,329	1,525,281	(25,048)
Budgeting	501,440	503,200	492,756	(10,444)
Central Purchasing	621,828	610,446	602,057	(8,389)
Revenue	2,066,496	1,967,601	1,989,152	21,551
Finance Administration	804,956	861,654	823,064	(38,590)
Total Finance	5,544,406	5,493,230	5,432,310	(60,920)
Division of Environmental Quality & Public Works:				
Building Inspection	2,780,069	2,782,531	2,873,771	91,240
Engineering	1,633,844	1,631,822	1,488,550	(143,272)
Environmental Quality & PW Admin	252,538	260,909	242,935	(17,974)
Division of Environmental Services	1,716,361	2,043,889	1,942,045	(101,844)
Streets & Roads	2,956,385	3,955,918	3,647,703	(308,215) b
Traffic Engineering	4,498,507	4,538,594	4,508,356	(30,238)
Total Environmental Quality & Public Works	13,837,704	15,213,663	14,703,360	(510,303)
Department of Public Safety:				
Police	79,859,194	72,665,602	72,782,160	116,558
Fire & Emergency Services	80,394,246	80,528,615	80,444,442	(84,173)
Community Corrections	40,259,945	37,328,788	36,731,779	(597,009) b
Public Safety Administration	7,581,919	7,581,919	7,667,304	85,385
Code Enforcement	2,290,070	2,311,693	2,072,021	(239,672)
Emergency Management	831,181	869,847	1,099,657	229,810
Enhanced 911	1,747,093	1,743,841	1,847,971	104,130
Security	895,745	913,375	798,175	(115,200)
Total Public Safety	213,859,393	203,943,680	203,443,509	(500,171)
Department of Social Services:				
Youth Services	2,321,850	2,127,264	2,377,270	250,006
Family Services	3,066,309	2,788,432	2,638,510	(149,922)
Adult Services	1,372,470	1,354,702	1,265,372	(89,330)
Social Services Administration	3,433,844	3,327,794	3,142,422	(185,372)
Total Social Services	10,194,473	9,598,192	9,423,574	(174,618)

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of General Services:				
Parks & Recreation	20,425,878	19,622,094	17,822,833	(1,799,261) b
Fleet & Facilities Management	6,202,790	6,255,689	5,971,371	(284,318)
General Services Administration	1,619,937	1,565,837	1,489,244	(76,593)
Total General Services	<u>28,248,605</u>	<u>27,443,620</u>	<u>25,283,448</u>	<u>(2,160,172)</u>
Department of Law:				
Law	2,429,313	2,342,019	2,205,664	(136,355)
Total Law	<u>2,429,313</u>	<u>2,342,019</u>	<u>2,205,664</u>	<u>(136,355)</u>
Outside Agencies:				
Commerce Lexington		252,268	155,155	(97,113)
Economic Development	550,000	61,255		(61,255)
Downtown Lexington Partnership		18,443		(18,443)
Environmental Commission	5,000	5,000	3,847	(1,153)
World Trade Center		11,688		(11,688)
Grants & Special Projects Agencies	2,305,725	988,606	969,481	(19,125)
Social Service Agencies	927,210	2,346,310	2,346,310	
LexArts	200,000	200,000	200,000	
Euphrates International Invest		111,232	111,231	(1)
EHI/Urban League		77,000	77,000	
Lexington Public Library	17,887,000	17,502,161	17,502,164	3
Carnegie Literacy Center	33,300	33,300		(33,300)
Lyric Theatre	127,500	159,375	127,500	(31,875)
Total Outside Agencies	<u>22,035,735</u>	<u>21,766,638</u>	<u>21,492,688</u>	<u>(273,950)</u>
Debt Service:				
Principal	33,720,000	33,720,000	33,720,000	
Interest	14,867,334	13,793,195	13,783,238	(9,957)
Other Debt Service		79,029	74,713	(4,316)
Total Debt Service	<u>48,587,334</u>	<u>47,592,224</u>	<u>47,577,951</u>	<u>(14,273)</u>
Total Expenditures	<u>379,978,149</u>	<u>369,350,216</u>	<u>362,784,544</u>	<u>(6,565,672)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,904,370)	(22,185,074)	23,242,589	45,427,663
OTHER FINANCING SOURCES (USES)				
Issuance of Refunding Debt		19,645,000	19,645,000	
Discount on Bonds		(104,233)	(104,233)	
Payment to Refunded Debt Escrow Agent		(19,461,738)	(19,461,738)	
Transfers In	11,674,110	15,401,161	12,131,161	(3,270,000)
Transfers Out	(8,353,822)	(15,054,801)	(13,698,804)	1,355,997
Total Other Financing Sources	<u>3,320,288</u>	<u>425,389</u>	<u>(1,488,614)</u>	<u>(1,914,003)</u>
Net Change in Fund Balance	(29,584,082)	(21,759,685)	21,753,975	43,513,660
Fund Balance, Beginning	150,000	150,000	83,914,089	83,764,089
Adjustment to Opening Fund Balance (Note 2.D.)			(181,132)	(181,132)
Fund Balances - Restated July 1	<u>150,000</u>	<u>150,000</u>	<u>83,732,957</u>	<u>83,582,957</u>
Fund Balance, Ending	<u>(\$29,434,082)</u>	<u>(\$21,609,685)</u>	<u>\$105,486,932</u>	<u>\$127,096,617</u>

a-revenue estimates for payroll withholdings were positively impacted by the COVID-19 recovery
b-budget savings in personnel of \$1.50 million and operating expenditures of \$5.49 million

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	1,780,000	1,780,000	2,176,752	\$396,752
Total Licenses and Permits	1,780,000	1,780,000	2,176,752	396,752
Taxes:				
Realty Taxes	42,868,000	42,214,000	42,386,364	172,364
PSC Taxes	347,000	399,000	52,703	(346,297)
Property Tax Discount	(730,000)	(730,000)	(779,131)	(49,131)
Property Tax Commission	(350,000)	(350,000)	(350,394)	(394)
Delinquent - Realty & Personal	100,000	150,000	258,621	108,621
Supplementary Tax Bills	2,500	2,500	29,407	26,907
Total Taxes	42,237,500	41,685,500	41,597,570	(87,930)
Charges for Services:				
Rent or Lease Income	4,000	4,000	3,138	(862)
Commodities	1,818,500	1,818,500	1,080,739	(737,761)
Dumpster Permit Fees	12,300	12,300	10,670	(1,630)
Total Charges for Services	1,834,800	1,834,800	1,094,547	(740,253)
Property Sales			546,056	546,056
Fines and Forfeitures	500	500	24	(476)
Investments	375,000	375,000	(471,318)	(846,318)
Other Income:				
Penalties & Interest			73,088	73,088
Miscellaneous	8,300	8,300	17,851	9,551
Total Other Income	8,300	8,300	90,939	82,639
Total Revenues	46,236,100	45,684,100	45,034,570	(649,530)
EXPENDITURES				
General Government:				
Property Valuation Administrator	186,335	186,335	186,335	
Contingency	173,684	72,151		(72,151)
Indirect Cost Allocation	2,283,800	2,283,800	2,683,948	400,148
Total General Government	2,643,819	2,542,286	2,870,283	327,997
Administrative Services:				
Human Resources	6,350	6,350	4,517	(1,833)
Lex Call	550,998	550,662	511,052	(39,610)
Total Administrative Services	557,348	557,012	515,569	(41,443)
Department of Information Technology:				
Computer Services	1,018,688	1,071,646	717,705	(353,941)
Office of the CIO	200,000	215,486	212,958	(2,528)
Enterprise Solutions	6,300	6,300	6,688	388
Total Information Technology	1,224,988	1,293,432	937,351	(356,081)
Department of Finance:				
Central Purchasing	26,466	25,028	26,535	1,507
Finance	20,139	20,139	20,116	(23)
Total Finance	46,605	45,167	46,651	1,484
Division of Environmental Quality & Public Works:				
Waste Management	32,525,595	30,649,305	25,866,573	(4,782,732) a
Division of Environmental Services	765,020	748,113	647,631	(100,482)
Environmental Quality	844,326	1,015,231	780,342	(234,889)
Streets & Roads	2,800,989	2,801,178	2,550,167	(251,011)
Traffic Engineering	7,247,969	7,199,156	6,586,102	(613,054) a
Total Environmental Quality & Public Works	44,183,899	42,412,983	36,430,815	(5,982,168)
Department of General Services:				
Fleet & Facilities Management	4,921,907	5,260,017	5,284,456	24,439
Total General Services	4,921,907	5,260,017	5,284,456	24,439

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
EXPENDITURES, continued				
Department of Law:				
Law	16,499	16,499	16,011	(488)
Total Law	<u>16,499</u>	<u>16,499</u>	<u>16,011</u>	<u>(488)</u>
Total Expenditures	<u>53,595,065</u>	<u>52,127,396</u>	<u>46,101,136</u>	<u>(6,026,260)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,358,965)	(6,443,296)	(1,066,566)	5,376,730
OTHER FINANCING SOURCES (USES)				
Transfers In	2,000,000	4,000,000	4,000,000	
Transfers Out	5,198	(11,035)	(25,000)	(13,965)
Total Other Financing Sources (Uses)	<u>2,005,198</u>	<u>3,988,965</u>	<u>3,975,000</u>	<u>(13,965)</u>
Net Change in Fund Balance	(5,353,767)	(2,454,331)	2,908,434	5,362,765
Fund Balance, Beginning	<u>15,000,000</u>	<u>15,000,000</u>	<u>23,869,477</u>	<u>8,869,477</u>
Fund Balance, Ending	<u>\$9,646,233</u>	<u>\$12,545,669</u>	<u>\$26,777,911</u>	<u>\$14,232,242</u>

a-primarily operating savings of \$3.90 million and personnel savings of \$1.38 million

See Independent Auditor's Report

LXINGTON-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		Fiscal Year 2018		Fiscal Year 2019		Fiscal Year 2020	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Total pension liability														
Service cost	\$15,273,403	\$0	\$15,682,820	\$0	\$15,545,613	\$0	\$15,736,332	\$0	\$19,289,452	\$0	\$20,003,501	\$0	\$21,523,014	\$0
Interest	53,365,849	852,811	54,617,104	805,933	56,566,064	736,800	58,934,015	712,234	65,525,538	618,238	70,968,916	569,079	72,718,815	442,128
Changes of benefit terms														
Differences between expected and actual experience			7,523,715	(345,366)	14,500,618	291,530	17,343,653	(756,397)	47,795,400	(70,751)	3,305,760	136,834	12,804,385	(348,011)
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)	(59,050,010)	(1,264,711)	(61,014,042)	(1,234,809)	(63,711,393)	(1,136,223)
Net change in total pension liability	15,041,900	(721,783)	27,509,302	(1,009,825)	33,251,614	(397,653)	89,052,706	(1,376,720)	73,560,380	(717,224)	56,733,039	307,153	106,544,740	(555,317)
Total pension liability-beginning	738,343,325	12,970,313	753,385,225	12,248,530	780,894,527	11,238,705	814,146,141	10,841,052	903,198,847	9,464,332	976,759,227	8,747,108	1,033,492,266	9,054,261
Total pension liability-ending (a)	\$753,385,225	\$12,248,530	\$780,894,527	\$11,238,705	\$814,146,141	\$10,841,052	\$903,198,847	\$9,464,332	\$976,759,227	\$8,747,108	\$1,033,492,266	\$9,054,261	\$1,140,037,006	\$8,498,944
Plan fiduciary net position														
Contributions-employer	\$27,636,473	\$0	\$22,705,036	\$0	\$24,755,620	\$0	\$29,667,706	\$0	\$27,576,764	\$0	\$30,277,170	\$0	\$32,549,517	\$0
Contributions-member	9,730,115		9,881,338		9,493,378		11,186,704		10,750,008		10,356,318		10,875,896	
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	71,009,316	1,369,365	42,194,879	2,030,058	40,611,737	2,111,700
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)	(59,050,010)	(1,264,711)	(61,014,042)	(1,234,809)	(63,711,393)	(1,136,223)
Administrative Expense	(598,923)	(27,178)	(665,175)	(28,356)	(178,943)	(15,639)	(226,211)	(7,240)	(306,716)	(4,994)	(317,040)	(7,210)	(468,526)	(1,320)
Other	80,010		80,010		80,010		141,051	(2)	8,396		112,421		3,764,246	
Net change in plan fiduciary net position	79,557,071	2,754,276	(1,565,163)	(600,686)	(14,814,576)	(76,435)	75,282,074	(10,149)	49,987,758	99,660	21,609,706	788,039	23,621,477	974,157
Plan fiduciary net position-beginning	556,723,810	28,029,242	636,280,881	30,783,518	634,715,718	30,182,832	619,901,142	30,106,397	695,183,216	30,096,248	745,170,974	30,195,908	766,780,680	30,983,947
Plan fiduciary net position-ending (b)	\$636,280,881	\$30,783,518	\$634,715,718	\$30,182,832	\$619,901,142	\$30,106,397	\$695,183,216	\$30,096,248	\$745,170,974	\$30,195,908	\$766,780,680	\$30,983,947	\$790,402,157	\$31,958,104
Net pension liability-ending (a) - (b)	\$117,104,344	(\$18,534,988)	\$146,178,809	(\$18,944,127)	\$194,244,999	(\$19,265,345)	\$208,015,631	(\$20,631,916)	\$231,588,253	(\$21,448,800)	\$266,711,586	(\$21,929,686)	\$349,634,849	(\$23,459,160)
Plan fiduciary net position as a percentage of the total pension liability	84.46%	251.32%	81.28%	268.56%	76.14%	277.71%	76.97%	318.00%	76.29%	345.21%	74.19%	342.20%	69.33%	376.02%
Covered payroll	\$63,248,485	\$0	\$62,102,632	\$0	\$65,934,339	\$0	\$73,360,313	\$0	\$73,131,137	\$0	\$76,794,393	\$0	\$77,788,689	\$0
Net pension liability as a percentage of covered payroll	185.15%	0.00%	235.38%	0.00%	294.60%	0.00%	283.55%	0.00%	316.68%	0.00%	347.31%	0.00%	449.47%	0.00%

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

Actuarial Assumptions:

	7/1/2014	7/1/2014	7/1/2015	7/1/2015	7/1/2016	7/1/2016	7/1/2017	7/1/2017	7/1/2018	7/1/2018	7/1/2019	7/1/2019	7/1/2020	7/1/2020
Valuation date	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Actuarial cost method	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, closed	Level dollar, open
Amortization method	30 years	15 years	29 years	15 years	28 years	15 years	27 years	15 years	26 years	15 years	25 years	15 years	24 years	15 years
Actuarial asset valuation method	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value	5-year smoothed market	Market Value
Investment rate of return	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.50%	7%, including inflation	7.26%	5.21%, including inflation	6.74%	4.77%, including inflation
Cost of living benefit increases (maximum)	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	3.00%
Inflation	3.00%	NA	3.00%	NA	3.00%	NA	3.00%	NA	2.75%	NA	2.40%	NA	2.75%	NA
Projected salary increase	4% to 10.50%	NA	4% to 10.50%	NA	4% to 10.50%	NA	4% to 10.50%	NA	3.5% to 10.50%	NA	3.5% to 9.50%	NA	4% to 9.50%	NA
Mortality table	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined
	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB

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.

See Independent Auditor's Report

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

	Fiscal Year									
	2012		2013		2014		2015		2016	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$30,665,280	\$0	\$22,322,068	\$0	\$23,217,413	\$0	\$22,705,036	\$0	\$24,755,620	\$0
Contributions in relation to the actuarially determined contribution	* 30,665,280		22,322,068		23,217,413		22,705,036		24,755,620	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$54,595,799	\$42,972	\$62,455,725	\$43,416	\$63,248,485	\$0	\$62,102,632	\$0	\$65,934,339	\$0
Contributions as a percentage of covered payroll	56.17%	NA	35.74%	NA	36.71%	NA	36.56%	NA	37.55%	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

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

	Fiscal Year									
	2017		2018		2019		2020		2021	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$29,808,757	\$0	* \$27,585,160	\$0	\$30,277,170	\$0	\$32,549,517	\$0	\$31,475,926	\$0
Contributions in relation to the actuarially determined contribution	29,808,757		* 27,585,160		30,277,170		32,549,517		31,475,926	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$73,360,313	\$0	\$73,131,137	\$0	\$76,974,393	\$0	\$77,788,689	\$0	\$75,342,623	\$0
Contributions as a percentage of covered payroll	40.63%	NA	37.72%	NA	39.33%	NA	41.84%	NA	41.78%	NA

Changes in Assumption:

2020

Police & Fire - The assumed rate of return was lowered from 7.26% to 6.74%.

2019

City - The assumed rate of return was lowered from 7.00% to 5.21%. The discount rate lowered from 7.00% to 5.21%.

Police & Fire - The assumed rate of return was lowered from 7.50% to 7.26%. The assumed rate of inflation was lowered from 2.75% to 2.40%.

2018

Police & Fire - Inflation was lowered from 3.00% to 2.75%, and wage inflation was lowered from 4.00% to 3.50%. Adopted RP-2000 Combined Table projected to the valuation date using scale BB. Pre-Retirement and Disability retiree mortality rates are assumed to be the same as the postretirement mortality rates. Retirement rates were increased to better match experience. Termination rates were increased at the early years of service. Disability rates were increased to better match experience. The percentage of disabled members who retire as a result of in-service disability was increased from 75% to 95%.

*Corrected by Actuary

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

See Independent Auditor's Report

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%
	2019		2020		2021					
	Police & Fire	City	Police & Fire	City	Police & Fire	City				
Annual money-weighted rate of return, net of investment expense, cont.	11.09%	6.18%	9.06%	7.60%	6.39%	9.89%				

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.

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

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

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2017	2018	2019	2020
	Police & Fire	Police & Fire	Police & Fire	Police & Fire
Total OPEB liability				
Service cost	\$18,518,517	\$16,561,150	\$11,572,432	\$12,871,670
Interest	10,445,265	12,078,465	9,470,049	9,615,077
Changes of benefit terms				
Differences between expected and actual experience	(1,289,809)	(103,220,151)	(1,982,714)	(72,950,809)
Changes of assumptions	(30,781,223)	(16,252,771)	17,430,462	51,980,631
Benefit payments, including refunds of member contributions	(5,638,286)	(4,952,442)	(5,059,394)	(5,378,078)
Net change in total OPEB liability	(8,745,536)	(95,785,749)	31,430,835	(3,861,509)
Total OPEB liability-beginning	350,482,838	341,737,302	245,951,553	277,382,388
Total OPEB liability-ending	341,737,302	245,951,553	277,382,388	273,520,879
Covered payroll	\$73,360,313	\$73,131,137	\$76,974,393	\$77,788,689
Net OPEB liability as a percentage of covered payroll	465.83%	336.32%	360.36%	351.62%

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: Department of Finance, Lexington-Fayette Urban County Government

See Independent Auditor's Report

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	2018	2019	2020
The Government's proportion of the net pension liability (asset)	\$115,215,078	\$155,544,394	\$187,010,198	\$241,742,130	\$248,050,278	\$283,836,175	\$305,778,330
The Government's proportionate share of the net pension liability (asset)							
Nonhazardous	2.71%	2.76%	2.96%	3.20%	3.12%	3.09%	3.07%
Hazardous	2.28%	2.39%	2.41%	2.44%	2.41%	2.41%	2.34%
Covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740	\$88,234,162	\$88,620,733
The Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	158.79%	207.54%	222.12%	272.16%	278.15%	321.69%	345.04%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.11%	55.19%	52.57%	52.60%	51.09%	47.00%

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Actuarial Assumptions:

	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2018
Valuation date	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2018
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	30 years	28 years	28 years	28 years	27 years	26 years	25 years
Actuarial asset valuation method				20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	5-year smoothed market 7.75%	5-year smoothed market 7.50%	5-year smoothed market 7.50%	5-year smoothed market 7.50%	5-year smoothed market 6.25%	5-year smoothed market 6.25%	5-year smoothed market 6.25%
Cost of living benefit increases (maximum)							
Inflation	3.50%	3.25%	3.25%	3.25%	2.30%	2.30%	2.30%
Projected salary increase	4.5%, average, including inflation	4%, average, including inflation	4%, average, including inflation	4%, average, including inflation	3.05% to 18.55%, varies by service	3.05% to 18.55%, varies by service	3.30% to 19.05%, varies by service
Mortality table	1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members.	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)

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

See Independent Auditor's Report 138

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

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$15,852,724	\$10,836,390	\$10,952,366	\$13,388,248	\$14,087,247	\$21,120,711	\$20,990,058	\$21,851,163
Contribution in relation to the contractually required contribution	16,161,747	16,354,078	16,954,959	13,767,651	14,162,524 *	16,718,583	20,050,133	19,211,623
Contribution deficiency (excess)	(\$309,023)	(\$5,517,688)	(\$6,002,593)	(\$379,403)	(\$75,277)	\$4,402,128	\$939,925	\$2,639,540
Government's covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740	\$88,234,162	\$100,537,948	\$95,652,350
Contributions as a percentage of covered payroll	22.27%	21.82%	20.14%	15.50%	15.88%	18.95%	19.94%	20.08%

Changes in Assumption:

2015
 The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. 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). 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.

2017
 The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

* corrected in fiscal year 2020

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

See Independent Auditor's Report

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	2016	2017	2018	2019	2020
The Government's proportion of the collective net OPEB liability (asset)	\$62,469,796	\$84,449,594	\$72,503,766	\$69,782,179	\$95,656,368
The Government's proportionate share of the net OPEB liability (asset)					
Nonhazardous	50,412,648	64,271,500	55,313,166	51,948,223	74,032,126
Hazardous	12,057,148	20,178,094	17,190,600	17,833,956	21,624,242
Covered payroll	84,194,948	88,823,610	89,177,740	\$88,234,162	\$88,620,733
The Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.20%	95.08%	81.30%	79.09%	107.94%
Plan fiduciary net position as a percentage of the total OPEB liability	359.01%	272.62%	317.54%	383.96%	287.79%

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 OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS

See Independent Auditor's Report

	2017	2018	2019	2020	2021
Contractually required contribution	\$5,205,891	\$5,090,084	\$6,655,493	\$5,487,323	\$5,153,353
Contribution in relation to the contractually required contribution	4,934,657	4,885,000 *	5,762,562	5,238,327	5,053,403
Contribution deficiency	<u>\$271,234</u>	<u>\$205,084</u>	<u>\$892,931</u>	<u>\$248,996</u>	<u>\$99,950</u>
Government's covered payroll	\$88,823,610	\$89,177,740	\$88,234,162	\$100,537,948	\$95,652,350
Contributions as a percentage of covered payroll	5.56%	5.48%	6.53%	5.21%	5.28%

* Amount corrected in fiscal year 2020

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

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 **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 **2019 Bond Projects** will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, and building improvements, fleet replacement, and the Lexington Convention Center renovations.

The **2020 Bond Projects** will fund projects for Public Safety, voting machine replacement, road and paving maintenance, and fleet replacement. 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 **2021 Bond Projects** will fund projects for road and paving maintenance, traffic improvements, software, public safety vehicle replacement, and building improvements.

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.

See Independent Auditors' Report

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2021**

	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	2010 Bond Projects	2011 & 2012 Bond Projects
				Mineral Severance	Coal Severance									
ASSETS														
Current Cash	\$3,143,495	\$5,113,172	\$135,725	\$355,256	\$305,370	\$1,337,728	\$792,756	\$77,378	\$11,260,880	\$4,309	\$35,864	\$259,398	\$38,387	\$95,454
Current Investments	199,798	323,197		66,599					589,594	39,542				
Receivables:														
Other		535,892				653		59,334	595,879					
Inventories and Prepaid Items						13,028			13,028					
Restricted Investments									0			(258,451)	205,351	497,431
Total Assets	<u>\$3,343,293</u>	<u>\$5,972,261</u>	<u>\$135,725</u>	<u>\$421,855</u>	<u>\$305,370</u>	<u>\$1,351,409</u>	<u>\$792,756</u>	<u>\$136,712</u>	<u>\$12,459,381</u>	<u>\$43,851</u>	<u>\$35,864</u>	<u>\$947</u>	<u>\$243,738</u>	<u>\$592,885</u>
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts and Contracts Payable	\$20,586	\$13,773	\$0	\$0	\$0	\$3,368	\$30,759	\$0	\$68,486	\$0	\$0	\$0	\$0	\$0
Unearned Revenue & Other						1,335,013			1,335,013					
Total Liabilities	<u>20,586</u>	<u>13,773</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,338,381</u>	<u>30,759</u>	<u>0</u>	<u>1,403,499</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:														
Nonspendable						13,028			13,028					
Restricted for:														
Public Works	3,322,707	5,958,488	135,725		305,370				9,722,290					
Public Safety							761,997	136,712	898,709					
Capital Projects									0	43,851	35,864	947	243,738	592,885
Assigned				421,855					421,855					
Total Fund Balances	<u>3,322,707</u>	<u>5,958,488</u>	<u>135,725</u>	<u>421,855</u>	<u>305,370</u>	<u>13,028</u>	<u>761,997</u>	<u>136,712</u>	<u>11,055,882</u>	<u>43,851</u>	<u>35,864</u>	<u>947</u>	<u>243,738</u>	<u>592,885</u>
Total Liabilities and Fund Balances	<u>\$3,343,293</u>	<u>\$5,972,261</u>	<u>\$135,725</u>	<u>\$421,855</u>	<u>\$305,370</u>	<u>\$1,351,409</u>	<u>\$792,756</u>	<u>\$136,712</u>	<u>\$12,459,381</u>	<u>\$43,851</u>	<u>\$35,864</u>	<u>\$947</u>	<u>\$243,738</u>	<u>\$592,885</u>

Continued

See Independent Auditors' Report

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

Capital Projects Funds

	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	2019 Bond Projects	2020 Bond Projects	2021 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS													
Current Cash	\$8,191	\$2,819	\$1,687	\$0	\$0	\$0	\$0	\$0	\$0	\$493,688	\$4,677,111	\$5,616,908	\$16,877,788
Current Investments										328,441		367,983	957,577
Receivables:													
Other												0	595,879
Inventories and Prepaid Items												0	13,028
Restricted Investments	12,227	332,359	478,121	1,101,074	2,484,811	7,213,401	2,643,805	7,247,098	2,275,807			24,233,034	24,233,034
Total Assets	<u>\$20,418</u>	<u>\$335,178</u>	<u>\$479,808</u>	<u>\$1,101,074</u>	<u>\$2,484,811</u>	<u>\$7,213,401</u>	<u>\$2,643,805</u>	<u>\$7,247,098</u>	<u>\$2,275,807</u>	<u>\$822,129</u>	<u>\$4,677,111</u>	<u>\$30,217,925</u>	<u>\$42,677,306</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts and Contracts Payable	\$0	\$0	\$0	\$174,462	\$0	\$2,039	\$36,453	\$361,999	\$671,597	\$0	\$29,063	\$1,275,613	\$1,344,099
Due to Other Funds				23,138	66,798	1,152,801			115,488			1,358,225	1,358,225
Unearned Revenue & Other												0	1,335,013
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>197,600</u>	<u>66,798</u>	<u>1,154,840</u>	<u>36,453</u>	<u>361,999</u>	<u>787,085</u>	<u>0</u>	<u>29,063</u>	<u>2,633,838</u>	<u>4,037,337</u>
Fund Balances:													
Nonspendable												0	13,028
Restricted for:													
Public Works												0	9,722,290
Public Safety												0	898,709
Capital Projects	20,418	335,178	479,808	903,474	2,418,013	6,058,561	2,607,352	6,885,099	1,488,722	822,129	4,648,048	27,584,087	27,584,087
Assigned												0	421,855
Total Fund Balances	<u>20,418</u>	<u>335,178</u>	<u>479,808</u>	<u>903,474</u>	<u>2,418,013</u>	<u>6,058,561</u>	<u>2,607,352</u>	<u>6,885,099</u>	<u>1,488,722</u>	<u>822,129</u>	<u>4,648,048</u>	<u>27,584,087</u>	<u>38,639,969</u>
Total Liabilities and Fund Balances	<u>\$20,418</u>	<u>\$335,178</u>	<u>\$479,808</u>	<u>\$1,101,074</u>	<u>\$2,484,811</u>	<u>\$7,213,401</u>	<u>\$2,643,805</u>	<u>\$7,247,098</u>	<u>\$2,275,807</u>	<u>\$822,129</u>	<u>\$4,677,111</u>	<u>\$30,217,925</u>	<u>\$42,677,306</u>

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	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	2010 Bond Projects	2011 & 2012 Bond Projects
				Mineral Severance	Coal Severance									
REVENUES														
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	531,505	5,660,848		308,568		254,627	196,556	185,654	7,137,758					
Income on Investments	65	100		22					187				113	(102)
Total Revenues	531,570	5,660,948	0	308,590	0	254,627	196,556	185,654	7,137,945	0	0	0	113	(102)
EXPENDITURES														
Current:														
Environmental Quality & Public Works				124,969	331				125,300					
Police						208,483	128,112		336,595					
Parks and Recreation					10,000				10,000					
Capital:														
Equipment							33,116	161,422	194,538				4,464	
Acquisitions and Construction	782,057	935,325						51,033	1,768,415					17
Total Expenditures	782,057	935,325	0	124,969	10,331	241,599	128,112	212,455	2,434,848	0	0	0	4,464	17
Excess (Deficiency) of Revenues over (under) Expenditures	(250,487)	4,725,623		183,621	(10,331)	13,028	68,444	(26,801)	4,703,097	0	0	0	(4,351)	(119)
OTHER FINANCING SOURCES (USES)														
Transfers Out		(3,798,099)	0				0	(300,000)	(4,098,099)					
Total Other Financing Sources (Uses)	0	(3,798,099)	0	0	0	0	0	(300,000)	(4,098,099)	0	0	0	0	0
Net Change in Fund Balances	(250,487)	927,524	0	183,621	(10,331)	13,028	68,444	(326,801)	604,998	0	0	0	(4,351)	(119)
Fund Balances (Deficits), Beginning	3,573,194	5,030,964	135,725	238,234	315,701	0	693,553	463,513	10,450,884	43,851	35,864	947	248,089	593,004
Fund Balances (Deficits), Ending	\$3,322,707	\$5,958,488	\$135,725	\$421,855	\$305,370	\$13,028	\$761,997	\$136,712	\$11,055,882	\$43,851	\$35,864	\$947	\$243,738	\$592,885

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Capital Projects Funds													
	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	2019 Bond Projects	2020 Bond Projects	2021 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
REVENUES													
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental												0	7,137,758
Exactions											347,624	347,624	347,624
Other								14,046	16,645			30,691	30,691
Income on Investments	(140)	297	205	1,042	1,001	3,115	1,538	3,950	1,033	123	2,788	14,963	15,150
Total Revenues	(140)	297	205	1,042	1,001	3,115	1,538	17,996	17,678	123	350,412	393,278	7,531,223
EXPENDITURES													
Current:													
General Government						22,047					(1,064)	20,983	20,983
Finance										379		379	379
Environmental Quality & Public Works						42,798	13,125					55,923	181,223
Planning, Preservation, & Development				29,594								29,594	29,594
Police												0	336,595
Community Corrections						323,098						323,098	323,098
General Services						119,620						119,620	119,620
Parks and Recreation												0	10,000
Debt Service:													
Other Debt Service									167,388			167,388	167,388
Capital:													
Equipment	3,720	22,213	4,522	47,116	43,640	148,338	392,624	1,889,394	1,463,813			4,019,844	4,214,382
Acquisitions and Construction		14,355	155,640	2,414,826	561,229	473,743	2,041,640	3,169,883	4,697,837			13,529,170	15,297,585
Total Expenditures	3,720	36,568	160,162	2,491,536	604,869	1,129,644	2,447,389	5,059,277	6,329,038	379	(1,064)	18,265,999	20,700,847
Excess (Deficiency) of Revenues over (under) Expenditures	(3,860)	(36,271)	(159,957)	(2,490,494)	(603,868)	(1,126,529)	(2,445,851)	(5,041,281)	(6,311,360)	(256)	351,476	(17,872,721)	(13,169,624)
OTHER FINANCING SOURCES (USES)													
Transfers Out			(6,054)	(16,400)		(1,875,097)						(1,897,551)	(5,995,650)
Issuance of Debt									6,800,000			6,800,000	6,800,000
Premium on Bonds									903,352			903,352	903,352
Discount on Bonds									(182,745)			(182,745)	(182,745)
Issuance of Refunding Debt, par									29,685,000			29,685,000	29,685,000
Payment to Refunded Debt Escrow Agent									(29,405,525)			(29,405,525)	(29,405,525)
Total Other Financing Sources (Uses)	0	0	(6,054)	(16,400)	0	(1,875,097)	0	0	7,800,082	0	0	5,902,531	1,804,432
Net Change in Fund Balances	(3,860)	(36,271)	(166,011)	(2,506,894)	(603,868)	(3,001,626)	(2,445,851)	(5,041,281)	1,488,722	(256)	351,476	(11,970,190)	(11,365,192)
Fund Balances (Deficits), Beginning	24,278	371,449	645,819	3,410,368	3,021,881	9,060,187	5,053,203	11,926,380	0	822,385	4,296,572	39,554,277	50,005,161
Fund Balances (Deficits), Ending	\$20,418	\$335,178	\$479,808	\$903,474	\$2,418,013	\$6,058,561	\$2,607,352	\$6,885,099	\$1,488,722	\$822,129	\$4,648,048	\$27,584,087	\$38,639,969

See Independent Auditors' Report

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/21

Grantor/Program Title	Federal ALN	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2020	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2021
US Department of Agriculture:							
Direct Programs:							
Child Care Food Program	10.558	11475	\$2,635	\$8,286	\$0	\$5,651	\$0
Child Care Food Program	10.558	11475		19,877		26,636	6,759
Purchase of Development Rights (PDR)	10.931	68-5C16-16-828		318,364		318,364	
Total US Department of Agriculture			2,635	346,527	0	350,651	6,759
US Department of Housing and Urban Development:							
Direct Programs:							
Community Dev Block Grant	14.218	B14MC210004		366,684	44,196	389,881	67,393
Community Dev Block Grant	14.218	B15MC210004	9,914	30,028		20,114	
Community Dev Block Grant	14.218	B16MC210004	55	13,725		13,670	
Community Dev Block Grant	14.218	B17MC210004	19,019	67,457		52,722	4,284
Community Dev Block Grant	14.218	B18MC210004	175,512	526,319	6,578	344,588	359
Community Dev Block Grant	14.218	B19MC210004	47,218	267,882	35,476	192,044	6,856
Community Dev Block Grant	14.218	B20MC210004		57,036	5,883	66,693	15,540
Community Dev Block Grant CARES ACT	14.218	B20MW210004		907,469	576,826	331,077	434
Emergency Solutions	14.231	E18MC210004	7,320	51,689	33,420	10,949	
Emergency Solutions	14.231	E19MC210004	1,796	96,032	61,614	37,516	4,894
Emergency Solutions CARES ACT	14.231	E20MW210004		545,358	540,734	5,534	910
Emergency Solutions CARES ACT	14.231	E20MW210004		771,449	929,359	170	158,080
HOME	14.239	M15MC210201		1,149		1,149	
HOME	14.239	M16MC210201		6,247		6,247	
HOME	14.239	M17MC210201	203	101,485	97,659	3,623	
HOME	14.239	M18MC210201	25,740	224,494	142,121	70,019	13,386
HOME	14.239	M19MC210201	32,465	310,404	156,892	125,225	4,178
HOME	14.239	M20MC210201		22,669		22,669	
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H17-0017-00	16,714	392,746	405,827	10,447	40,242
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H200017			46,471	125	46,596
HOPWA CARES ACT	14.241	KY-H2001W057		59,390	67,602	1,651	9,863
Continuum of Care	14.267	KY0215L4I021800	4,596	27,378		22,782	
Continuum of Care	14.267	KY0233L4I021900		16,543		20,304	3,761
Total US Department of Housing and Urban Development			340,552	4,863,633	3,150,658	1,749,199	376,776
US Department of Justice:							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,521,784)	67,855		254,627	(1,335,012)
Coronavirus Emergency Supplemental Fund.Prog.	16.034	2020-VD-BX-1279	37,979	478,748		175,198	(265,571)
SCAAP	16.606	2019-AP-BX-0086	(24,090)			2,541	(21,549)
SCAAP	16.606	2019-AP-BX-0789	(1,477)			1,406	(71)
SCAAP	16.606	2020-AP-BX-1189	(35,916)			4,349	(31,567)
Justice Assistance Grant	16.738	2017-DJ-BX-0808	(55)			55	
Justice Assistance Grant	16.738	2018-DJ-BX-0168	(151,750)			150,949	(801)
Justice Assistance Grant	16.738	2019-DJ-BX-0499	(82,272)			57,261	(25,011)
Justice Assistance Grant	16.738	2020-DJ-BX-0873		135,250		133,975	(1,275)
Comprehensive Opioid Abuse Program (COAP)	16.838	2018-AR-BX-K059	97,780	167,324		148,893	79,348
Comprehensive Opioid, Stimulant, and Substance Abuse Program (COSSAP)	16.838	2020-AR-BX-0079				8,103	8,103
Passed through Commonwealth of Kentucky:							
VOCA (Victims of Crime Advocate Program)	16.575	VOCA-2019-LFUCG-STRE-00091	11,980	24,739		12,759	
VOCA (Victims of Crime Advocate Program)	16.575	VOCA-2020-LFUCG-STRE-00008		22,802		42,912	20,110
Underserved Minority Victim Advocacy Prog.	16.575	VOCA-2019-LFUCG-STRE-00072	28,971	37,272		8,301	
Underserved Minority Victim Advocacy Prog.	16.575	VOCA-2020-LFUCG-STRE-00136		47,024		67,830	20,806
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2019-LFUCG-ST-00645	12,583	30,369		17,786	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2020-LFUCG-ST-00719		6,779		23,398	16,619
Project Safe Neighborhood	16.609	DG-PRJSAEAST-2018-LFUCG ST-00001				57,586	57,586
Street Sales	16.738	2018-JAG-LFUCG-STRE-01191	58,632	58,632			
Street Sales (Confiscated Funds)	16.738	2019-JAG-LFUCG-STRE-01216		25,620		25,620	
Street Sales	16.738	2019-JAG-LFUCG-STRE-01216	5,821	80,000	33,081	41,098	
Street Sales	16.738	2020-JAG-LFUCG-STRE-01223			2,707	5,789	8,496
Total US Department of Justice			(1,563,598)	1,182,414	35,788	1,240,435	(1,469,789)
US Department of Transportation:							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	1900002234	55,705	55,705			
Air Quality Planning	20.205	2000001997		47,618		88,673	41,055
Armstrong Mill Sidewalks	20.205	PO2-628-1700004143	4,280	14,976		10,696	
Beaumont YMCA Trail Project	20.205	PO2-628-1700004155		720		(720)	
Bicycle and Pedestrian Planning	20.205	1900002234	24,110	24,110			
Bicycle and Pedestrian Planning	20.205	2000001997		34,516		59,029	24,513
Brighton Trail Pedestrian Bridge	20.205	PO2-628-1700002505		1,028,990		2,147,309	1,118,319
Citation Trail	20.205	PO2-628-1700004156	(1,305)	(1,305)		214,751	214,751
Clays Mill Road	20.205	PO2-625-1500002693		301,222		501,769	200,547
Congestion Management/Bottleneck Study	20.205	2000001666		30,155		97,155	67,000
Avenue of Champions/Euclid Avenue Multimodal Improvements Project	20.205	3003-357		480,000		480,000	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/21

Grantor/Program Title	Federal ALN	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2020	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2021
Federal Highway Planning	20.205	SC-625-1900001597	75,647	75,647			
Federal Highway Planning	20.205	2000001393		319,894		397,552	77,658
Forbes Road	20.205	PO2-628-1700002506				1,553	1,553
Four Side	20.205	PO2-628-1600005725	2,217,488	2,743,231		525,743	
Intelligent Transpor. System (ITS)	20.205	PO2-625-1700002191	261,029	276,229		15,200	
Intelligent Transpor. System (ITS)	20.205	SC-625-21-00000781		240,171		268,182	28,011
Legacy Trail Phase III	20.205	PO2-628-1400005764	1,154			(1,154)	
W. Loudon Avenue Streetscape	20.205	PO2-628-1800002729	13,098	6,551			6,547
Mercer Rd/Greendale Rd Turn lanes	20.205	PO2-628-1800001345		58,247		67,211	8,964
Mobility Office	20.205	1900002234	53,310	53,310			
Mobility Office	20.205	2000001997		31,834		88,395	56,561
Newtown Pike Supplement #2	20.205	C-00343167	(131,826)	456,956	400,000	50,039	(138,743)
Nicholasville Road Corridor Land Use Study	20.205	SC-625-1900002248	21,120	100,126		109,600	30,594
Old Frankfort Pike Scenic Byway Viewing Area	20.205	PO2-628-1500003392	445,347	514,478		75,311	6,180
Oxford Circle Sidewalks	20.205	PO2-628-1700004160	34,602	81,636		47,034	
Polo Club Boulevard Project	20.205	PO2-625-1300001036	106,597	2,381,692		2,275,095	
Rosemont Garden Sidewalks	20.205	PO2-628-1700004171	3,571	7,775		7,070	2,866
Squires Road Sidewalks	20.205	PO2-628-1600003546		938		938	
Todds Road Sidewalks	20.205	PO2-628-1700004177		134,682		134,682	
Town Branch	20.205	PO2-628-1200004353	40	460		460	40
Town Branch Commons Corridor-Zone 2	20.205	PO2-628-1600003719	8,516	471,864		1,628,393	1,165,045
Town Branch Trail Commons-Midland Section	20.205	PO2-628-1600005544	180,685	168,283		1,015,381	1,027,783
Town Branch Trail Crossing	20.205	PO2-628-1500004792	84	84			
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706	13,049	5,348		20,352	28,053
West Hickman Trail	20.205	PO2-628-1600005956	30,510	42,688		12,178	
Wilson Downing Sidewalks	20.205	PO2-628-1700004178	5,060	6,080		1,020	
MCSAP (Motor Carrier Safety Asst.Prog.)	20.218	No Number	6,020	24,703		18,683	
MCSAP (Motor Carrier Safety Asst.Prog.)	20.218	No Number		30,956		51,496	20,540
Fed Transit Admin Section 5303	20.505	PO30217442	45,034	45,033	155,458	38,865	194,324
Fed Transit Admin Section 5303	20.505	PO30217442				46,571	46,571
Traffic Safety	20.600	SC-625-20000002891	4,818	50,271		45,453	
Traffic Safety	20.600	SC-625-2100000400-1		45,576		55,207	9,631
Traffic Safety Occupant Protection Prog.	20.616	SC-625-20000003411	4,098	19,208		15,110	
Traffic Safety Occupant Protection Prog.	20.616	SC-625-2100000458-1		10,625		15,291	4,666
Traffic Safety Impaired Driving Enforcement	20.616	SC-625-20000003641	2,653	18,193		15,540	
Traffic Safety Impaired Driving Enforcement	20.616	SC-625-2100000493-1		8,509		9,955	1,446
Town Branch Tiger	20.933	SC-628-1800005041	1,500,848	2,152,757		4,856,614	4,204,705
Total US Department of Transportation			4,986,062	12,600,022	555,458	15,507,682	8,449,180
US Environmental Protection Agency							
Passed through Commonwealth of Kentucky:							
West Hickman Wet Weather Storage	66.458	A15-026 SWR		387,646		387,646	
Total US Environmental Protection Agency				387,646		387,646	
US Department of Health and Human Services:							
Direct Programs:							
SAMHSA (Substance Abuse Mental Health Serv)	93.243	1H79SP080309-01	54,611	73,161		18,550	
SAMHSA (Substance Abuse Mental Health Serv)	93.243	5H79SP080309-02	203,596	386,482		185,352	2,466
SAMHSA (Substance Abuse Mental Health Serv)	93.243	5H79SP080309-03				38,944	38,944
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	AS-2020-2021		2,353		37,492	35,139
Senior Citizens CARES ACT	93.044	AS-2019-2020		86,258		44,775	(41,483)
Child Care and Development Block Grant	93.575	No Number	150,028	498,020		22,149	(325,843)
Child Care and Development Block Grant	93.575	No Number		327,080			(327,080)
Family Care Center Cares Act Stipend	93.575	No Number		112,500		93,660	(18,840)
Family Care Center Cares Act Stipend	93.575	No Number		168,000			(168,000)
Home Network	93.597	2018-2019-PUBLIC-R	(296,900)			296,900	
Home Network	93.597	2019-2020-PUBLIC-R	(265,260)	50,410			(315,670)
Home Network	93.597	2020-2021-PUBLIC-R		282,369			(282,369)
Head Start Program	93.600	No Number	3,758	3,758			
Head Start Program	93.600	No Number		17,888		33,665	15,777
Total US Department of Health and Human Services			(150,167)	2,008,279		771,487	(1,386,959)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/21

Grantor/Program Title	Federal ALN	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2020	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2021
US Department of Homeland Security Office of Domestic Preparedness:							
Direct Programs:							
Fire Prevention	97.044	EMW-2017-FP-00614				23,806	23,806
Passed through Commonwealth of Kentucky:							
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-17000054303	32,175	122,447		420,524	330,252
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-1900001734	255,958	254,128		221,383	223,213
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-2000001643		153,693		455,530	301,837
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-2100001500				11,000	11,000
Disaster Reimbursement-COVID-20	97 UNKNOWN	N/A	255,746	255,746			
Emergency Management Assistance	97.042	EMA-2019-EP-00008-S01	65,527	74,311		33,700	24,916
Emergency Management Assistance	97.042	SC-095-2100000605				62,446	62,446
State Homeland Bomb Squad	97.067	SC-094-2100000991	2,893	2,893		8,865	8,865
State Homeland Bomb Squad	97.067	SC-094-2000000841	123,100	123,100			
State Homeland Fire	97.067	SC-094-2000000842	34,965	34,965			
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>770,364</u>	<u>1,021,283</u>		<u>1,237,254</u>	<u>986,335</u>
Passed through Commonwealth of Kentucky:							
Help America Vote	90.401	N/A	965,600	965,600			
Help America Vote	90.404	N/A	30,720	92,160		61,440	
Total US Department of Energy			<u>996,320</u>	<u>1,057,760</u>		<u>61,440</u>	
US Department of Treasury							
Passed through Commonwealth of Kentucky:							
CARES Act Coronavirus Relief	21.019	FAP111-44-00	20,848,764	27,000,000	2,400	6,148,836	
Coronavirus Relief Fund-General Elections (CRF)	21.019			35,122		35,122	
Emergency Rent Assistance Program (ERAP 1.0)	21.023	ERA-2101080903		9,663,722	5,100,000	174,783	(4,388,939)
Emergency Rent Assistance Program (ERAP 2.0)	21.023	ERA2-0245		3,058,580			(3,058,580)
American Rescue Plan Act	21.027			60,589,029			(60,589,029)
Total US Department of Treasury			<u>20,848,764</u>	<u>100,346,453</u>	<u>5,102,400</u>	<u>6,358,741</u>	<u>(68,036,548)</u>
Total Federal Financial Assistance			<u>\$26,230,932</u>	<u>\$123,814,017</u>	<u>\$8,844,304</u>	<u>\$27,664,535</u>	<u>(\$61,074,246)</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, 2021

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Received	Passed Through to Sub recipients Expenditures	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021
Day Treatment	PON2523200003019	Kentucky Dept. of Juvenile Justice	\$0	\$100,000		\$100,000	\$0
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	(40,800)				(40,800)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	(497)				(497)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		10,000			(10,000)
Federal Highway Planning	1900001597	Kentucky Transportation Cabinet	4,728	4,728			
Federal Highway Planning	2000001393	Kentucky Transportation Cabinet		19,993		24,847	4,854
Fire Training Incentive	155	Kentucky Fire Commission		3,205,078		3,205,078	
Fire Training Administration	155	Kentucky Fire Commission	(9,648)			1,826	(7,822)
Fire Training Administration	155	Kentucky Fire Commission	(24,197)			12,370	(11,827)
Fire Training Administration	155	Kentucky Fire Commission		37,996		2,811	(35,185)
Home Network	2018-2019-PUBLIC-R	Lexington Fayette County Health Dept	(85,487)			85,487	
Home Network	2019-2020-PUBLIC-R	Lexington Fayette County Health Dept	(43,250)	4,670		11,385	(36,535)
Home Network	2020-2021-PUBLIC-R	Lexington Fayette County Health Dept		27,450		9,920	(17,530)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(111,544)			86,619	(24,925)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		159,828		83,914	(75,914)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management	(46,653)	(46,653)			
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		100,000		100,000	
KY_SAP_2020 (Substance Abuse Program)	PON2-527-2000001585-1	Kentucky Department of Corrections	7,290	7,290			
KY_SAP_F_2020 (Substance Abuse Program)	PON2-527-1900003102-1	Kentucky Department of Corrections	6,759	6,759			
KY_SAP_2021 (Substance Abuse Program)	PON2-527-2000001585-1	Kentucky Department of Corrections		8,523		8,523	
Law Enforcement Protection Program	SC-094-1900001258	Kentucky Office Homeland Security	39,423	39,423			
Local Records Grant Project	SY1903LR16	Kentucky Dept. for Libraries & Archives	11,045	11,670			(625)
Paula Nye Memorial Education	2019-07	Kentucky Bicycle and Bikeway Commission		9,000		7,624	(1,376)
Police Training Administration	N/A	Kentucky Law Enforcement Foundation	(39,751)			1,252	(38,499)
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	265,261	265,261			
Police Training Administration	N/A	Kentucky Law Enforcement Foundation	(37,046)	3,311			(40,357)
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		2,885,538		3,137,898	252,360
Police Training Administration	N/A	Kentucky Law Enforcement Foundation		35,925			(35,925)
SANE3 (Sexual Assault Treatment Project)	VAWA-2019-LFUCG-ST-00645	Kentucky Justice Cabinet	3,000	6,000		5,400	2,400
SANE3 (Sexual Assault Treatment Project)	VAWA-2020-LFUCG-ST-00719	Kentucky Justice Cabinet		200		5,200	5,000
Senior Citizens	AS-2020-2021	Bluegrass Area Development District		90,110		106,423	16,313
State Homeland Commercial Mobile Radio (2)	PO2 094 1800001195 1	Kentucky Office Homeland Security	54,971	59,031		4,060	
State Homeland Commercial Mobile Radio	SC 094 2100000225 1	Kentucky Office Homeland Security				37,113	37,113
Waste Tire	PO2-625-2100003752	Kentucky Energy & Environmental Cabinet		4,000		4,000	
Total State Financial Assistance			<u>(\$730,396)</u>	<u>\$7,055,131</u>	<u>\$0</u>	<u>\$7,041,750</u>	<u>(\$743,777)</u>

See Independent Auditors' Report

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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 **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, 2021

	Right of Way	Extended School Program	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
ASSETS							
Current Assets:							
Cash	\$2,515,192	\$355,065	\$4,835,718	\$28,494	\$154,640	\$503	\$7,889,612
Investments			1,476,185		17,683		1,493,868
Receivables:							
Other Receivables	64,030		250,716	55,419	35,867		406,032
Less Allowance for Uncollectible Accounts					(35,867)		(35,867)
Inventories and Prepaid Expenses	13,750	995	45,528	6,553			66,826
Total Current Assets	2,592,972	356,060	6,608,147	90,466	172,323	503	9,820,471
Noncurrent Assets:							
Land Improvements		10,000					10,000
Buildings			7,514				7,514
Vehicles, Equipment, and Furniture	69,477	103,481	2,810,477				2,983,435
Intangibles			1,532,086				1,532,086
Less Accumulated Depreciation	(42,948)	(108,815)	(4,066,033)				(4,217,796)
Total Noncurrent Assets	26,529	4,666	284,044	0	0	0	315,239
Total Assets	\$2,619,501	\$360,726	\$6,892,191	\$90,466	\$172,323	\$503	\$10,135,710
Deferred outflows of resources:							
Deferred Pension Amounts	118,723	269,476	1,104,204				1,492,403
Deferred Other Post Employment Benefit Amounts	97,423	237,353	741,427				1,076,203
Total Deferred Outflows of Resources	216,146	506,829	1,845,631	0	0	0	2,568,606
Total Assets & Deferred Outflows of Resources	\$2,835,647	\$867,555	\$8,737,822	\$90,466	\$172,323	\$503	\$12,704,316
LIABILITIES							
Current Liabilities:							
Accounts, Contracts, and Retainage Payable	\$5,589	\$4,239	\$29,995	\$347	\$0	\$0	\$40,170
Accrued Payroll	9,760	16,054	126,706				152,520
Compensated Absences	5,948	882	331,638				338,468
Total Current Liabilities	21,297	21,175	488,339	347	0	0	531,158
Noncurrent Liabilities:							
Compensated Absences	5,948	28,525	331,638				366,111
Net Other Post Employment Benefit Liability	225,440	565,376	1,551,950				2,342,766
Net Pension Liability	720,649	1,807,300	4,961,015				7,488,964
Total Noncurrent Liabilities	952,037	2,401,201	6,844,603	0	0	0	10,197,841
Total Liabilities	\$973,334	\$2,422,376	\$7,332,942	\$347	\$0	\$0	\$10,728,999
Deferred inflows of resources:							
Deferred Pension Amounts	\$19,146	\$48,016	\$131,803	\$0	\$0	\$0	\$198,965
Deferred Other Post Employment Benefit Amounts	45,363	113,764	312,281				471,408
Total Deferred Inflows of Resources	64,509	161,780	444,084	0	0	0	670,373
Total Liabilities & Deferred Inflows of Resources	\$1,037,843	\$2,584,156	\$7,777,026	\$347	\$0	\$0	\$11,399,372
NET POSITION							
Net Investment in Capital Assets	26,529	4,666	284,044				315,239
Restricted for:							
Unrestricted (Deficits)	1,771,275	(1,721,267)	676,752	90,119	172,323	503	989,705
Total Net Position	\$1,797,804	(\$1,716,601)	\$960,796	\$90,119	\$172,323	\$503	\$1,304,944

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2021

	Right of Way	Extended School Program	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Operating Revenues							
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		183,657	4,107,658	374,504			4,665,819
License Fees and Permits	759,809						759,809
Other			9,012				9,012
Total Operating Revenues	<u>759,809</u>	<u>183,657</u>	<u>4,116,670</u>	<u>374,504</u>	<u>0</u>	<u>0</u>	<u>5,434,640</u>
Operating Expenses							
Right of Way	545,760						545,760
Extended School Program		860,305					860,305
Enhanced 911			5,852,181				5,852,181
CKY Network				299,418			299,418
Administration		97,008					97,008
Depreciation	6,324	3,111	133,189				142,624
Total Operating Expenses	<u>552,084</u>	<u>960,424</u>	<u>5,985,370</u>	<u>299,418</u>	<u>0</u>	<u>0</u>	<u>7,797,296</u>
Operating Income (Loss)	207,725	(776,767)	(1,868,700)	75,086	0	0	(2,362,656)
Nonoperating Revenues (Expenses)							
Income on Investments			478		473		951
Total Nonoperating Revenues	<u>0</u>	<u>0</u>	<u>478</u>	<u>0</u>	<u>473</u>	<u>0</u>	<u>951</u>
Income (Loss) Before Transfers	207,725	(776,767)	(1,868,222)	75,086	473	0	(2,361,705)
Transfers In			200,000				200,000
Transfers Out			(4,124)	(200,000)			(204,124)
Change in Net Position	<u>207,725</u>	<u>(776,767)</u>	<u>(1,672,346)</u>	<u>(124,914)</u>	<u>473</u>	<u>0</u>	<u>(2,365,829)</u>
Net Position, Beginning	1,590,079	(939,834)	2,633,142	215,033	171,850	503	3,670,773
Net Position, Ending	<u>\$1,797,804</u>	<u>(\$1,716,601)</u>	<u>\$960,796</u>	<u>\$90,119</u>	<u>\$172,323</u>	<u>\$503</u>	<u>\$1,304,944</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2021

	Right of Way	Extended School Program	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Increase (Decrease) in Cash and Cash Equivalents:							
Cash Flows from Operating Activities:							
Receipts from Customers	\$695,779	\$184,083	\$4,116,240	\$382,626	\$0	\$0	\$5,378,728
Payments to Suppliers	3,828,541	26,902	(5,202,079)	(298,431)			(1,645,067)
Payments to Employees	(4,304,930)	(671,204)	(287,574)				(5,263,708)
Payments for Interfund Services Used	(7,930)	(97,008)	(5,744)				(110,682)
Net Cash Provided by (Used in) Operating Activities	211,460	(557,227)	(1,379,157)	84,195	0	0	(1,640,729)
Cash Flows from Noncapital Financing Activities:							
Transfers In			200,000				200,000
Transfers Out			(4,124)	(200,000)			(204,124)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	0	0	195,876	(200,000)	0	0	(4,124)
Cash Flows from Capital and Related Financing Activities:							
Purchases of Capital Assets			(113,670)				(113,670)
Net Cash Flows Used in Capital and Related Financing Activities	0	0	(113,670)	0	0	0	(113,670)
Cash Flows Provided by Investing Activities:							
Purchases of Investments			(478)		(473)		(951)
Income on Investments			478		473		951
Net Cash Flows Provided by (Used in) Investing Activities	0	0	0	0	0	0	0
Net Increase (Decrease)	211,460	(557,227)	(1,296,951)	(115,805)	0	0	(1,758,523)
Cash at Beginning of Year	2,303,732	912,292	6,132,669	144,299	154,640	503	9,648,135
Cash at End of Year	\$2,515,192	\$355,065	\$4,835,718	\$28,494	\$154,640	\$503	\$7,889,612
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:							
Operating Income (Loss)	\$207,725	(\$776,767)	(\$1,868,700)	\$75,086	\$0	\$0	(\$2,362,656)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	6,324	3,111	133,189				142,624
(Increase) Decrease in Assets:							
Other Receivables	(64,030)	426	(430)	8,122			(55,912)
Inventories and Prepaid Expenses	(13,750)	395	(2,725)	640			(15,440)
Due from Other Funds			5,309				5,309
(Increase) Decrease in Deferred Outflows:							
Deferred Other Post Employment Benefit Amounts	(33,046)	(76,102)	(284,332)				(393,480)
Deferred Pension Amounts	31,466	106,374	(13,857)				123,983
Increase (Decrease) in Liabilities:							
Accounts Payable	(7,324)	923	4,576	347			(1,478)
Accrued Payroll	1,020	(21,622)	36,613				16,011
Compensated Absences	(4,456)	(13,478)	8,642				(9,292)
Net Other Post Employment Benefit Liability	60,980	152,929	419,788				633,697
Net Pension Liability	51,713	129,689	355,994				537,396
Increase (Decrease) in Deferred Inflows:							
Deferred Other Post Employment Benefit Amounts	(13,326)	(33,421)	(91,741)				(138,488)
Deferred Pension Amounts	(11,836)	(29,684)	(81,483)				(123,003)
Total Adjustments	3,735	219,540	489,543	9,109	0	0	721,927
Net Cash Provided by (Used In) Operating Activities	\$211,460	(\$557,227)	(\$1,379,157)	\$84,195	\$0	\$0	(\$1,640,729)

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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, 2021

	Health, Dental, and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$1,595,268	\$37,391,952	\$38,987,220
Receivables	9,036	26,897	35,933
Inventories and Prepaid Expenses	428,551		428,551
Total Current Assets	\$2,032,855	\$37,418,849	\$39,451,704
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$952,075	\$231,731	\$1,183,806
Claims Payable:			
Reported		13,977,510	13,977,510
Incurred But Not Reported	1,080,780	14,969,459	16,050,239
Total Current Liabilities	2,032,855	29,178,700	31,211,555
Total Liabilities	\$2,032,855	\$29,178,700	\$31,211,555
NET POSITION			
Unrestricted	\$0	\$8,240,149	\$8,240,149

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2021

	<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>		
Operating Revenues						
Premiums	\$32,671,992	\$2,390,602	\$454,528	\$35,517,122	\$9,916,038	\$45,433,160
Total Operating Revenues	<u>32,671,992</u>	<u>2,390,602</u>	<u>454,528</u>	<u>35,517,122</u>	<u>9,916,038</u>	<u>45,433,160</u>
Operating Expenses						
Claims and Benefit Payments	28,908,075	2,415,218	458,826	31,782,119	9,259,680	41,041,799
Operating Supplies and Expense	3,735,003			3,735,003		3,735,003
Total Operating Expenses	<u>32,643,078</u>	<u>2,415,218</u>	<u>458,826</u>	<u>35,517,122</u>	<u>9,259,680</u>	<u>44,776,802</u>
Operating Income (Loss)	28,914	(24,616)	(4,298)	0	656,358	656,358
Change in Net Position	<u>28,914</u>	<u>(24,616)</u>	<u>(4,298)</u>	<u>0</u>	<u>656,358</u>	<u>656,358</u>
Net Position, Beginning	<u>226,520</u>	<u>(228,771)</u>	<u>2,251</u>	<u>0</u>	<u>7,583,791</u>	<u>7,583,791</u>
Net Position, Ending	<u><u>\$255,434</u></u>	<u><u>(\$253,387)</u></u>	<u><u>(\$2,047)</u></u>	<u><u>\$0</u></u>	<u><u>\$8,240,149</u></u>	<u><u>\$8,240,149</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2021

	<u>Health, Dental, and Vision Care</u>	<u>Insurance and Risk Management</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Other Funds	\$0	\$0	\$0
Receipts from Employees and Other Sources	35,517,122		\$35,517,122
Receipts from Interfund Services Provided	(6,762)	10,250,926	10,244,164
Refunds from/(Payments to) Suppliers	(3,802,760)	164,743	(3,638,017)
Payments for Claims	<u>(32,606,898)</u>	<u>(7,769,324)</u>	<u>(40,376,222)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(899,298)</u>	<u>2,646,345</u>	<u>1,747,047</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(899,298)	2,646,345	1,747,047
Cash at Beginning of Year	<u>2,494,566</u>	<u>34,745,607</u>	<u>37,240,173</u>
Cash at End of Year	<u>\$1,595,268</u>	<u>\$37,391,952</u>	<u>\$38,987,220</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating Income	\$0	\$656,358	\$656,358
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Decrease in Assets:			
Due from Other Funds		334,889	334,889
Other Receivables	(6,762)	(1)	(6,763)
Inventories and Prepaid Expenses	(15,712)		(15,712)
Increase in Liabilities:			
Accounts Payable	(52,045)	164,743	112,698
Claims Payable	<u>(824,779)</u>	<u>1,490,356</u>	<u>665,577</u>
Total Adjustments	<u>(899,298)</u>	<u>1,989,987</u>	<u>1,090,689</u>
Net Cash Provided by (Used in) Operating Activities	<u>(\$899,298)</u>	<u>\$2,646,345</u>	<u>\$1,747,047</u>

FIDUCIARY FUNDS

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

INVESTMENT TRUST FUND

The **Sanitary Sewer Investment Trust** is an investment trust fund. In fiscal year 2014, the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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 deposited into the Bond Account, which is held by a Trustee.

CUSTODIAL FUNDS

The **Neighborhood Sewer Projects Fund** is a custodial 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.

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.

Statement of Net Position
Investment Trust Funds
For the Year Ended June 30, 2021

	<u>Sewer</u>
ASSETS	
Cash and Cash Equivalents	\$27,165,360
Total Assets	<u><u>\$27,165,360</u></u>
LIABILITIES	
Total Liabilities	<u><u>\$0</u></u>
NET POSITION	
Net position restricted for pool participants	<u><u>\$27,165,360</u></u>

STATEMENT OF CHANGES IN NET POSITION
Investment Trust Funds
For the Year Ended June 30, 2021

	Sewer
ADDITIONS	
Contributions:	
Employer	\$8,907,124
Total Contributions	8,907,124
Investment Income:	
Net Change in Fair Value of Investments	
Interest	7,743
Total Investment Income	7,743
Less Investment Expense	2,200
Net Investment Income	5,543
Total Additions	8,912,667
DEDUCTIONS	
Benefit Payments	7,212,825
Total Deductions	7,212,825
Net Decrease	1,699,842
Net Position, Beginning	25,465,518
Net Position, Ending	\$27,165,360

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
For the Year Ended June 30, 2021

See Independent Auditors' Report

	Domestic Relations Fund	Juvenile and Adult Probation	Neighborhood Sewer Projects Fund	Representative Payee Program	Property & Evidence Fund	Prisoner Account	Total Custodial Funds
ASSETS							
Cash and Cash Equivalents	\$314,227	\$333,573	\$714	\$71,803	\$1,725,993	\$1,409,831	\$3,856,141
Interest Receivable	50						50
Total Assets	<u>\$314,277</u>	<u>\$333,573</u>	<u>\$714</u>	<u>\$71,803</u>	<u>\$1,725,993</u>	<u>\$1,409,831</u>	<u>\$3,856,191</u>
LIABILITIES							
Accounts Payable and Accrued Expenses	\$0	\$0	\$0	\$0	\$0	\$251,373	\$251,373
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$251,373</u>	<u>\$251,373</u>
NET POSITION							
Individuals, organizations, and Other Governments	<u>\$314,277</u>	<u>\$333,573</u>	<u>\$714</u>	<u>\$71,803</u>	<u>\$1,725,993</u>	<u>\$1,158,458</u>	<u>\$3,604,818</u>

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
For the Year Ended June 30, 2021

	<u>Domestic Relations Fund</u>	<u>Juvenile and Adult Probation</u>	<u>Neighborhood Sewer Projects Fund</u>	<u>Representative Payee Program</u>	<u>Property & Evidence Fund</u>	<u>Prisoner Account</u>	<u>Total Custodial Funds</u>
ADDITIONS							
Contributions:							
Employer	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plan Members	4,834	44,863			626,690	2,374,549	3,050,936
Other Governments				216,500		275,764	492,264
Total Contributions	<u>4,834</u>	<u>44,863</u>	<u>0</u>	<u>216,500</u>	<u>626,690</u>	<u>2,650,313</u>	<u>3,543,200</u>
Total Additions	<u>4,834</u>	<u>44,863</u>	<u>0</u>	<u>216,500</u>	<u>626,690</u>	<u>2,650,313</u>	<u>3,543,200</u>
DEDUCTIONS							
Benefit Payments	4,834	48,715		210,468	199,092	1,805	464,914
Administrative Expense						2,407,330	2,407,330
Total Deductions	<u>4,834</u>	<u>48,715</u>	<u>0</u>	<u>210,468</u>	<u>199,092</u>	<u>2,409,135</u>	<u>2,872,244</u>
Net Increase (Decrease)	0	(3,852)	0	6,032	427,598	241,178	670,956
Net Position, Beginning	<u>314,277</u>	<u>337,425</u>	<u>714</u>	<u>65,771</u>	<u>1,298,395</u>	<u>917,280</u>	<u>2,933,862</u>
Net Position, Ending	<u>\$314,277</u>	<u>\$333,573</u>	<u>\$714</u>	<u>\$71,803</u>	<u>\$1,725,993</u>	<u>\$1,158,458</u>	<u>\$3,604,818</u>

See Independent Auditors' Report

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.

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

	June 30, 2021			
	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Total Nonmajor Component Units
ASSETS				
Cash	\$16,044,796	\$10,306,549	\$3,146,829	\$29,498,174
Investments	8,355,000	5,407,456		13,762,456
Receivables:				
Accounts Receivable	178,448			178,448
Other	231,635	18,199		249,834
Due from Primary Government			1,284,512	1,284,512
Due from Other Governments	6,201,726			6,201,726
Inventories and Prepaid Expenses	741,776	98,484	151,691	991,951
Restricted Current Assets:				
Cash	706,753	189,091	8,663	904,507
Investments		231,787	2,601,090	2,832,877
Pension Assets	2,118,567			2,118,567
Capital Assets:				
Non-depreciable	4,994,852	7,875,979	26,328	12,897,159
Depreciable (Net)	33,372,094	20,167,566	1,588,932	55,128,592
Total Assets	\$72,945,647	\$44,295,111	\$8,808,045	\$126,048,803
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Amounts	\$1,757,884	\$2,654,171	\$972,043	\$5,384,098
Deferred Other Post Employment Benefit Amounts on Pension Plan Investments		2,320,550	816,283	3,136,833
Deferred Amount on Note Payable			2,527,500	2,527,500
Total Deferred Outflows of Resources	1,757,884	4,974,721	4,315,826	11,048,431
Total Assets and Deferred Outflows of Resources	\$74,703,531	\$49,269,832	\$13,123,871	\$137,097,234
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$851,238	\$518,390	\$156,642	\$1,526,270
Interest Payable		138		138
Due to Component Units			2,527,500	2,527,500
Unearned Revenue and Other		1,963	1,130	3,093
Non-Current Liabilities:				
Due Within One Year:				
Compensated Absences	147,643	341,244	115,953	604,840
Bonds and Notes Payable		698,292	859,600	1,557,892
Due in More Than One Year:				
Compensated Absences	324,408			324,408
Bonds and Notes Payable	12,673,400	5,867,094	28,776	18,569,270
Net Other Post Retirement Benefit Liability		4,971,328	1,466,735	6,438,063
Net Pension Liability		15,792,742	4,633,474	20,426,216
Total Liabilities	\$13,996,689	\$28,191,191	\$9,789,810	\$51,977,690
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	\$3,420,438	\$728,900	\$289,546	\$4,438,884
Deferred Other Post Employment Benefit Amounts		1,171,284	346,416	1,517,700
Total Deferred Inflows of Resources	3,420,438	1,900,184	635,962	5,956,584
Total Liabilities and Deferred Inflows of Resources	\$17,417,127	\$30,091,375	\$10,425,772	\$57,934,274
NET POSITION				
Net Investment in Capital Assets	\$26,400,300	\$21,478,159	\$1,615,259	\$49,493,718
Restricted for:				
Governmental and Program Funds		387,787		387,787
Unrestricted	30,886,104	(2,687,489)	1,082,840	29,281,455
Total Net Position	\$57,286,404	\$19,178,457	\$2,698,099	\$79,162,960

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2021

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Total Nonmajor Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	
Lexington Transit Authority								
Transit Operations	\$24,730,229	\$2,987,701	\$11,611,945	\$871,289	(\$9,259,294)			(\$9,259,294)
Depreciation	3,246,783				(3,246,783)			(3,246,783)
Interest on Long-Term Debt	60,930				(60,930)			(60,930)
Total Lexington Transit Authority	28,037,942	2,987,701	11,611,945	871,289				(12,567,007)
Lexington Public Library								
Library Operations	13,465,591	308,603	224,125	105,000		(\$12,827,863)		(12,827,863)
Depreciation	1,586,172					(1,586,172)		(1,586,172)
Interest on Long-Term Debt	302,139					(302,139)		(302,139)
Total Lexington Public Library	15,353,902	308,603	224,125	105,000				(14,716,174)
Lexington Convention and Visitors Bureau								
Convention and Tourism Operations	4,846,003		144,223				(\$4,701,780)	(4,701,780)
Depreciation	339,469						(339,469)	(339,469)
Total Lexington Convention and Visitors Bureau	5,185,472	0	144,223	0				(5,041,249)
Total Nonmajor Component Units	\$48,577,316	\$3,296,304	\$11,980,293	\$976,289	(\$12,567,007)	(\$14,716,174)	(\$5,041,249)	(\$32,324,430)
General Revenues:								
Taxes					\$19,957,760	\$17,502,163	\$4,963,478	\$42,423,401
Income on Investments						191,617	21,872	213,489
Gain on Sale of Capital Assets					1,534	3,053		4,587
Miscellaneous					(215,307)	160,887	17,145	(37,275)
Total General Revenues					19,743,987	17,857,720	5,002,495	42,604,202
Change in Net Position					7,176,980	3,141,546	(38,754)	10,279,772
Net Position, Beginning					50,109,424	16,036,911	2,736,853	68,883,188
Net Position, Ending					\$57,286,404	\$19,178,457	\$2,698,099	\$79,162,960

See Independent Auditor's Report



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STATISTICAL SECTION

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

Financial Trends: Tables 1 – 6

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

Revenue Capacity: Tables 7 – 12

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

Debt Capacity: Tables 13 – 17

These schedules present information to help the reader assess the affordability of the Government's current level of outstanding debt and 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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Net Investment in Capital Assets	\$899,350,344	\$877,691,469	\$860,074,409	\$838,877,310	\$813,823,945	\$752,686,501	\$718,483,933	\$667,270,316	\$693,353,437	\$631,903,811
Restricted	20,289,131	26,895,407	22,045,314	34,719,227	58,884,930	61,892,472	69,345,687	67,240,794	63,237,509	53,003,957
Unrestricted (Deficit)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)	(403,166,799)	(741,550,665)	(766,027,807)	(841,868,598)	(813,247,063)
Total governmental activities net position	<u>820,925,201</u>	<u>809,948,755</u>	<u>799,006,784</u>	<u>523,242,733</u>	<u>502,274,935</u>	<u>411,412,174</u>	<u>46,278,955</u>	<u>(31,516,697)</u>	<u>(85,277,652)</u>	<u>(128,339,295)</u>
Business-type Activities										
Net Investment in Capital Assets	217,434,369	217,313,258	222,913,279	227,825,104	231,848,112	235,845,376	247,162,736	275,607,655	301,488,408	307,936,575
Restricted	57,712,759	66,194,803	68,209,300	60,086,906	69,892,072	77,840,186	74,759,178	15,450,619	16,856,445	26,438,988
Unrestricted (Deficit)	29,435,424	27,429,362	33,237,351	36,179,971	38,061,916	41,169,488	39,300,274	54,867,555	43,004,483	38,537,875
Total business-type activities net position	<u>304,582,552</u>	<u>310,937,423</u>	<u>324,359,930</u>	<u>324,091,981</u>	<u>339,802,100</u>	<u>354,855,050</u>	<u>361,222,188</u>	<u>345,925,829</u>	<u>361,349,336</u>	<u>372,913,438</u>
Primary Government										
Net Investment in Capital Assets	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	942,877,971	994,841,845	939,840,386
Restricted	78,001,890	93,090,210	90,254,614	94,806,133	128,777,002	139,732,658	144,104,865	82,691,413	80,093,954	79,442,945
Unrestricted (Deficit)	(69,278,850)	(67,208,759)	(49,875,588)	(314,173,833) *	(332,372,024)	(361,997,311)	(702,250,391) **	(711,160,252)	(798,864,115)	(774,709,188)
Total primary government net position	<u>\$1,125,507,753</u>	<u>\$1,120,886,178</u>	<u>\$1,123,366,714</u>	<u>\$847,334,714</u>	<u>\$842,077,035</u>	<u>\$766,267,224</u>	<u>\$407,501,143</u>	<u>\$314,409,132</u>	<u>\$276,071,684</u>	<u>\$244,574,143</u>

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

** In 2018, the Government implemented GASB Statement No. 74 which revised the reporting for its liability related to other paid employee benefits (OPEB).

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

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

TABLE 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental Activities:										
Administrative Services	\$21,143,480	\$11,761,053	\$5,342,699	\$7,433,487	\$7,800,854	\$9,578,189	\$10,332,453	\$10,124,062	\$11,693,590	\$14,349,559
Chief Development Officer	470,018	620,665	192,555	513,854	2,074,348	207,793	263,297	1,207,709	4,475,178	9,346,711
Community Corrections	31,286,365	32,631,937	34,000,937	30,066,104	30,814,432	33,771,433	40,748,826	42,468,842	40,829,856	39,571,500
Environmental Quality										
Environmental Quality & Public Works	80,559,723	83,878,537	45,339,718	54,933,912	60,134,890	61,270,031	65,541,170	64,882,901	99,634,822	96,885,122
Finance	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165	49,393,398	36,669,013	36,311,239	38,586,921	33,442,989
Fire & Emergency Services	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053	84,838,719	92,898,310	89,329,598	97,423,698	105,140,016
General Government	22,985,046	23,692,990	26,973,537	25,480,664	30,180,917	45,598,791	24,040,021	45,808,696	32,298,976	35,042,036
General Services**	10,041,709	10,898,533	10,551,162	11,827,132	12,486,401	22,964,722	13,442,525	12,376,066	13,771,668	14,409,495
Health, Dental and Vision Insurance	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298	28,505,869	28,527,889	27,703,355
Information Technology**			6,983,029	8,401,242	9,464,131	11,174,379	11,011,888	12,247,559	11,932,762	11,754,934
Law	3,497,483	4,006,240	3,811,867	2,650,481	2,109,025	5,652,482	2,602,304	2,886,923	2,276,542	2,310,561
Parks & Recreation	19,386,251	19,653,677	19,693,483	18,854,526	21,010,506	23,375,486	24,127,163	24,799,178	21,973,908	20,251,657
Planning, Preservation, & Development*		3,767,295	47,343,980	42,415,735	53,776,224	45,359,659	46,217,442	46,408,689	658,637	643,085
Police	68,164,371	69,945,322	69,822,219	56,418,416	64,145,155	74,436,600	94,799,943	87,225,335	98,572,293	97,958,013
Public Safety**	13,042,036	14,666,437	10,776,283	12,593,479	12,560,199	14,759,631	14,913,489	14,632,438	15,881,668	15,536,244
Public Works										
Social Services	9,780,945	10,194,745	10,478,516	10,964,083	11,754,471	13,035,311	14,222,704	15,086,794	14,413,447	14,282,123
Interest on Long-Term Debt	12,835,920	13,116,205	13,053,635	13,116,151	13,722,941	15,336,458	15,273,176	16,044,874	15,587,055	13,486,302
Total governmental activities	405,175,480	401,365,596	413,673,193	391,551,819	460,655,438	537,647,840	534,867,022	550,346,772	548,538,910	552,113,702
Business-type Activities:										
Sanitary Sewer System	40,124,346	39,014,016	43,664,387	41,207,716	44,271,125	50,078,962	53,354,239	63,106,251	65,670,252	71,045,009
Public Facilities	10,333,320	9,419,886	8,895,507	8,829,979	9,596,104	8,666,540	8,049,921	6,915,288	6,898,732	6,519,030
Public Parking	847,894	84,866	265,226	66,994	66,987	1,965,274				
Landfill	5,271,593	4,099,770	6,060,197	4,426,038	5,542,566	3,962,016	4,071,987	4,799,382	4,677,693	6,096,303
Right of Way	298,896	284,470	308,683	280,214	336,415	493,872	529,580	593,476	626,891	552,084
Extended School Program	2,339,148	2,198,555	1,977,394	1,951,359	2,262,605	2,023,018	2,137,227	2,152,127	1,802,941	960,424
Prisoners' Account System	1,373,473	1,393,543	1,844,393	1,253,423	1,716,855	3,002,164	2,930,224			
Enhanced 911	2,973,088	2,930,379	2,384,796	2,638,373	3,940,313	4,170,674	4,701,497	4,797,403	5,074,477	5,985,370
CKY Network	29,307	10,668	450,919	1,307,829	879,328	412,763	266,242	421,115	417,102	299,418
Water Quality	9,182,669	8,308,501	9,139,302	8,618,921	11,290,945	12,062,937	13,618,632	13,628,042	14,744,923	12,930,972
Total Business-Type Activities	72,773,734	67,744,654	74,990,804	70,580,846	79,903,243	86,838,220	89,659,549	96,413,084	99,913,011	104,388,610
Total Primary Government	\$477,949,214	\$469,110,250	\$488,663,997	\$462,132,665	\$540,558,681	\$624,486,060	\$624,526,571	\$646,759,856	\$648,451,921	\$656,502,312

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Program Revenues										
Governmental Activities:										
Administrative Services***	\$1,603,453	\$559,050	\$367,363	\$351,158	\$498,615	\$769,505	\$2,123,003	\$395,756	\$480,879	\$567,300
Chief Development Officer***			6,281	76,504	2,500	6,569	9,159	40,428	190,118	134,655
Community Corrections	7,707,225	8,286,565	9,161,315	8,574,892	9,330,723	9,263,554	9,309,583	10,424,478	9,225,735	7,770,541
Environmental Quality										
Environmental Quality & Public Works***	2,912,917	2,757,405	2,681,977	3,140,243	2,485,454	3,113,988	3,005,644	3,180,175	4,851,621	5,170,881
Finance	2,511,142	2,413,363	3,358,781	1,912,603	472,126	55,401	462,509	459,930	399,959	181,688
Fire & Emergency Services	7,340,946	6,952,394	7,036,029	8,211,753	9,210,668	6,422,785	6,817,192	8,178,353	8,724,174	10,212,082
General Government	15,086,369	23,141,015	17,046,255	19,035,778	19,035,469	18,642,898	19,438,510	21,877,626	17,275,262	17,505,729
General Services**	63,132	28,827	4,155	97,971	18,346	1,700	16,548	4,139	7,724	96,112
Health, Dental, and Vision	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298	28,505,869	28,527,889	27,703,355
Information Technology**			4,271	3,821	3,096	981	213	3,376	598	8
Law	35,293	36,944	49,006	15,013	31,416	17,700	1,087	2,638	20,731	344
Parks & Recreation	4,810,535	4,156,325	3,869,990	4,327,985	4,403,431	4,333,455	4,325,061	4,483,856	3,418,739	3,980,164
Planning, Preservation, & Development* ***		240,168	2,245,228	2,709,381	3,119,969	2,709,381	3,134,064	3,100,837	(651)	0
Police	1,528,342	1,942,297	2,039,209	1,640,754	1,513,686	1,717,739	2,068,459	1,987,333	1,889,897	1,613,296
Public Safety** ***	2,045,401	1,857,059	64,898	247,994	69,522	73,187	69,023	73,867	792,741	570,258
Public Works										
Social Services	1,766,790	1,857,123	1,703,695	1,804,885	1,662,363	1,586,791	1,864,271	2,129,603	2,097,349	1,875,735
Operating Grants & Contributions	14,139,426	13,065,758	15,108,425	15,087,470	13,383,964	13,146,822	10,617,000	11,596,202	34,183,724	24,469,743
Capital Grants & Contributions	8,316,236	6,272,539	9,200,572	8,190,685	8,190,685	6,209,038	5,718,463	5,188,577	9,710,448	16,406,353
Total Governmental Activities	96,078,664	98,573,466	98,840,995	100,429,782	96,193,389	95,431,225	96,743,087	101,633,043	121,796,937	118,258,244
Business-Type Activities:										
Charges for Services										
Sanitary Sewer System	47,287,791	52,927,780	50,480,049	52,007,762	58,394,719	63,890,717	64,451,293	75,961,739	77,458,054	77,390,312
Public Facilities	7,156,666	5,830,285	6,375,794	6,405,783	6,987,558	7,303,362	6,145,356	5,949,941	5,978,762	5,717,363
Public Parking	977,414	4,560			705					
Landfill	7,183,611	6,845,329	7,064,989	7,211,864	7,050,937	7,060,342	7,028,050	7,173,603	7,217,580	7,062,426
Right of Way	419,676	392,466	520,812	475,126	495,490	703,959	656,344	682,221	773,172	759,809
Extended School Program	2,338,243	2,379,751	2,202,171	2,229,896	2,289,089	1,904,620	2,060,463	2,126,102	1,500,645	183,657
Prisoners' Account System	1,524,127	1,619,626	2,372,285	1,227,415	1,621,110	3,146,187	3,165,206			
Enhanced 911	3,999,658	3,517,634	4,273,106	3,810,087	4,126,861	4,429,699	4,542,449	4,176,602	4,470,178	4,116,670
CKY Network	51,798	25,738	111,576	1,269,890	815,110	400,735	319,414	498,913	458,376	374,504
Water Quality	12,095,514	12,296,476	13,119,524	13,341,859	13,661,911	13,565,209	14,082,286	14,784,064	15,343,166	15,444,468
Total Business-Type Activities	83,034,498	85,839,645	86,520,306	87,979,682	95,443,490	102,404,830	102,450,861	111,353,185	113,199,933	111,049,209
Total Primary Government	179,113,162	184,413,111	185,361,301	188,409,464	191,636,879	197,836,055	199,193,948	212,986,228	234,996,870	229,307,453
Net (Expense)/Revenue										
Governmental Activities	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)	(364,462,049)	(442,216,615)	(438,123,935)	(448,713,729)	(426,741,973)	(433,855,458)
Business-Type Activities	10,260,764	18,094,991	11,529,502	17,398,836	15,540,247	15,566,610	12,791,312	14,940,101	13,286,922	6,660,599
Total Primary Government	(298,836,052)	(284,697,139)	(303,302,696)	(273,723,201)	(348,921,802)	(426,650,005)	(425,332,623)	(433,773,628)	(413,455,051)	(427,194,859)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333	64,573,949	66,619,933	68,365,906
Licenses and Permits	230,580,201	238,924,158	248,271,270	265,596,253	275,539,490	288,771,661	304,625,553	303,562,887	304,493,274	320,966,286
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	2,171,901	2,176,035	2,009,120	1,719,372	8,018,438	1,154,744	1,951,474	3,352,871	2,433,102	2,079,748
Income on Investments	589,967	(509,890)	263,242	1,941,282	1,341,333	602,208	1,029,385	2,733,373	1,974,061	(276,837)
Sale of Assets	311,259	283,406			413,379	1,144,379	149,226	421,745		
Transfers	(346,507)	(1,106,585)	(871,447)	(2,546)	(313,102)	1,210,302	(800,072)	564,725	(349,759)	(160,156)
Total Governmental Activities	286,167,661	293,364,435	304,431,384	324,496,198	341,750,628	351,520,137	369,027,899	375,209,550	375,170,611	390,974,947
Business-Type Activities:										
Income on Investments	1,029,866	(215,314)	1,021,558	(604,800)	547,366	159,737	962,755	1,730,075	1,652,479	775,068
Sale of Assets	7,824		10,168	10,168	536,905	28,641	19,254			
Transfers	346,507	(11,902,981)	871,447	2,546	313,102	(1,210,302)	800,072	(564,725)	349,759	160,156
Total Business-Type Activities	1,384,197	(12,118,295)	1,893,005	(592,086)	860,468	(513,660)	1,791,468	1,184,604	2,002,238	935,224
Total Primary Government	287,551,858	281,246,140	306,324,389	323,904,112	342,611,096	351,006,477	370,819,367	376,394,154	377,172,849	391,910,171
Change in Net Position										
Governmental activities	(22,929,155)	(9,427,695)	(10,400,814)	33,374,161	(22,711,421)	(90,696,478)	(69,096,036)	(73,504,179)	(51,571,362)	(42,880,511)
Business-type activities	11,644,961	5,976,696	13,422,507	16,806,750	16,400,715	15,052,950	14,582,780	16,124,705	15,289,160	7,595,823
Prior Period Adjustment - Government Activities		(1,548,751)	(541,157)	(309,138,212)	1,743,623	(166,283)	(296,037,183)	(4,291,473)	(2,189,593)	(181,132)
Prior Period Adjustment-Business-Type Activities		378,175		(17,074,699)	(690,596)		(8,215,642)	(31,421,064)	134,347	3,968,279
Total Primary Government	(\$11,284,194)	(\$4,621,575)	\$2,480,536	(\$276,032,000)	(\$5,257,679)	(\$75,809,811)	(\$358,766,081)	(\$93,092,011)	(\$38,337,448)	(\$31,497,541)

*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.
 ***In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.
 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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nonspendable	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194	2,343,585	2,480,783	2,290,430	2,374,571	2,182,047
Restricted for:										
Public Safety				198,175	397,688	602,807	812,350	1,026,212	1,222,654	1,419,095
Energy Improvement Projects		408,227	636,874	552,989	552,011	676,218	595,075	628,995	261,950	221,462
Committed for:										
General Government		6,612,684	11,249,146	11,606,932	13,353,512	5,941,545	3,640,127	4,228,784	5,312,381	6,455,660
Economic Stabilization	18,482,971	23,290,466	25,224,221	29,685,851	30,687,844	31,408,506	34,015,454	35,345,181	42,476,494	37,964,969
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	2,318,361		999,854
General Government	11,583,075	10,325,000	12,700,000	14,500,000	21,200,000	14,000,000	15,400,000	16,145,000	28,197,020	43,894,927
Urban Services	2,500,000									
Unassigned	3,265,872	4,309,677	4,176,646	4,273,341	4,789,658	5,419,629	5,757,987	5,931,602	4,069,019	12,348,918
Total	44,265,589	54,411,812	63,751,505	83,331,050	87,007,876	65,306,186	64,362,714	67,914,565	83,914,089	105,486,932
Urban Services										
Reserved										
Nonspendable	604	175	11,112	2,735	2,603	22,900	62,543	94,468	78,519	32,783
Restricted for:										
Urban Service Projects	22,767,570	28,631,854	29,855,868	31,391,398	30,368,714	23,836,031	28,107,799	25,745,424	23,788,028	26,694,268
Energy Improvement Projects		10,383	13,314	2,930	2,930	5,860	11,720	2,930	2,930	50,860
Total	22,768,174	28,642,412	29,880,294	31,397,063	30,374,247	23,864,791	28,182,062	25,842,822	23,869,477	26,777,911
All Other Governmental Funds										
Reserved										
Undesignated, reported in:										
Nonspendable	6,604	22,376	77,859	106,066	2,680					13,028
Restricted for:										
Public Works	8,238,721	9,032,953	11,534,007	8,202,688	6,271,461	5,618,682	7,765,585	8,233,228	9,055,584	9,722,290
Public Safety	2,812,852	1,659,378	1,569,569	1,529,730	1,460,930	1,418,500	1,253,572	1,429,926	1,157,066	898,709
Capital Projects	19,027,031	25,214,697	20,133,026	33,754,253	57,700,163	41,101,200	47,044,427	43,874,848	39,554,277	27,584,087
Grants Projects	1,262,100	1,262,100	1,262,100	210,880	232,138	241,043	250,200	259,010	266,013	269,294
Committed for:										
General Government	447,605									
Assigned to:										
General Government		445,690	1,721,084	1,327,774	720,741	457,767	390,941	244,977	238,234	421,855
Unassigned	(370,103)				(82,433)		(36,392)			
Total	\$31,424,810	\$37,637,194	\$36,297,645	\$45,131,391	\$66,305,680	\$48,837,192	\$56,668,333	\$54,041,989	\$50,271,174	\$38,909,263

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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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues											
Licenses and Permits	\$228,816,452	\$235,226,117	\$243,655,298	\$253,581,959	\$271,354,443	\$281,240,662	\$294,952,524	\$310,378,790	\$310,116,817	\$310,886,231	\$328,788,906
Taxes	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333	64,573,949	66,619,933	68,365,906
Charges for Services	24,158,224	26,262,822	26,365,849	26,797,087	28,036,635	29,175,200	27,222,202	27,327,074	29,687,509	27,348,530	28,167,517
Fines and Forfeitures	220,449	176,319	311,930	258,112	235,626	222,201	234,820	185,061	231,863	182,230	182,939
Intergovernmental	33,622,666	35,125,072	32,365,491	38,199,741	35,010,716	38,232,668	28,719,916	27,179,190	29,163,862	54,678,597	50,893,614
Exactions	96,613	129,603	532,410	486,643	2,074,477	317,370	514,337	148,447	243,198	79,066	347,624
Property Sales	2,681,463	453,540	462,570	181,052	529,770	585,626	1,766,593	332,635	542,862	599,831	763,263
Income on Investments	129,839	589,902	(509,785)	263,298	1,941,301	1,341,478	602,208	1,029,385	2,733,373	1,974,061	(276,837)
Other	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909	4,536,586	5,011,982	6,771,390	5,953,044	5,468,172	5,065,116
Total Revenues	351,272,328	354,826,290	360,218,020	378,594,310	399,669,714	412,402,881	417,661,425	435,424,305	443,246,477	467,836,651	482,298,048
Expenditures											
Administrative Services***	1,209,504	19,612,467	10,370,972	5,014,372	7,431,873	8,060,766	9,259,948	9,397,369	9,524,646	11,771,749	14,526,272
Chief Development Officer***		458,932	613,743	190,339	537,986	1,107,841	963,105	1,322,146	1,305,739	4,187,070	9,273,861
Environmental Quality	22,544,214										
Environmental Quality & Public Works***		36,315,403	37,037,311	36,407,046	40,387,589	42,819,684	43,305,223	46,744,561	47,066,717	50,127,256	49,958,294
Finance	9,271,854	5,405,089	5,115,502	5,020,225	5,225,806	5,536,971	5,977,862	6,004,097	5,872,974	5,570,958	5,484,950
General Government	7,382,550	5,059,177	5,647,407	5,678,539	6,306,980	6,542,424	6,556,907	6,354,511	7,962,989	5,152,565	6,018,206
General Services**	25,763,110	24,095,490	26,517,790	24,348,481	26,139,238	29,278,819	30,038,997	30,457,511	30,817,638	28,833,781	25,638,638
Information Technology**	8,450,628			6,018,607	7,513,809	9,187,214	9,964,616	13,127,259	12,010,209	10,550,550	10,597,824
Law	10,237,207	3,571,448	3,994,327	4,035,393	2,844,757	2,275,312	10,462,417	2,590,350	2,904,061	2,349,463	2,237,365
Outside Agencies	19,244,315	20,571,727	20,260,096	24,739,506	23,623,807	28,736,538	22,958,277	23,470,932	25,103,810	25,427,994	30,473,637
Planning, Preservation, & Development* ***			3,659,901	8,670,017	10,436,351	12,486,736	14,614,512	14,506,605	13,339,484	97,481	29,594
Public Safety** ***	160,552,216	193,328,465	172,413,558	173,507,393	177,216,505	186,290,364	209,591,012	211,574,153	216,669,362	224,825,855	217,479,323
Public Works	21,858,996										
Social Services	8,402,054	7,804,749	8,222,664	8,196,041	8,422,005	9,190,567	10,296,721	10,852,548	11,188,437	10,874,167	11,206,332
Debt Service:											
Principal	20,035,000	18,465,000	17,855,000	21,925,000	20,850,000	22,010,000	21,470,000	26,855,000	29,245,000	31,840,000	33,720,000
Interest and Other	13,703,243	12,927,929	13,108,740	13,667,645	12,558,133	13,938,702	15,073,088	15,356,878	16,167,674	15,951,685	14,025,339
Capital	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128	70,848,354	95,073,861	43,876,088	61,177,621	46,466,887	46,046,870
Total Expenditures	377,664,929	377,401,672	353,153,928	386,234,545	400,586,967	448,310,292	505,606,546	462,490,008	490,356,361	474,027,461	476,716,505
Excess (Deficiency) of Revenues over (under) Expenditures	(26,392,601)	(22,575,382)	7,064,092	(7,640,235)	(917,253)	(35,907,411)	(87,945,121)	(27,065,703)	(47,109,884)	(6,190,810)	5,581,543
Other Financing Sources (Uses)											
Transfers In	3,843,657	18,102,675	7,226,272	28,308,895	21,319,957	24,833,948	11,581,277	12,385,610	11,979,061	10,850,178	20,034,961
Transfers Out	(3,773,123)	(18,493,131)	(7,822,695)	(29,163,490)	(21,316,119)	(25,134,821)	(11,801,402)	(12,710,446)	(11,141,975)	(11,107,641)	(20,195,117)
Debt Proceeds (net of bond refunding)	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988	56,180,000	70,278,668	54,808,279	42,055,000	18,110,000	6,800,000
Issuance of Refunding Debt, par											49,330,000
Payment to Refunded Debt Escrow Agent											(48,867,263)
Premium (Discount) on Bonds Issued	(4,580,255)	(6,014,921)	(4,549,025)	(60,617,275)	(19,150,513)	3,362,960	(27,626,773)	(15,467,353)	2,804,065	2,174,949	616,374
Total Other Financing Sources (Uses)	15,210,279	30,869,623	16,031,851	16,878,261	30,847,313	59,242,087	42,431,770	39,016,090	45,696,151	20,027,486	7,718,955
Net Change in Fund Balances	(\$11,182,322)	\$8,294,241	\$23,095,943	\$9,238,026	\$29,930,060	\$23,334,676	(\$45,513,351)	\$11,950,387	(\$1,413,733)	\$13,836,676	\$13,300,498
Debt Service as a Percentage of Noncapital Expenditures	10.2%	8.7%	9.1%	10.1%	9.1%	9.0%	7.8%	9.7% ****	9.9% ****	10.8%	10.8%

*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.

***In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

****Correction on Debt Service Percentage for FY18 & FY19

TABLE 5

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Licenses and Permits	\$233,898,045	\$242,304,633	\$252,196,981	\$269,928,753	\$279,796,674	\$293,445,670	\$308,811,807	\$308,462,028	\$309,112,252	\$326,612,154
Taxes	20,880,351	21,368,326	21,899,738	21,826,464	22,599,975	23,068,237	24,528,574	25,221,927	25,901,995	26,768,336
Charges for Services	23,879,484	24,202,174	24,643,221	25,633,499	27,409,249	24,604,479	24,865,154	28,196,399	26,275,627	27,072,970
Fines and Forfeitures	170,001	309,442	257,039	234,615	220,612	234,363	184,729	230,914	182,230	182,915
Intergovernmental	1,942,553	1,978,891	1,720,761	797,537	858,600	546,939	775,621	975,875	857,714	800,012
Property Sales	152,194	137,719	56,688	318,536	205,560	1,265,147	248,629	236,248	379,746	217,207
Income on Investments	390,823	(556,777)	432,454	1,564,895	775,012	339,889	556,641	1,604,513	1,282,752	165,279
Other	2,213,409	2,388,300	2,509,949	4,198,344	3,669,875	3,502,017	4,131,498	4,981,187	3,601,621	4,208,261
Total Revenues	283,526,860	292,132,708	303,716,831	324,502,643	335,535,557	347,006,741	364,102,653	369,909,091	367,593,937	386,027,134
Expenditures and Other										
Financing Sources (Uses)										
Administrative Services***	15,973,425	8,112,087	2,656,141	5,617,560	6,177,391	7,524,232	7,751,744	7,773,340	9,666,087	12,750,700
Chief Development Officer***	158,932	163,743	182,074	267,683	1,001,763	845,523	1,288,532	1,305,739	3,141,622	8,001,842
Environmental Quality										
Environmental Quality & Public Works***	8,380,410	8,103,750	7,366,215	9,814,924	11,746,025	11,730,796	12,369,277	11,441,398	14,806,608	14,703,360
Finance	5,387,968	5,101,158	5,022,088	5,350,469	5,494,593	5,909,131	5,938,150	5,875,301	5,504,228	5,432,310
General Government	1,700,098	3,476,730	3,664,554	4,109,338	4,265,335	4,333,737	3,444,293	5,124,053	1,568,837	2,842,117
General Services**	24,165,031	26,774,613	29,847,860	27,906,695	31,355,145	31,546,178	30,722,576	28,716,761	27,672,668	25,283,448
Information Technology**			6,018,605	8,213,083	8,887,236	10,471,207	10,804,309	10,738,780	9,789,884	9,627,381
Law	3,494,863	3,926,008	3,974,171	2,315,205	2,182,164	10,186,108	2,454,494	2,548,860	2,256,394	2,205,664
Outside Agencies	17,206,291	17,121,904	18,935,337	19,540,759	20,264,359	20,528,503	20,987,191	22,289,443	22,816,635	21,492,688
Planning, Preservation, & Development* ***		2,738,011	7,742,329	9,540,472	11,872,258	13,588,891	13,399,720	12,365,983		
Public Safety** ***	187,071,884	167,821,104	165,631,441	172,810,800	186,461,715	206,803,147	203,622,135	207,963,308	195,419,594	203,443,509
Public Works										
Social Services	6,003,513	6,566,634	6,633,883	6,821,502	7,870,878	9,209,025	9,262,532	9,067,801	8,802,817	9,423,574
Debt Service	30,937,819	29,748,196	34,160,768	31,970,746	34,481,109	35,216,103	41,330,879	44,051,251	46,781,637	47,577,951
Other Financing (Sources) Uses	(37,031,128)	2,332,547	2,541,672	643,862	1,181,014	694,993	366,171	(2,874,377)	79,306	1,488,614
Financing Sources (Uses)	263,449,106	281,986,485	294,377,138	304,923,098	333,240,985	368,587,574	363,742,003	366,387,641	348,306,317	364,273,158
Net Change in Fund Balance	\$20,077,754	\$10,146,223	\$9,339,693	\$19,579,545	\$2,294,572	(\$21,580,833)	\$360,650	\$3,521,450	\$19,287,620	\$21,753,976

*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.

***In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

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

TABLE 6

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues											
Sewer Service Charges	\$45,663,797	\$44,334,743	\$45,990,027	\$46,577,092	\$46,845,571	\$53,005,210	\$60,085,888	\$60,398,087	\$61,524,855	\$63,750,674	\$67,943,984
Sewer Tap on Fees	1,523,169	1,944,010	2,325,787	2,013,656	2,482,245	3,249,636	2,154,652	2,923,533	2,119,925	2,338,996	1,892,298
Exactions	885,730	150,120	4,002,945	801,569	426,085	411,513	294,332	329,120	273,763	131,575	58,727
Rental Income									358,303		
Other Income	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145	912,835	82,988	12,257,683	11,013,992	7,351,626
Total Revenues	48,849,035	47,044,497	52,927,780	50,547,445	52,051,017	57,793,504	63,447,707	63,733,728	76,534,529	77,235,237	77,246,635
Operating Expenses											
Treatment Plant	8,411,093	7,933,477	8,217,471	7,935,854	7,318,958	6,713,706	7,116,239	8,157,629	7,745,135	8,491,727	8,146,604
Collection System	5,544,184	5,064,273	4,405,020	4,461,052	4,187,968	4,413,641	4,536,910	1,832,856	2,467,916	2,337,284	2,684,663
Administration	18,243,183	17,142,578	16,216,619	20,773,379	20,119,458	21,566,883	24,011,158	28,262,383	37,748,088	36,559,715	38,528,583
Depreciation	7,214,960	7,299,442	7,683,896	8,047,827	8,471,363	9,130,305	10,568,196	12,137,121	12,517,562	13,649,916	16,327,030
Total Operating Expenses	39,413,420	37,439,770	36,523,006	41,218,112	40,097,747	41,824,535	46,232,503	50,389,989	60,478,701	61,038,642	65,686,880
Operating Income	9,435,615	9,604,727	16,404,774	9,329,333	11,953,270	15,968,969	17,215,204	13,343,739	16,055,828	16,196,595	11,559,755
Net Nonoperating Revenues/(Expenses)	(2,486,197)	(1,697,841)	(2,649,715)	(1,451,967)	(1,710,547)	(2,005,954)	(4,005,015)	(2,289,314)	(1,444,433)	(3,656,358)	(4,657,136)
Transfers In	3,010,299	422,187	1,208,935	88,369,088	6,230			150,000	172,823,976	280,000	
Transfers Out	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)	(185,026)	56,435	(172,680,119)	(187,703)	(120,000)
Net Income/Change in Net Position	\$5,676,373	\$7,862,935	\$13,924,800	\$7,894,485	\$10,249,307	\$13,958,779	\$13,025,163	\$11,260,860	\$14,755,252	\$12,632,534	\$6,782,619

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)
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
2019	17,859,282	752,367	8,789,535	1,889	5,810,802		33,213,875		33,213,875	0.2533
2020	18,607,797	767,150	9,147,948	1,889	6,110,074		34,634,858		34,634,858	0.2536
2021	18,979,626	784,560	9,375,806	1,731	6,097,093		35,238,816		35,238,816	0.2536

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
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%	1,699,084	54,771,226	100.0%
2016	55,935,427	54,402,567	97.3%	987,040	55,389,607	99.0%
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%
2019	63,891,892	62,113,756	97.2%		62,113,756	97.2%
2020	66,517,997	64,288,746	96.6%		64,288,746	96.6%
2021	67,116,194	66,715,808	99.4%		66,715,808	99.4%

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
	General	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	
		Refuse	Street Lights	Street Cleaning								
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
2019	0.0800	0.1426	0.0210	0.0097	0.2533	0.8100	0.1220	0.0035	0.0006	0.0280	0.0600	1.2774
2020	0.0800	0.1426	0.0213	0.0097	0.2536	0.8100	0.1220	0.0035	0.0006	0.0280	0.0600	1.2777
2021	0.0800	0.1423	0.0212	0.0096	0.2531	0.8080	0.1190	0.0040	0.0006	0.0280	0.0600	1.2727

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	2021			2013		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Fayette Mall SPE LLC	\$138,573,200	1	0.40%			
Hap Property Owner, LP	106,574,900	2	0.31%			
Fritz Farm Retail Company LLC	84,450,000	3	0.24%			
Passco Fritz Farm Mngr LLC TTEE	64,157,000	4	0.19%			
Fayette Middle Anchor LLC	63,000,000	5	0.18%	\$117,000,000	1	0.42%
Healthsouth Kentucky Real Estate	56,446,100	6	0.16%			
Newtown Crossing II LLC	53,000,000	7	0.15%	37,000,000	10	0.13%
War Admiral Place LLC	52,718,900	9	0.15%	44,970,900	5	0.16%
Mid American Apts LLC	52,426,800	8	0.15%	37,400,000	9	0.13%
Strata Racquet LLC	51,500,000	10	0.15%			
Fourth Quarter Properties*				101,405,300	2	0.36%
Lexmark International Inc.				55,806,600	3	0.20%
Sir Forty 57 LLC				52,500,000	4	0.19%
Weingarten Realty Inc.				40,417,900	6	0.14%
Fayette Plaza CMBS LLC				40,000,000	7	0.14%
Beaumont Lexington				37,525,300	8	0.13%
Total	<u>\$722,846,900</u>		<u>2.08%</u>	<u>\$564,026,000</u>		<u>2.00%</u>

*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

<u>Fiscal Year</u>	<u>LFUCG Direct Rate</u>	<u>Fayette County School</u>	<u>Total</u>
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%
2019	2.25%	0.50%	2.75%
2020	2.25%	0.50%	2.75%
2021	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	2021 Rank	2013 Rank
University of Kentucky	1	1
Fayette County Board of Education	2	2
Lexington-Fayette Urban County Government	3	4
Baptist Healthcare	4	6
Lexmark International	5	3
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	6	7
Amazon.com	7	
St. Joseph Hospital	8	5
Ashland, Inc.	9	8
Commonwealth of Kentucky	10	
Lexington Clinic		9
ACS Commercial Solutions/Xerox		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	QECCB Bond	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable			
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	3.5%	1,699
2018	386,251,016	2,795,000 **			30,129,000	46,578,000	120,023,000	585,776,016	3.6%	1,809
2019	399,625,856	2,795,000 **			30,129,000	43,965,000	522,444,000	998,958,856	6.0%	3,091
2020	385,703,338	2,795,000			77,836,589	41,248,000	138,742,000	646,324,927	na	2,004
2021	361,055,860	2,795,000			72,801,603	38,409,948	132,237,000	607,299,411	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 2019 & 2020 not available at time of publication.

* Updated in 2017

** Moved the Qualified Energy Conservation Bond (QECCB) 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
2012	\$315,714,650	1.15%	\$1,033 *
2013	314,541,343	1.12%	1,018 *
2014	310,040,731	1.09%	996 *
2015	322,636,652 **	1.09%	1,025 *
2016	359,049,549 **	1.24%	1,127
2017	378,407,126 **	1.24%	1,174
2018	389,046,016 **	1.21%	1,202
2019	402,420,856 **	1.21%	1,245
2020	388,498,338 **	1.12%	1,204
2021	363,850,860	1.03%	n/a

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.
Population 2021 was not available at time of publication.

* Updated in 2017

**Updated formula to include QECB bond on Table 13

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, 2021

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Mortgage Revenue Bonds, Series 2018	\$163,035,000	2.12%	\$3,456,597
Mortgage Revenue Bonds, Series 2018A	38,450,000	2.12%	815,200
Mortgage Revenue Bonds, Series 2018B	31,865,000	2.12%	675,588
Lexington Public Library			
Variable Rate, Revenue Bonds Series 2014A	537,500	0.65%	3,473
Lexington-Fayette Urban County Government Airport Corporation			
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	2.85%	153,893
Fixed Rate General Airport, Revenue, and Refunding Bond 2016A (non-AMT)	180,000	2.85%	5,130
Fixed Rate General Airport, Revenue, and Refunding Bond 2016B (AMT)	180,000	2.85%	5,130
Fixed Rate General Airport, Revenue, and Refunding Bond 2016C (Fed Taxable)	32,340,000	2.85%	921,650
Fixed Rate General Airport, Revenue, and Refunding Bond 2016D (non-AMT)	4,915,000	2.85%	140,071
Fixed Rate General Airport, Revenue, and Refunding Bond 2016E (AMT)	3,745,000	2.85%	106,728
Fixed Rate General Airport, Revenue, and Refunding Bond 2019A (Fed Taxable)	32,000,000	2.85%	911,960
Fayette County School & Kentucky School Commission Bonds	481,400,000	100.00%	481,400,000
Subtotal, Overlapping Debt			488,595,420
LFUCG, Direct Debt			363,850,860
Total Direct and Overlapping Indebtedness			<u>\$852,446,280</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed Value	\$27,501,680	\$27,991,475	\$28,353,568	\$29,616,824	\$28,873,199	\$30,607,420	\$32,177,070	\$33,213,875	\$34,634,858	\$35,238,816
Debt limit (10% of Assessed Value)	\$2,750,168	\$2,799,148	\$2,835,357	\$2,961,682	\$2,887,320	\$3,060,742	\$3,217,707	\$3,217,707	\$3,463,486	\$3,523,882
Total net debt applicable to limit	203,817	194,414	200,820	171,917	162,861	184,801	183,990	362,029	362,797	324,130
Legal debt margin	\$2,546,351	\$2,604,734	\$2,634,537	\$2,789,765	\$2,724,459	\$2,875,941	\$3,033,717	\$2,855,678	\$3,100,689	\$3,199,752
Total net debt applicable to the limit as a percentage of debt limit	7.41%	6.95%	7.08%	5.80%	5.64%	6.04%	5.72%	11.25%	10.47%	9.20%

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

TABLE 17

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

Fiscal Year	Sanitary Sewer System						Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2012	\$48,023	\$30,140	\$17,883	\$11,117	\$3,181	1.25	\$7,157	\$2,697	\$4,460	\$1,970	\$2,495	1.00
2013	52,769	28,839	23,930	3,413	2,400	4.12	5,830	2,305	3,525	2,050	2,416	0.79
2014	51,542	33,170	18,372	3,505	2,348	3.14	6,376	2,111	4,265	2,130	2,334	0.96
2015	51,440	31,626	19,814	2,067	1,917	4.97	6,406	2,436	3,970	2,215	2,247	0.89
2016	58,234	32,694	25,540	3,094	2,536	4.54	6,988	2,708	4,280	2,310	2,646	0.86
2017	63,289	35,664	27,625	3,688	2,644	4.36	7,305	2,625	4,680	2,405	2,274	1.00
2018	64,355	38,253	26,102	5,220	3,039	3.16	6,149	2,960	3,189	2,055	1,875	0.81
2019	77,698	47,961	29,737	7,922	2,673	2.81	5,956	2,158	3,798	2,165	1,673	0.99
2020	78,210	47,389	30,821	10,483	4,127	2.11	5,988	2,285	3,703	2,270	1,567	0.97
2021	77,948	49,360	28,588	11,213	5,042	1.76	5,717	1,944	3,773	2,390	1,538	0.96

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2012	\$978	\$540	\$438	\$0	\$0	0.00	\$0	\$0	\$0	0.00
2013	5	4	1							
2014										
2015										
2016	1		1							
2017										
2018										
2019										
2020										
2021										

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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

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Fiscal Year	Population		Personal Income (Thousands)	Per Capita Personal Income		Civilian Labor Force		Unemployment Rate	
						Employed	Unemployed		
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	322,193	**	15,602,893	48,427	**	167,944	6,360	3.6%	*
2018	323,780	**	16,247,217	50,180	**	169,048	5,801	3.3%	
2019	323,152		16,709,370	51,707		170,028	5,836	3.3%	
2020	322,570		na	na		162,405	9,879	5.70%	
2021	na		na	na		na	na	na	

* Updated in 2018

** Updated in 2019

Note:

Personal Income and Per Capita Personal Income data for 2020 & 2021 not available at time of publication.

Employed, Unemployed and Unemployment Rate date for 2021 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	2021			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	15,541	1	9.57%	14,000	1	9.16%
Amazon.com	5,727	2				
Fayette County Public Schools	5,620	3	3.46%	5,374	2	3.52%
Baptist Healthcare	4,502	4		2,496	7	1.63%
Lexington-Fayette Urban County Government	2,884	5	1.78%	2,699	4	1.77%
CHI St. Joseph	2,621	6	1.61%			
Conduent	2,500	7	1.54%			
Veterans Medical Center	2,000	8	1.23%			
Lockheed Martin	1,500	9	0.92%	1,867	9	1.22%
Lexmark International	1,400	10	0.86%	2,656	5	1.74%
KentuckyOne Health				3,000	3	1.96%
Xerox				2,530	6	1.66%
Wal-Mart				2,027	8	1.33%
Kroger				1,665	10	1.09%
	<u>44,295</u>		<u>20.97%</u>	<u>38,314</u>		<u>25.08%</u>

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	229	142,233
2009 *	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	24	137,332
2010 *	6,491	21,983	8,226	5,711	19,930	12,632	1,881	5,444	25,106	33,256	54	140,714
2011 *	6,790	23,640	8,266	5,680	19,495	11,962	2,088	5,383	25,988	33,620	40	142,952
2012 *	6,733	24,230	8,000	5,396	20,318	12,226	2,010	5,347	27,515	34,619	61	146,455
2013 *	7,144	23,727	7,875	5,030	21,186	12,214	1,906	5,303	32,376	35,860	101	152,722
2014 *	7,545	23,527	7,638	5,218	22,346	12,229	2,000	4,926	30,600	37,218	43	153,290
2015 *	8,742	24,995	7,734	4,891	23,556	12,244	1,957	5,024	32,858	37,885	53	159,939
2016 *	9,591	25,165	7,859	2,335	23,579	11,911	1,775	5,328	30,942	39,458	47	157,990
2017 *	9,633	25,918	7,858	2,173	23,971	11,445	2,001	5,319	30,750	40,767	46	159,881
2018	9,497	26,777	7,987	2,216	24,056	11,506	1,948	5,421	27,592	38,887	49	155,936
2019	10,055	26,987	8,469	2,234	24,561	11,245	2,020	5,438	28,997	38,902	36	158,944
2020	9,417	26,785	8,072	2,305	19,304	10,599	2,529	4,982	26,573	34,941	21	145,528

*The Government has corrected years 2001-2017 to reflect the correct employment numbers per category. In addition, fiscal years 2001-2006 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

	2000 Census		2010 Census	
	Value	%	Value	%
Population and Number of Households				
Population				
Under 18 years	55,533	21.3%	62,633	21.2%
18 - 64 years	178,805	68.7%	202,032	68.3%
65 years and over	26,174	10.0%	31,138	10.5%
Total	<u>260,512</u>	100.0%	<u>295,803</u>	100.0%
Number of Households	108,288		123,043	
Economic and Education				
Family Income				
Less than \$10,000	3,587	5.6%	4,407	6.3%
\$10,000 - \$24,999	8,947	14.1%	8,791	12.7%
\$25,000 - \$49,999	17,124	26.9%	15,164	21.9%
\$50,000 - \$74,999	14,759	23.2%	12,913	18.6%
\$75,000 or more	19,231	30.2%	28,149	40.5%
Total Families	<u>63,648</u>	100.0%	<u>69,424</u>	100.0%
Median Family Income	\$53,264		\$63,086	
Mean Family Income	\$52,261		\$76,373	
Per Capita Income	\$23,109		\$25,561	
School Enrollment				
Elementary/Secondary	36,938		43,918	
College	31,508		41,238	
Education for Individuals 25+ years of age				
Less than 9th grade	8,539	5.1%	8,813	4.6%
High School, No Diploma	15,213	9.1%	13,986	7.3%
High School Graduate	37,448	22.4%	43,875	22.9%
College 1 - 3 years	46,420	27.8%	54,796	28.6%
College 4 or more years	59,615	35.6%	70,123	36.6%
Total	<u>167,235</u>	100.0%	<u>191,593</u>	100.0%
Unemployment Rate	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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administrative Services	129	94	47	49	76	78	79	74	77	76
General Government	66	66	67	69	65	67	67	71	72	72
Finance & Administration	68	65	69	70	73	74	73	71	74	70
Information Technology			44	52	52	51	49	54	52	50
General Services										
Parks & Recreation	140	139	138	144	146	144	139	139	136	131
Other	97	93	98	102	102	97	92	93	95	97
Law	37	40	39	42	23	23	23	21	20	18
Planning, Preservation, & Development		39	128	137	143	146	147	133	132	127
Public Safety										
Fire & Emergency Services										
Firefighters & Officers	500	520	566	560	565	558	568	623	625	624
Civilians	17	16	16	18	18	26	25	16	14	14
Police										
Officers	504	524	542	518	554	572	604	597	585	553
Civilians	127	126	122	112	87	104	112	105	109	109
Community Corrections	321	312	330	298	293	340	320	313	304	281
Other	81	80	68	74	73	92	91	74	76	65
Public Works & Development										
Other										
Environmental Quality & Public	508	484	451	453	468	475	488	504	493	487
Waste Management										
Water & Air Quality										
Other										
Social Services	94	96	96	98	108	109	114	111	108	110
	<u>2,689</u>	<u>2,694</u>	<u>2,821</u>	<u>2,796</u>	<u>2,846</u>	<u>2,956</u>	<u>2,991</u>	<u>2,999</u>	<u>2,972</u>	<u>2,884</u>

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.

In FY20 the Department of Planning, Preservation & Development was reorganized. The Division of Planning moved to Chief Development Officer. The Divisions of Water Quality, Building Inspection and Engineering moved to Environmental Quality & Public Works. The Divisions of Historic Preservation and Purchase of Development Rights moved to Administrative Services. In addition, the Division of Lexcall was created in Administrative Services. The Division of Code Enforcement moved to Public Safety. The Division of DEEM/Enhanced 911 was split into two separate Divisions, Emergency Management and Enhanced 911.

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Fire and Emergency Services											
Emergency Medical Calls	37,000	36,619	37,971	42,151	43,076	46,476	47,930	51,245	46,544	47,813	
False Calls	2,673	2,585	2,983	3,077	2,898	2,915	3,108	3,154	3,074	3,118	
Fire Incidents	1,564	1,293	1,226	1,249	1,248	1,364	1,125	1,028	1,154	1,091	
Good Intent Calls	1,153	1,107	1,108	1,180	1,180	1,128	169	1,252	1,289	1,233	
Hazardous Materials Calls	1,248	1,451	1,686	1,766	2,021	1,976	1,827	1,900	1,776	1,739	
Other	60	44	54	40	34	46	32	25	36	36	
Rescues	421	449	443	462	501	545	570	740	784	777	
Rupture - Gas, Water, etc.	36	34	31	35	41	44	45	40	78	35	
Service Calls	1,707	1,598	2,209	1,968	2,099	2,336	2,838	3,061	3,376	3,460	
Police											
Physical Arrests	20,214	14,592	13,773	17,442	16,356	* 10,990	** 12,481	** 14,801	11,937	10,426	**
Parking Violations	41,849	47,201	46,709	43,055	45,360	48,776	43,305	44,488	40,141	33,561	
Traffic Violations	52,086	40,478	48,193	44,795	36,561	37,635	37,173	47,019	33,150	27,282	
Parks and Recreation											
Rounds of Golf	95,382	96,607	90,410	91,407	101,535	102,082	90,915	85,906	88,458	106,412	
Pool Visits	205,353	169,820	142,062	145,911	167,351	152,466	137,855	141,382	0	67,303	****
Building Inspection											
Permits Issued	13,623	13,860	16,141	15,363	16,653	*** 13,343	*** 9,752	*** 9,188	12,348	9,052	***
Inspections	23,957	24,518	23,262	21,909	27,406	*** 13,517	*** 15,850	*** 18,951	22,098	20,737	***
Sanitary Sewers											
Tap-on Inspections	644	861	897	930	786	811	573	584	872	515	
Average daily sewage treatment (mgd)	39	39	42	41	41	33	35	47	43	38	
Solid Waste											
Annual Tons of Refuse Collected	134,788	135,595	137,728	138,714	149,226	155,493	159,320	175,537	179,204	183,303	
Annual Tons of Recyclables Collected	21,834	22,446	22,583	22,509	21,436	21,041	19,502	15,052	12,947	16,212	
Annual Tons of Yard Waste Collected	21,801	20,492	19,984	21,609	21,933	24,053	21,425	29,181	16,789	12,446	
Other Public Works											
Street Resurfacing (miles)	28	22	27	27	51	61	41	106	75	116	

* 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.

**** Due to COVID19 Public Pools did not open

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	24	24
Number of Engines	22	22	22	22	22	22	22	22	25	23
Number of Aerials	7	7	7	7	7	7	7	7	7	7
Number of EC Units	10	10	10	11	11	11	12	12	12	12
Number of Haz-Mat Units	2	2	2	2	2	2	2	2	1	1
Number of Special Operations*					1	1	1	1	9	9
Police										
Canine Facility	0	0	0	0	0	0	0	0	1	1
Stations	3	3	3	3	3	3 *	3 *	3 *	4	4
Patrol Units	429	424	424	430	457	480	517	550	522	462
Parks and Recreation										
Acres of Parks	4,282	4,282	4,282	4,282	4,282	4,282	4,273	4,273	4,276	4,295
Number of Golf Courses	5	5	5	5	5	5	5	5	5	5
Number of Swimming Pools	7	7	7	7	7	7	7	6	6	6
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	119	119	116	118	123	135	127	128	132	129
Other Public Works										
Streets (miles)	1,636	1,638	1,641	1,652	1,663	1,667	1,673	1,669	1,675	1,687
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,761	182,761	182,761
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,662	54,662	54,662
Traffic Signals	382	376	378	365	374	377	379	384	388	390

* Updated the number of Polic Stations FY2017-2019

Source: Department of Finance, Lexington-Fayette Urban

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Staff DR 1-3:

Provide a comparative statement of operations that indicates the year-to-year change, in percent, for each revenue and expense item attributed to sewer treatment operations.

Response:

Please see Excel file titled "PSC DR 1-03 Sewer Treatment Operating Costs 2019-2022" for operating costs. These operating costs do not include depreciation, capital investment, or debt. In addition, it is worth noting that LFUCG's financing requires LFUCG to maintain significant reserves.

In addition, the attached Excel file titled "PSC DR 1-03 West Hickman Capital Expenses 2013-2022" shows over \$100,000,000 in capital projects from 2013 to 2023 for the West Hickman Wastewater Treatment Plant, which serves JSEWD. Additional detail on capital projects is included in the Excel file titled "PSC DR 1-03 West Hickman WWTP Capital Projects." Notably, these capital expenses are *only* for the West Hickman Wastewater Treatment Plant.

Witness: Charles Martin and Erin Hensley

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Staff DR 1-4:

Provide cost support for the tap-on or connection fees.

Response:

The Lexington-Fayette Urban County Government ("LFUCG") acknowledges that the Public Service Commission is authorized to review the reasonableness of the rates contained in the Agreement dated January 3, 2002 between LFUCG and the Jessamine-South Elkhorn Water District (the "District"). However, LFUCG does not concede that the approval of sewer tap-on or connection fees assessed or charged by a local government is a utility service which must or should be regulated by the Commission. Moreover, the LFUCG does not concede that the filed tariffs should be categorized as non-recurring charges as defined by 807 KAR 5:011. For example, tap-on fees are not enumerated within the list of nonrecurring charges in 807 KAR 5:006, Section 9. LFUCG also believes that a local government providing sewer service is not prohibited from including a component in the cost of a sewer tap-on or connection fee which exceeds the actual cost of installing the equipment and facilities necessary to physically link the new property to the sewer system.

Without waiving the aforementioned arguments, pursuant to the Agreement, the issue of whether LFUCG should be required to provide sewer service to certain Jessamine County residents was contested for years and ultimately resulted in the District and LFUCG entering into the Agreement. Unlike a typical arms-length transaction, or a situation in which a municipal utility is actively marketing services to a regulated utility, the Agreement was primarily entered into as the result of a Kentucky Division of Water administrative action and approval process for the benefit

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of certain landowners in Jessamine County. LFUCG's Fayette County sewer customers do not benefit through the inclusion of these additional customers into the system.

As a part of the Agreement, the District is required to pay the same sewer fees as those assessed in Fayette County. The tap-on or connection fees are referenced in paragraph 7 of the Agreement. These fees are intended to reasonably compensate LFUCG for the total overall costs associated with using its sewer system without unduly penalizing existing ratepayers for the additional burdens placed on the system through the inclusion of these additional users. It does not simply reflect the equipment and facilities necessary to physically link a property to the sewer system.

LFUCG's sanitary sewer system is directly owned and maintained by the government. As a result, all proposed rate changes must be approved by its legislative body, the Urban County Council. LFUCG's fees are established pursuant to an ordinance which has been codified in Section 16-60 of the Code of Ordinances, Lexington-Fayette Urban County Government (the "Code").

The proposed tariffs filed with the Commission on May 27, 2022 reflect an automatic across the board cost of living increase of 8.3% above the current fees. This adjustment is made pursuant to Section 16-57.1 of the Code which provides:

All rates and fees set forth in sections 16-48, 16-59, and 16-60 shall be adjustable each July 1 beginning on July 1, 2010, by an amount based upon the Consumer Price Index for All Urban Consumers, the U.S. City Average ("CPI-u") published monthly by the Bureau of Labor Statistics. These rates shall be adjusted up if so indicated by a factor determined by averaging the monthly CPIu published for the twelve-month period ending, and including, April of the year before the July 1 adjustment.

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Based upon the above language, LFUCG calculated the increase to be effective for July 1, 2022 at 8.3%. LFUCG believes that the above CPI-u is an accurate and reasonable indicator of the actual cost increases associated with providing the services reflected in the proposed fees, as further described in response to Item 1-11 below.

The tap-on or connection fees help LFUCG comply with a federal consent decree capacity requiring LFUCG to spend hundreds of millions of dollars to improve and expand its sanitary sewer system to meet minimum operational and capacity requirements. *United States & Commonwealth of Kentucky v. Lexington Fayette Urban County Government*, U.S. District Court for the Eastern District of Kentucky, Civil Action No. 5:06-cv-386-KSF. This order was based upon the premise that for years LFUCG underfunded its sanitary sewer system, which created environmental issues. As a part of that order, LFUCG is required to analyze and identify all measures needed to ensure compliance with the Clean Water Act and implement measures in a timely fashion. These measures require significant capital investment.

In 2009, LFUCG raised its then existing sanitary sewer fees by approximately 35% across the board as a result of the above-referenced lawsuit. This included all of the categories of sewer tap-on or connection fees listed in LFUCG's tariff filing of May 30, 2022. Any additional increases since that time have been based upon the automatic CPI-u clause calculation in section 16-57.1 of the Code or by a higher amount to address increases in the cost of providing sanitary sewer service.

In Case No. 2014-00204, the Commission approved LFUCG's then-proposed tap-on or connection fees. LFUCG has increased these fees annually based on the CPI-u or higher amount (as approved by the Urban County Council), and the Commission has accepted these increases through tariff filings.

Witness: Charles Martin and Legal

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Request for Information Staff DR 1-5:

Explain whether the tap-on or connection fees yield only enough revenue to pay for the expenses incurred, as required by 807 KAR 5:011, Section 10(2).

Response: See response to Item 1-4 above, which is incorporated herein by reference. In addition, LFUCG believes that its tap-on or connection fees are reasonable to pay for the expenses incurred for the privilege of connecting to LFUCG's sanitary sewer system. Since 2013, LFUCG has collected approximately \$2 million from JSEWD while spending more than \$100 million in capital improvements at the West Hickman Wastewater Treatment Plant.

Given LFUCG's increased level of capital spending and overall balance sheet, there is no evidence that LFUCG is charging in excess of the actual cost of operating a compliant wastewater system.

Witness: Charles Martin and Legal

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Request for Information Staff DR 1-6:

Provide a detailed explanation of the proposed tap-on or connection fees.

Response: See response to Item 1-4 above, which is incorporated herein by reference.

The tap-on or connection fees are intended to reasonably compensate LFUCG for the total overall costs associated with using its sewer system without unduly penalizing existing ratepayers for the additional burdens placed on the system through the inclusion of these additional users.

The categories of the fees are based upon various land use designations which are intended to fairly and reasonably differentiate between various intended uses of properties and the projected impact of those uses to the system. The different categories of fees are reflected in LFUCG's May 27, 2022 tariff filing.

Witness: Charles Martin and Hilori Morgan

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Request for Information Staff DR 1-7:

Provide a detailed explanation of how the revenues from the tap-on or connection fees are expended.

Response:

LFUCG does not segregate expenses verse revenues in the manner requested. In FY20, total tap-on fee revenue was only 2.57% of total revenue for the entire service area. Given this low percentage, incurring the additional administrative cost of tracking tap-on revenue verses expense does not make good business sense.

Witness: Charles Martin

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Request for Information Staff DR 1-8:

Cite any legal authority allowing a local government to charge in excess of the actual cost of installing equipment and facilities necessary to physically connect a property to the sewer system.

Response:

LFUCG objects to this request as it calls for a legal conclusion. Without waiving the aforementioned objection, or LFUCG's ability to cite additional legal authority as necessary in the future, the LFUCG responds as follows and incorporates its responses to item 1-4 above:

As an urban county government, LFUCG is afforded "home rule" authority by statute. Therefore, it can adopt any ordinance which is otherwise lawful and is not in conflict with the Kentucky Constitution or statutes. *See* KRS 67A.070(1).

By definition, the tap-on or connection fee is being assessed for the "privilege of connecting to the system" Section 16-60(a) of the Code. Part of the basis for the amount of the fee is the use of the property and its projected impact to the sewer system and credit adjustments are provided for change to the use of pre-existing structures. *See* Section 16-61 of the Code.

KRS 67A.871, *et seq.*, provides LFUCG with broad assessment authority for its sewer system including assessments against later connecting properties. *See* KRS 67A.877. KRS 96.901, *et seq.*, provides broad sewer rate making authority to cities, counties, and urban county governments. KRS 96.912 allows for classification of users on any reasonable basis as long as rates are uniform within the class. KRS 96.916 indicates that existing, planned and foreseeably needed facilities, the cost of operation and maintenance, repairs, replacements, extensions,

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improvements, and financial requirements are valid expenses considerations and that the government has the discretion to vary charges.

KRS 96.200 also states that “the legislative body of any city may, by ordinance, provide in what manner and for what purpose any profits, earnings or surplus funds arising from the operation of any public utility owned or operated by the city may be used and expended.” The General Assembly would not have enacted such language if it did not intend to permit Cities to have profits, earnings, or surplus funds. *Electric Plant Bd. of City of Mayfield v. City of Mayfield*, 185 S.W.2d 411, 413 (Ky. 1945)(“This intention is so plainly manifested, that further comment would be superfluous.”)

LFUCG believes the following cases and other legal authority also support its filing: *City of Greenup v. Public Service Commission*, 182 S.W. 3d 535 (Ky. App. 2005); *Board of Education v. Lexington-Fayette Urban County Government*, 691 S.W.2d 218 (Ky. 1985); *Conrad v. Lexington-Fayette Urban County Government*, 659 S.W.2d 190 (Ky. 1983); *Davisworth v. City of Lexington*, 224 S.W.2d 649 (Ky. App. 1949); *City of Lexington v. Jones*; 160 S.W.2d 19 (Ky. App. 1942); *Louisville & Jefferson County Metropolitan Sewer District v. Joseph E. Seagram & Sons, Inc.*, 211 S.W.2d 122 (Ky. App. 1948); 11 McQuillin Municipal Corporations Section 31:33 and 14 McQuillin Municipal Corporations 38:27. *Cf. Principles of Water Rates, Fees, and Charges* (M1 Manual), American Water Works Association (6th ed. 2012) at 18 (“When a government-owned utility is serving customers outside its jurisdiction who are considered to be nonowners, the applicable rates of return may properly reflect a differential between owners and nonowners.”)

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In addition, Paragraph 16(B) of the Consent Decree requires LFUCG to certify adequate capacity prior to authorizing new service connections. In conjunction with this requirement, LFUCG developed a Capacity Assurance Program to ensure that there is adequate capacity in the sewer system to accommodate a new connection. (A copy of Section 1 of the initial System Capacity Assurance Program report is attached below.) This further demonstrates that there are costs to providing capacity beyond the actual cost of installing equipment and facilities necessary to physically connect a property to the sewer system.

Witness: Legal/Charles Martin

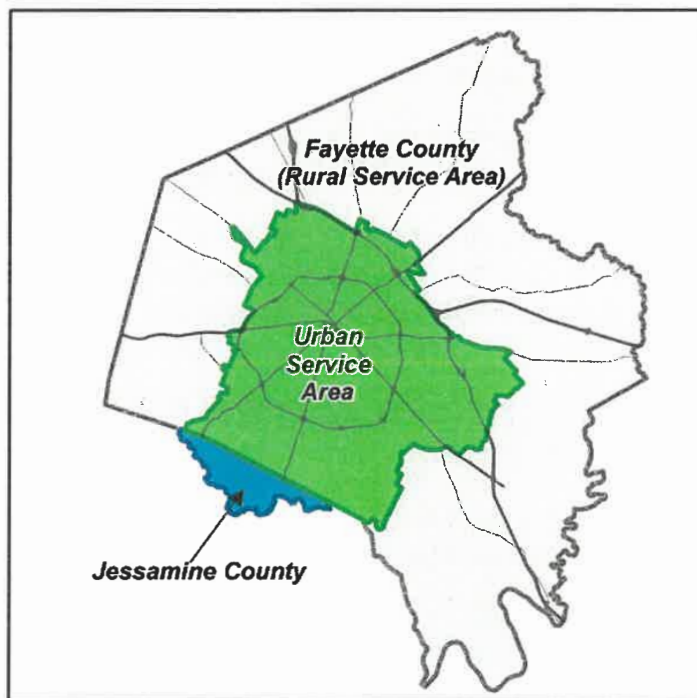
Section 1 – Introduction

1.1. Background

The Lexington-Fayette Urban County Government (LFUCG) provides sanitary sewer service within the urbanized areas of Fayette County. The Urban Service Area (USA) and its location within Fayette County are presented in **Figure 1.1**. LFUCG operates a separate Sanitary Sewer System (no combined sewers) that is comprised of approximately 1,400 miles of sanitary sewer pipes ranging in size from 4 inches to 72 inches in diameter, 34,000 manholes, 82 pump stations, and three (3) wastewater treatment plants (West Hickman, Town Branch, and Blue Sky). As part of a Commonwealth Environmental Project, the Blue Sky wastewater treatment plant will be eliminated with a new pump station. Design of the pump station is currently underway.

LFUCG has a Memorandum of Agreement (MOA) with Jessamine County, Kentucky to accept sanitary sewer discharges into LFUCG’s collection system from approximately 430 acres in the northern portion of the county that naturally drains into Fayette County. In the MOA, LFUCG agreed to accept into its Sanitary Sewer System and treat up to 2.0 million gallons per day (MGD) of sewage generated in the service area, calculated on the basis of average daily flows and subject to all terms, conditions, and limitations of the agreement. LFUCG approval is required by means of a site specific agreement with the property owner prior to connection to LFUCG’s Sanitary Sewer System. The portion of Jessamine County included in the MOA is shown in blue in **Figure 1.1**.

Figure 1.1. LFUCG’s Urban Service Area



Section 1 – Introduction

1.2. Consent Decree

LFUCG signed a federal Consent Decree with the U.S. Environmental Protection Agency (EPA) and Commonwealth of Kentucky Energy and Environment Cabinet (EEC), formerly the Environmental and Public Protection Cabinet (EPPC), on March 14, 2008 (Lodging Date). The Consent Decree was entered by the Court on January 3, 2011 (Effective Date). The terms of the Consent Decree obligate LFUCG to eliminate sanitary sewer overflows (SSOs) and other unpermitted bypasses and discharges from the wastewater system.

As part of the Consent Decree, LFUCG is required to develop and implement a Capacity Assurance Program. Within two (2) years of the Effective Date of the Consent Decree (January 3, 2013), LFUCG must submit for review, comment, and approval, a Capacity Assurance Program Plan (Plan) to the EPA and EEC. No later than thirty (30) days after approval of the Plan by the EPA, LFUCG must commence implementation of the Capacity Assurance Program, subject to the schedules set forth in the approved Plan.

1.3. Capacity Assurance Program (CAP) Requirements

Section VII.16B of the Consent Decree obligates LFUCG to implement a Capacity Assurance Program (CAP) for their Sanitary Sewer System. Under the CAP, LFUCG may only authorize new connections (flow additions) if adequate capacity can be certified in the collection, transmission, and wastewater treatment systems. In the absence of this certification, new connections may also be authorized by use of a “banked credit system.” Under the banked credit system, sanitary sewer improvements from qualifying activities (inflow/infiltration removal, off-line storage, capacity enhancement projects) may be used to offset flow from new connections at an exchange rate (trade ratio) prescribed in the Consent Decree.

This CAP contains the following components.

- The technical information, methodology, and analytical techniques, including the model or software, that LFUCG will use to calculate collection, transmission, and treatment capacity.
- The means by which LFUCG will integrate its certification of Adequate Treatment Capacity, Adequate Transmission Capacity, and Adequate Collection Capacity with its approval of application for extension of sewer lines and LFUCG’s acquisition of new or existing sewers from other owners.
- The technical information, methodology and analytical techniques, including the model or software that will be used by LFUCG to calculate the net (cumulative) increase or decrease in volume of wastewater introduced to the wastewater collection and transmission systems (WCTS) as a result of LFUCG’s authorization of new sewer service connections and increases in flow from existing connections and the completion of:
 - Specific projects that add or restore capacity to the WCTS or wastewater treatment plant (“Capacity Enhancing Projects”);

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- Specific projects that reduce One Hour Peak Flow through removal of inflow and infiltration (“I/I Projects”); and
 - Permanent removal of sewer connections (“Removal of Connections”).
- The information management system (IMS) that LFUCG will use to track: the accumulation of banked credits earned from completion of Capacity Enhancing Projects, I/I Projects, and Removal of Connections; the capacity-limited portion of the Sewershed in which those credits were earned; and the expenditure of such credits on future increases in flow from new and existing sewer service connections in that capacity-limited portion of the Sewershed.
 - Evaluation protocols that LFUCG will use to calculate collection, transmission and treatment capacity.
 - Identification of those sewer pipe segments that have been specifically designed and constructed to operate under surcharge conditions.

1.4. CAP Purpose

The CAP provides a mechanism by which LFUCG can responsibly manage their Sanitary Sewer System capacity while balancing the needs of land developers, rate payers, and the environment. Upon full implementation, the CAP will serve as the basis by which LFUCG will authorize new connections and flow additions to their WCTS. The CAP is designed to provide LFUCG with the assurance that flow additions or expansion of their WCTS will not exacerbate existing sanitary sewer overflows and unpermitted bypasses. The CAP offers an alternative to a moratorium on new sanitary sewer connections that would otherwise be necessary until elimination of sanitary sewer overflows and unpermitted bypasses could be attained through implementation of LFUCG’s Remedial Measures Plan capital sanitary sewer improvements.

1.5. Related Consent Decree Programs

Several other Consent Decree programs initiated by LFUCG are related to the CAP. They include: Sanitary Sewer Assessment; Capacity Assessment; Pumping Station Design, Capacity, and Equipment Condition Adequacy Evaluation; and Remedial Measures Plan development.

1.5.1. Sewer System Assessment

Per the requirements in Section VII.15.B of the Consent Decree, LFUCG performed a Sewer System Assessment (SSA) to identify sources of inflow and infiltration (I/I) and assess the capacity and condition of their sanitary sewer collection and transmission system. On June 6, 2008, LFUCG submitted a Sewer System Assessment Work Plan (SSA Work Plan), outlining analysis methodologies, data collection and management guidance, and an implementation schedule for performing the SSA.

Section 1 – Introduction

The SSA included: closed circuit television (CCTV) inspection of over 1.3 million linear feet of sanitary sewer pipe, visual inspection of approximately 18,000 manholes, smoke testing of approximately 5 million feet of sanitary sewer pipe, dye testing, night flow isolation, and flow and groundwater monitoring. Information collected during SSA field activities is being used by LFUCG to plan and prioritize their annual I/I removal and collection system rehabilitation efforts.

The SSA was performed by the Sewershed Groups prescribed in the Consent Decree. An SSA Report was prepared for each Sewershed Group that summarized the results and findings from the SSA. The date each SSA Report was submitted to the EPA and EEC is summarized in **Table 1.1**.

Table 1.1. Submission Dates for SSA Reports

Group	Sewersheds	SSA Report Submission Date
One	East Hickman, West Hickman, Wolf Run	4/12/2011
Two	Cane Run, Town Branch	10/13/2011
Three	North Elkhorn, South Elkhorn	4/12/2012

LFUCG received ownership of the Sanitary Sewer System for the Blue Sky Rural Activity Center (RAC) in 2012. Although not explicitly required by the Consent Decree, LFUCG completed an SSA of the WCTS in the Blue Sky RAC in 2012. No Recurring SSOs in the WCTS were identified during the SSA.

1.5.2. Capacity Assessment

LFUCG performed a Capacity Assessment of their collection, transmission, and wastewater treatment systems in accordance with Section VII.15.D of the Consent Decree. A Capacity Assessment Work Plan, detailing how LFUCG would assess the capacity of their WCTS and wastewater treatment plants (WWTPs), was submitted to the EPA and EEC for their review and comment in September 2008.

The Capacity Assessment addressed both existing and future projected conditions for dry weather flow (DWF) and wet weather flow (WWF) conditions under a representative 2-year, 24-hour design storm event. For future conditions, DWF was based on population projections for the year 2035 from Traffic Analysis Zone (TAZ) data and adjusted based on local planning data, traffic analysis studies, and discussions with LFUCG planning personnel. WWF was estimated based on flow monitoring performed in 2008 and 2009 and assumed that system rehabilitation efforts will offset continued deterioration so that there is no net increase or decrease in current I/I rates in the WCTS.

A computerized model of the WCTS was developed to assess sanitary sewer capacity. The model was developed using the MIKE URBAN software distributed by the Danish Hydraulic Institute (DHI). MIKE URBAN is capable of modeling both sanitary and combined sewer systems. The software uses the EPA's Stormwater Management Model (SWMM) 5 engine and is compatible with Geographic Information System (GIS). The models were developed from prior hydraulic modeling of LFUCG's sanitary trunk sewer system performed between 1999 and 2001. Physical sewer dimensions in the earlier models were updated to reflect asset information collected after 2001 and supplemented with field data collected

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during SSA field inspections. DWF and WWF information from the earlier modeling was also replaced with analysis of the 2008 and 2009 flow monitoring data and results from the pump capacity evaluations performed as part of the Pump Station Design, Capacity, and Equipment Adequacy Evaluation.

The Capacity Assessment was performed by Sewershed Group and the results documented in the individual SSA Reports introduced in the previous section (see **Table 1.1**). The SSA Reports included maps illustrating the areas within the WCTS where Recurring Sanitary Sewer Overflows (SSOs) and surcharging occur for both DWF and WWF conditions under existing and future flow (2035 population projection) scenarios. Effluent limits and design hydraulic peak flows for each WWTP are also included in the SSA Reports. The West Hickman WWTP and Town Branch WWTP are included in the Group One and Group Two SSA Reports, respectively.

Capacity Assessment work was not performed for the Blue Sky RAC service area because LFUCG did not own the facility until January 2012, approximately 46 months from the Lodging Date. The Capacity Assessment, Hydraulic Model Report, and SSA Reports were submitted for review by the EPA and EEC at 6 months to 48 months from the Lodging date. The WCTS for the Blue Sky RAC is not explicitly modeled in LFUCG's hydraulic model.

1.5.3. Pumping Station Design, Capacity, and Equipment Condition Adequacy Evaluation

LFUCG completed an evaluation of the adequacy of 20 of the 82 pump stations in their WCTS in accordance with Section VII.15.C of the Consent Decree. Pump stations included in the evaluation are documented in Appendix H of the Consent Decree. The pump stations included in Appendix H include all the pump stations identified as Recurring SSO locations in Appendix A of the Consent Decree, with the exception of those where LFUCG had short-term plans to replace or perform a major upgrade (North Elkhorn, South Elkhorn, Dixie, and Deep Springs).

The evaluation summarized the procedures used to address the adequacy of station capacity, critical response time, adequacy of station condition, and adequacy of station design and equipment. The results of the Pumping Station Design, Capacity, and Equipment Condition Adequacy Evaluation were documented in the SSA Reports summarized in **Table 1.1**.

1.5.4. Sanitary Sewer System and WWTP Remedial Measures Plan

In accordance with Section VII.15.G of the Consent Decree, LFUCG developed a Sanitary Sewer System and WWTP Remedial Measures Plan (RMP) that is designed to achieve adequate capacity in the WCTS and LFUCG's WWTPs, such that Recurring SSOs, unpermitted bypasses and overloading at the WWTPs, and WWTP non-compliance will be eliminated for the 2-year, 24-hour design storm.

During RMP development, the hydraulic model developed during the Capacity Assessment was verified and recalibrated, as necessary, to additional flow monitoring performed in 2009 and 2010. Additionally, the model was updated for physical changes to the system resulting from recent upgrades to the North Elkhorn, South Elkhorn, Dixie, and Deep Springs pump stations. The resulting revised hydraulic model was used during RMP development to evaluate and size proposed capital improvements to the WCTS.

Section 1 – Introduction

The RMP was developed by the Sewershed Groups prescribed in the Consent Decree. An RMP Report was prepared for each Sewershed Group that summarized the analysis methodology, hydraulic model revisions, and a description of the capital improvement projects designed to restore adequate capacity in the WCTS. Conceptual cost opinions and a schedule for implementation of the RMP projects was also included in each report. The date each RMP Report was submitted to the EPA and EEC is summarized in **Table 1.2.**

Table 1.2. Submission Dates for the Sanitary Sewer System and WWTP Remedial Measures Plans

Group	Sewersheds	RMP Report Submission Date
One	East Hickman, West Hickman, Wolf Run	10/12/2011
Two	Cane Run, Town Branch	4/13/2012
Three	North Elkhorn, South Elkhorn	10/12/2012

1.6. Community Approval and Public Outreach

In April 2012, LFUCG established a CAP Task Force to review and evaluate proposed CAP elements. The Task Force consisted of elected Urban County Council Members, LFUCG’s Planning Commission and other potentially impacted departments (Planning, Law, Building Inspection, Engineering, etc.), community stakeholders, and the general public. Eleven (11) Task Force meetings were facilitated by the Division of Water Quality (DWQ) and their CAP consultant, Stantec Consulting Services Inc. (Stantec). Proposed CAP elements/features were presented and discussed at Task Force meetings. In addition to complying with Consent Decree requirements, CAP features considered feedback/input from Task Force members and community stakeholders. CAP elements summarized in the CAP Plan were approved by the Task Force. Voting members of the CAP Task Force consisted of six of LFUCG’s fifteen Council members and the Commissioner of Planning, Preservation and Development.

Multiple presentations on the proposed CAP were also made to the full Urban County Council (Council). **Table 1.3** summarizes the dates and forum for the CAP presentations to the Council. Similar to the CAP Task Force meetings, all meetings were open to the public and advertised on LFUCG’s web site. Council Work Sessions were presided over by the Mayor. Televised meetings were publicly broadcast on LFUCG’s government television station (GTV3).

Table 1.3. CAP Presentations to the Urban County Council

Date	Forum	Attendance Open to Public?	Meeting Televised?
8/14/2012	Council Work Session	Yes	Yes
8/25/2012	Council Workshop	Yes	No
10/16/2012	Council Work Session	Yes	Yes
11/13/2012	Council Work Session	Yes	Yes
12/4/2012	Council Work Session	Yes	Yes

Section 1 – Introduction

A report was prepared that summarized recommendations from the CAP Task Force. The recommendations approved by the Task Force form the basis for this CAP Plan. A Resolution was approved by Council approving the CAP Task Force Report on December 11, 2012. A copy of the Resolution (#722-2012) is presented in Appendix A.

1.7. CAP Implementation Schedule

Per Section VII, Paragraph 16.B of the Consent Decree, LFUCG must submit the CAP Plan (this document) within two (2) years of the Effective Date for EPA and EEC review, comment, and approval. No later than thirty (30) days after approval, LFUCG must commence implementation of the CAP, subject to the schedules set forth in the approved CAP Plan.

Development of an information management system (IMS) capable of tracking capacity certifications and the accumulation and expenditure of banked credits is underway. Similarly, calculation of accumulated banked credits from qualifying sanitary sewer improvements since the Effective Date, as well as determination of credit expenditures for entities on the List of Future Authorized Connections (Section VII.16.B(viii) of the Consent Decree), has begun.

LFUCG proposes to fully implement their CAP within 180 (calendar) days of EPA/EEC approval of the CAP Plan.

1.8. Organization of Report

This CAP Plan is organized into the six sections summarized below. Sections 1 through Section 3 summarize general program information and Consent Decree requirements. Sections 4 and 5 include the technical information, methodology, and analytical techniques for making adequate capacity determinations and calculating banked credit accumulations/expenditures. Section 6 provides specific information relative to full implementation of the CAP.

Section 1 – Introduction

Section 2 – Definitions

Section 3 – Program Description

Section 4 – Capacity Certification Procedures

Section 5 – Approval in Lieu of Certification Procedures

Section 6 – Program Administration

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Staff DR 1-9:

For the period 2019 to present, provide by year and by type of tap-on or connection fee, the number and dollar amount of tap-on or connection fees that have been assessed by LFUCG to Jessamine-South Elkhorn Water District.

Response:

Please see attached Excel file "PSC DR 1-09 JSEWD_Tap_Fees."

Witness: Hilori Morgan

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Staff DR 1-10:

Refer to the Commission's June 24, 2022 Order, Appendix B. Provide a copy of the federal consent decree that LFUCG is currently under.

Response: Please see attached.

Witness: Charles Martin

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**IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF KENTUCKY
CENTRAL DIVISION AT LEXINGTON**

**Eastern District of Kentucky
FILED**

JAN 03 2011

AT LEXINGTON
LESLIE G WHITMER
CLERK U S DISTRICT COURT

UNITED STATES OF AMERICA)
and THE COMMONWEALTH OF)
KENTUCKY,)
)
Plaintiffs,)
)
v.)
)
LEXINGTON-FAYETTE URBAN)
COUNTY GOVERNMENT,)
)
Defendant.)
_____)

Civil Action No. 5:06-cv-386

CONSENT DECREE

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- B. Unpermitted Bypasses
- C. Exceedances at LFUCG's WWTPs
- D. Storm Water Quality Management Program, with its Appendices
- E. Performance Standards
- F. Cross-connections Relevant to Paragraph 15.A.
- G. Capital Projects
- H. List of Pumping Stations Relevant to Paragraph 15.C.
- I. U.S. EPA Region 4 CMOM Methodology
- J. Federal SEPs
- K. Commonwealth Environmental Projects

INTRODUCTION

A. WHEREAS, Plaintiff, the United States of America (“United States”), by the authority of the Attorney General of the United States and through its undersigned counsel, acting at the request and on behalf of the Administrator of the United States Environmental Protection Agency (“EPA”), has filed the Complaint in this action in November 2006 seeking injunctive relief and civil penalties pursuant to Section 309 of the Clean Water Act, 33 U.S.C. § 1319, naming as defendant Lexington-Fayette Urban County Government (“LFUCG”);

B. WHEREAS, Plaintiff, the Commonwealth of Kentucky (“Commonwealth”), on behalf of its Environmental and Public Protection Cabinet (“EPPC”), has joined in the Complaint and seeks injunctive relief and civil penalties for LFUCG’s alleged violations of Kentucky Revised Statutes (“KRS”) Chapter 224 and the regulations promulgated pursuant thereto;

C. WHEREAS, LFUCG is an urban county government organized pursuant to KRS Chapter 67A, which is defined as a “municipality” pursuant to 33 U.S.C. § 1362, and owns and operates a wastewater collection and transmission system and a separate storm sewer system in Lexington, Kentucky and Fayette County, Kentucky;

D. WHEREAS, the United States and the Commonwealth’s Complaint alleges that Defendant LFUCG violated the Federal Water Pollution Control Act, also known as the Clean Water Act, 33 U.S.C. §§ 1251-1387 (“Clean Water Act”, “CWA”, or “Act”);

E. WHEREAS, the Commonwealth is a plaintiff in this action and is joined as a party under Section 309(e) of the CWA, 33 U.S.C. § 1319(e). Whenever a municipality is a party to a civil action brought by the United States under Section 309, the CWA requires the State in which the municipality is located to be joined as a party;

F. WHEREAS, LFUCG's Sanitary Sewer System is (except for certain illicit cross-connections) separate from the LFUCG's storm water collection system. The Sanitary Sewer System transports wastewater to two publicly owned wastewater treatment plants, West Hickman Creek WWTP, and Town Branch WWTP, which are operated by LFUCG pursuant to KPDES Permit Numbers KY0021504 and KY0021491. In addition, LFUCG has been operating the Blue Sky WWTP (KPDES Permit Number KY0027286) under receivership obligations. The Blue Sky WWTP is a poorly-designed and inadequate facility which has experienced permit exceedances.

G. WHEREAS, LFUCG has reported to EPA and EPPC that it has identified 111 recurring locations, set forth in Appendix A, at which SSOs (including illicit cross-connections) and Unpermitted Discharges have been documented. In addition, LFUCG has reported to EPA and EPPC that a number of Unpermitted Bypasses, in which the Town Branch WWTP has discharged wastewater without required secondary treatment, have occurred as set forth in Appendix B. LFUCG has also reported to EPA and EPPC that a number of Exceedances have occurred at LFUCG's WWTPs as set forth on Appendix C. The United States and the Commonwealth contend that these SSOs, Unpermitted Discharges, Unpermitted Bypasses, and Exceedances are violations of the CWA, the Commonwealth's regulations implementing the CWA, and the relevant KPDES permits;

H. WHEREAS, this Consent Decree requires LFUCG to develop, submit, finalize and implement plans for the continued improvement of its wastewater collection and transmission system and the WWTPs, to eliminate Recurring SSOs, Unpermitted Discharges, Unpermitted Bypasses, and Exceedances;

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I. WHEREAS, on November 12, 1999, EPPC issued LFUCG National Pollutant Discharge Elimination System (“NPDES”) Permit No. KYS000002 (“MS4 Permit”), with an effective date of January 1, 2000. This permit authorized discharges from LFUCG’s municipal separate storm sewer system (“MS4”), in accordance with certain specified conditions;

J. WHEREAS, in January 2004, EPA conducted a performance evaluation of LFUCG’s MS4 program. Based on information developed by EPA during the inspection, and information developed by EPA as a result of information requests issued by EPA to LFUCG, pursuant to Section 308 of the CWA, EPA has identified various violations by LFUCG of its MS4 permit. EPA has further determined, that LFUCG’s program for managing its MS4, as presently constituted, is inadequate to reduce the discharge of pollutants to the maximum extent practicable, as required by Section 402(p)(3)(B) of the CWA, 33 U.S.C. § 1342(p)(3)(B);

K. WHEREAS, this Consent Decree requires LFUCG to improve its MS4 program to ensure that it includes controls to reduce the discharge of pollutants to the maximum extent practicable, as required by the CWA, to implement the MS4 program, and to implement measures to comply with its MS4 permit;

L. WHEREAS, Fayette County Neighborhood Council (FCNC) filed a complaint in intervention in July 2007, and Lexington filed an answer in August 2007;

M. WHEREAS, the Parties to this Consent Decree have negotiated in good faith and have reached a settlement of the issues raised in the Complaint;

N. WHEREAS, LFUCG’s agreement to this Consent Decree is not an admission of liability, and except for LFUCG’s consent to jurisdiction and venue as provided in Paragraph 1 of this Consent Decree, nor is it an adjudication or admission of any fact or law;

O. WHEREAS, the Parties agree, and the Court finds, that settlement of the claims alleged in the Complaint without further litigation or trial of any issues is fair, reasonable and in the public interest;

NOW THEREFORE, it is hereby ORDERED, ADJUDGED and DECREED as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, 1345, 1355, and 1367; Section 309(b) of the Clean Water Act, 33 U.S.C. § 1319(b); and over the Parties. Venue lies in this District pursuant to Sections 309(b) of the Clean Water Act, 33 U.S.C. § 1319(b); and pursuant to 28 U.S.C. § 1391(b) and 28 U.S.C. § 1395(a); because LFUCG is, and, at the time the action was commenced, was, located in, residing in, and doing business in this judicial district, and because the violations that are the subject of this action, and a substantial part of the events or omissions giving rise to the claims, occurred in this judicial district. For purposes of this Decree or any action to enforce this Decree, LFUCG consents to the Court's jurisdiction over this Decree or such action and over LFUCG, and consents to venue in this judicial district.

2. Notice of commencement of this action has been given to the Commonwealth of Kentucky pursuant to Section 309(b) of the Clean Water Act, 33 U.S.C. § 1319(b).

II. APPLICABILITY

3. The obligations of this Consent Decree apply to and are binding upon the United States, the Commonwealth, and LFUCG and any successor or other entities or persons otherwise bound by law.

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4. LFUCG shall provide a written notice, either by hard-copy or by electronic mail, that a copy of this Consent Decree is posted on LFUCG's intranet or internet site, to appropriate officers, employees, and agents whose duties include compliance with any provision of this Decree, including, without limitation, the Mayor and LFUCG Council members, the Mayor's Chief of Staff, the LFUCG Commissioners, and non-clerical personnel of the Department of Environmental Quality. LFUCG shall also provide a hard copy or electronic copy of this Consent Decree to all successful bidders retained to perform work required under this Consent Decree. After the Effective Date of this Consent Decree, LFUCG shall condition any contract to perform such work upon performance of the work in conformity with the terms of this Consent Decree.

5. In any action to enforce this Consent Decree, LFUCG shall not raise as a defense the failure by any of its officers, directors, LFUCG Council members, employees, agents, or contractors to take any actions necessary to comply with the provisions of this Consent Decree.

6. No transfer of ownership or operation of any of the facilities governed by this Decree, whether in compliance with this Section or otherwise, shall relieve LFUCG of its obligation to ensure that the terms of the Decree are implemented, unless (a) the transferee agrees to undertake the obligations required by Sections VI and VII of the Decree and to be substituted for the Defendant as a Party under the Decree and thus be bound by the terms thereof and (b) Plaintiffs consent to the relieve Defendant of its obligations. The decision to refuse to approve the substitution of the transferee for the Defendant shall not be subject to judicial review. If LFUCG proposes to sell or transfer part or all of its ownership or operation of any facilities governed by this Decree, it shall advise the purchaser or transferee in writing of the

existence of this Consent Decree and provide a copy of the Consent Decree prior to such sale or transfer. LFUCG shall send a copy of such written notification to the United States and EPPC pursuant to Section XVII of this Decree (Notices) by certified mail, return receipt requested, at least forty-five (45) days (or a shorter period if the United States and LFUCG so agree in writing) before such sale or transfer. Any attempt to transfer ownership or operation of any facility governed by this Decree without complying with this Paragraph constitutes a violation of this Decree.

III. OBJECTIVES

7. It is the express purpose of the Parties in entering this Consent Decree to further the objectives of the CWA, as stated in Section 101 of the CWA, 33 U.S.C. § 1251, and to eliminate SSOs, Unpermitted Discharges, Unpermitted Bypasses and Exceedances, to eliminate and prevent CWA permit violations, and, specifically with respect to LFUCG's Storm Water Quality Management Program ("SWQMP"), ensure implementation of a SWQMP that reduces the discharge of pollutants to the maximum extent practicable, and require implementation of measures to ensure compliance with LFUCG's MS4 Permit.

IV. DEFINITIONS

8. Unless otherwise provided in this Decree, terms used in this Consent Decree that are defined in the CWA, or in regulations promulgated pursuant to that Act, shall have the meanings assigned to them in the CWA, or such regulations. Whenever the terms set forth below are used in this Consent Decree, the following definitions shall apply:

"Blue Sky WWTP" shall mean the wastewater treatment plant located at Blue Sky Parkway, Lexington, Kentucky, currently operated by LFUCG, which discharges to the

Boone Creek watershed, from outfall 001, pursuant to KPDES Permit No. KY0027286 issued to Blue Sky Sewer Service Company, Inc. The plant is being operated by LFUCG staff under receivership obligation provisions, established in an order entered on November 15, 2004 by the Franklin Circuit Court, Civil Action #01-C1-0162.

“Building Backup” shall mean a subcategory of SSOs which occurs when a wastewater backup occurs into a building and is caused by blockages, malfunctions, or flow conditions in the Sanitary Sewer System. A wastewater backup that is caused by a blockage or other malfunction of a Private Lateral is not a Building Backup.

“Capacity, Management, Operations, and Maintenance” or “CMOM” shall mean, for the purpose of this Consent Decree only, a flexible program of accepted industry practices to properly manage, operate and maintain sanitary wastewater collection, transmission and treatment systems, investigate capacity-constrained areas of these systems, and respond to SSO events.

“Clean Water Act” or “CWA” shall mean the Clean Water Act, formally entitled the Federal Water Pollution Control Act, as amended, 33 U.S.C. §§ 1251-1387.

“Commonwealth” shall mean the Commonwealth of Kentucky.

“Complaint” shall mean the United States and the Commonwealth’s Complaint.

“Consent Decree” or “Decree” shall mean this Decree and all its attachments.

“Day” (whether or not capitalized) shall mean a calendar day unless expressly stated to be a working day. In computing due dates under this Consent Decree, where the last day would fall on a Saturday, Sunday, or federal holiday, the period shall run until the close of business of the next working day.

“Effective Date” is defined in Section XVIII of this Decree.

“Eligible SEP Costs” include the costs of planning and implementing a Supplemental Environmental Project (SEP), but do not include overhead, administrative expenses, legal fees, or oversight by LFUCG staff of contractors.

“EPA” shall mean the United States Environmental Protection Agency and any successor departments or agencies of the United States.

“EPPC” shall mean the Environmental and Public Protection Cabinet of the Commonwealth of Kentucky.

“Exceedance” shall mean any discharge from one of LFUCG’s WWTPs which contains any pollutant at a level which exceeds an effluent limit in the KPDES Permit for such WWTP, and which is not otherwise authorized under such KPDES Permit.

“Excessive Inflow/Infiltration” or “Excessive I/I” shall mean the Inflow/Infiltration (“I/I”) that LFUCG determines can be cost-effectively eliminated as determined by a cost-effectiveness analysis that compares the costs of eliminating the I/I with the total costs for transportation and treatment of the I/I (including capital costs of increasing transmission and treatment capacity, and resulting operating costs).

“Force Main” shall mean all sanitary sewer lines that operate under pressure due to pumping of sanitary wastewater at a pump station except for those sanitary sewer lines that serve a single structure or building.

“Gravity Sewer Line” shall mean a pipe that receives, contains and conveys wastewater not normally under pressure, but is intended to flow unassisted under the influence of gravity. Gravity sewers are typically not intended to flow full under normal operating

conditions.

"I/I" shall mean the total quantity of water from Infiltration and Inflow without distinguishing the source.

"Infiltration" as defined by 40 C.F.R. § 35.2005(b)(20) shall mean water other than wastewater that enters a sanitary sewer system (including sewer service connections and foundation drains) from the ground through such means as defective pipes, pipe joints, connections, or manholes.

"Inflow" as defined by 40 C.F.R. § 35.2005(b)(21) shall mean water other than wastewater that enters a sanitary sewer system (including sewer service connections) from sources such as, but not limited to, roof leaders, cellar drains, yard drains, area drains, drains from springs and swampy areas, manhole covers, cross connections between storm sewers and sanitary sewers, catch basins, cooling towers, storm water, surface runoff, street wash waters, or drainage.

"KPDES" shall mean Kentucky Pollutant Discharge Elimination System, as established by 401 KAR Chapter 5 and KRS Chapter 224.

"LFUCG" shall mean the Lexington-Fayette Urban County Government, a municipality within the meaning of that term in CWA, established under the laws of the Commonwealth of Kentucky.

"LFUCG's WWTPs" shall mean West Hickman Creek WWTP and the Town Branch WWTP.

"Major Gravity Line" shall mean any of the following: all Gravity Sewer Lines that are twelve inches in diameter or larger; all eight-inch Gravity Sewer Lines that are necessary

to accurately represent flow attributable to a service area in each of the Sewersheds; all Gravity Sewer Lines that convey wastewater from one Pumping Station service area to another pumping station service area; and all Gravity Sewer Lines that substantially contribute, or that LFUCG knows will likely substantially contribute, to Recurring SSOs.

“MS4” shall mean LFUCG’s municipal separate storm sewer system, as that term is defined in 40 C.F.R. § 122.26 (b)(8).

“MS4 Permit” shall mean KPDES Permit No. KYS000002 (“MS4 Permit”), with an effective date of January 1, 2000, and any subsequently issued permit, which authorizes discharges from LFUCG’s MS4 in accordance with conditions specified therein.

“NPDES” shall mean National Pollutant Discharge Elimination System, as established by 33 U.S.C. § 1342.

“One Hour Peak Flow” as that term is used in Paragraph 16.B for the CMOM Capacity Assurance Program only, shall mean the greatest flow in a sewer averaged over a sixty (60) minute period at a specific location expected to occur as a result of a representative 2-year 24-hour storm event.

“Paragraph” shall mean a portion of this Consent Decree identified by an Arabic numeral.

“Parties” shall mean the parties to this Consent Decree: the United States, the Commonwealth, and LFUCG.

“Peak Flow” as that term is used in Subparagraphs 15.D- 15.G, shall be determined based upon sound engineering judgment and commonly accepted design practice.

“Private Lateral” shall mean that portion of a sanitary sewer conveyance pipe,

including that portion in the public right of way, that extends from the wastewater main to the single-family, multi-family, apartment, other dwelling unit, business, industry, institution or structure to which wastewater service is or has been provided. Private Laterals do not include connector joints at LFUCG's sewer line.

"Pumping Station" shall mean all pumping stations owned or operated by LFUCG except for pump stations that serve a single structure or building, and except for the pump station serving Southland Christian Church in Jessamine County.

"Recurring SSO" shall mean, for the purpose of this Consent Decree only, an SSO that occurs in the same location more than once per twelve (12) month rolling period.

"Reporting Year" shall mean each annual period commencing at the start of LFUCG's fiscal year on July 1 of each year.

"Reporting Year Covered by this Consent Decree." A Reporting Year is covered by this Consent Decree if any part of the Reporting Year falls after the Effective Date of, and before the termination of, this Decree.

"Sanitary Sewer Overflow" or "SSO" shall mean, for the purpose of this Consent Decree only, any discharge to waters of the United States from the Sanitary Sewer System through point sources not specified in any KPDES permit (otherwise known as "Unpermitted Discharges"), as well as any release of wastewater from the Sanitary Sewer System to public or private property that does not reach waters of the United States, such as a release to a land surface or structure that does not reach waters of the United States; provided, however, that releases or wastewater backups into buildings that are caused by blockages, flow conditions, or malfunctions in a Private Lateral, or other piping or conveyance system that is not owned or

operationally controlled by LFUCG are not SSOs. SSOs include any cross-connections between LFUCG's Sewer System and its MS4 which allow wastewater to pass from the Sanitary Sewer System to the MS4, but does not include exfiltration that does not reach waters of the United States, or land surface or structures.

“Sanitary Sewer System” shall mean the WCTS owned or operated by LFUCG designed to collect and convey municipal sewage (domestic, commercial and industrial) to a WWTP. The Sanitary Sewer System does not include LFUCG's MS4.

“Satisfactory Completion” shall mean that LFUCG shall timely complete the required work on supplemental environmental projects (“SEPs”) in accordance with the SEP descriptions and specifications set forth in Appendix J and subsequently approved statements of work or work plans for the SEPs.

“Section” shall mean a portion of this Consent Decree identified by a Roman numeral.

“Sewershed” shall mean a section of LFUCG's WCTS that is a distinct drainage or wastewater collection area and designated as such by LFUCG. For purposes of this Consent Decree, the Sewersheds have been grouped as follows: Group One consists of West Hickman, East Hickman, and Wolf Run Sewersheds; Group Two consists of Cane Run and Town Branch Sewersheds; and Group Three consists of North Elkhorn and South Elkhorn Sewersheds.

“Storm Water Quality Management Program” or “SWQMP” shall mean LFUCG's proposed program to manage municipal storm water quality as described in Appendix D to this Consent Decree, which may be modified from time to time pursuant to LFUCG's MS4 Permit as referenced herein.

“Ten States Standards” shall mean the applicable edition, incorporated by reference by Kentucky Regulation 401 KAR 5:005 § 29, of the “Recommended Standards for Wastewater Facilities: Policies for the Design, Review, and Approval of Plans and Specifications for Wastewater Collection and Treatment Facilities, Wastewater Committee of the Great Lakes - Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers.”

“Town Branch WWTP” shall mean the wastewater treatment plant located at 301 Lisle Industrial Avenue, Lexington, Kentucky, owned and operated by LFUCG, which discharges to Town Branch Creek from outfall 001 and pursuant to KPDES Permit No. KY0021491.

“United States” shall mean the United States of America, acting on behalf of EPA.

“Unpermitted Bypass” shall mean any discharge to the waters of the United States from any of LFUCG’s WWTPs which constitutes a prohibited bypass as defined in 40 C.F.R. § 122.41(m), and 401 KAR 5:065 Section 1(13).

“Wastewater Collection and Transmission Systems” or “WCTS” shall mean the municipal sanitary wastewater collection and transmission systems, including all pipes, force mains, gravity sewer lines, lift stations, pumping stations, manholes and appurtenances thereto, which are owned or operated by LFUCG.

“WWTP” shall mean wastewater treatment plant.

“West Hickman Creek WWTP” shall mean the wastewater treatment plant located

at 645 West Hickman Plant Road/Ash Grove Pike, Nicholasville, Jessamine County, Kentucky, owned and operated by LFUCG, which discharges to West Hickman Creek from outfall 001 and pursuant to KPDES Permit No. KY0021504.

V. CIVIL PENALTY

9. Within thirty (30) days after the Effective Date of this Consent Decree, LFUCG shall pay a civil penalty to the United States of \$425,000, plus interest accruing from the date on which this Decree is entered with the Court, at the rate specified in 28 U.S.C. § 1961, as of the Effective Date. Payment to the United States shall be made by FedWire Electronic Funds Transfer ("EFT") to the U.S. Department of Justice in accordance with instructions to be provided to LFUCG following lodging of the Consent Decree by the Financial Litigation Unit of the U.S. Attorney's Office for the Eastern District of Kentucky.

10. At the time of payment required by this Section, LFUCG shall simultaneously send written notice of payment and a copy of any transmittal documentation to the United States and to EPPC in accordance with Section XVII of this Decree (Notices). The notices shall reference Civil Action Number 5:06-cv-386.

VI. COMPLIANCE MEASURES RELATING TO STORM SEWER SYSTEM

11. SWQMP. LFUCG shall implement the SWQMP attached as Appendix D to this Consent Decree, or as subsequently amended pursuant to the KPDES permitting process. The SWQMP will be proposed by LFUCG as a component program of its KPDES Permit for its MS4. The SWQMP contains lists of "Measurable Goals," which describe a variety of activities to be implemented by LFUCG pursuant to its KPDES Permit in order to reduce pollution levels in its municipal storm water. Selected Measurable Goals from the SWQMP are listed on

Appendix E attached to this Consent Decree as "Performance Standards" for purposes of this Consent Decree. Notwithstanding any changes to the SWQMP in the KPDES permitting process, for purposes of compliance with this Consent Decree, LFUCG shall during the term of this Section VI of the Consent Decree, continue to comply with the Performance Standards listed on Appendix E to this Consent Decree. The Performance Standards listed on Appendix E shall be enforceable under this Consent Decree. Any failure to comply with a Performance Standard listed on Appendix E shall be subject to stipulated penalties as provided in Section XI of this Consent Decree. The Performance Standards listed on Appendix E to this Consent Decree shall continue to be complied with by LFUCG during the term of this Section VI of the Consent Decree unless EPA and EPPC both agree in writing to the amendment or deletion of a Performance Standard. Except for the Performance Standards, the detailed requirements of the SWQMP are not specifically enforceable under this Consent Decree; however, a broad failure to implement programs described in the SWQMP shall be subject to enforcement under this Consent Decree. In addition to implementation of the SWQMP and compliance with those Performance Standards identified above, LFUCG shall also, during the term of this Section VI of the Consent Decree, comply with the requirements of Paragraphs 12 through 14 of this Consent Decree.

12. Legal Authority. No later than fifteen (15) months from the Effective Date of this Consent Decree, LFUCG shall adopt and/or maintain in force ordinances that:

A. Confer authority on LFUCG to assess penalties for violation of any Illicit Discharge Program, Industrial Storm Water Management Program, Construction Site Storm Water Management Program, and Post-Construction Storm Water Management Program

requirement. Maximum penalties that may be assessed under such ordinances for each such violation shall be at least \$10,000 per day of violation.

B. Confer authority on LFUCG to issue stop-work orders compelling the cessation of construction activity at any Active Construction Site as defined in the SWQMP that is in violation of any LFUCG ordinance relating to storm water management at Active Construction Sites. LFUCG shall be authorized by such ordinances to issue such stop-work orders without first appearing before a judge.

C. Confer authority on LFUCG to issue enforceable orders compelling the elimination of any illicit connections to its MS4 without first appearing before a judge.

D. Confer authority on LFUCG to require Industrial Facilities, and High Risk Commercial Facilities as defined in the SWQMP, to develop and implement storm water pollution prevention plans ("SWPPPs"), and confer authority on LFUCG to require selected Industrial Facilities and High-Risk Commercial Facilities with the potential to discharge pollutants in substantial amounts to the MS4 to develop and implement a stormwater monitoring program that includes providing the monitoring results to LFUCG.

E. Confer authority on LFUCG to require owners of privately-owned retention and detention basins and other privately-owned storm water control structures to perform necessary maintenance and repairs on such structures.

13. Funding. Beginning with its first fiscal year after the Effective Date of this Consent Decree, LFUCG shall budget funds for each operating year in an amount reasonably expected to be sufficient to implement all measures in the SWQMP, comply with the MS4 Permit, and comply with all the requirements of this Section VI of the Consent Decree

(Compliance Measures Relating to Storm Sewer System). In order to ensure that adequate funds are budgeted as required by this Paragraph, LFUCG shall, within two (2) years of the Effective Date of this Consent Decree, establish a storm water management fee funding mechanism that will charge and collect fees for storm water management services, which may be in addition to other funding sources. Nothing herein shall preclude LFUCG from using the storm water management fee for the management of storm water generally, including to fund flood control projects, so long as adequate funding is maintained to ensure compliance with this Section VI of the Consent Decree.

14. Personnel, Training and Equipment.

A. LFUCG shall maintain adequate personnel and/or retain sufficient contractors to comply with Section VI of this Consent Decree. LFUCG shall ensure that all personnel with responsibilities for compliance with this Section VI of this Consent Decree (Compliance Measures Relating to Storm Sewer System) receive necessary and appropriate training to carry out their obligations for MS4 program implementation. LFUCG shall provide a workshop designed to educate LFUCG personnel with responsibilities for compliance with this Section VI of this Consent Decree (Compliance Measures Relating to Storm Sewer System) at least one (1) time per calendar year.

B. LFUCG shall lease, contract for, rent, or own equipment needed to comply with this Section VI of this Consent Decree (Compliance Measures Relating to Storm Sewer System).

VII. COMPLIANCE MEASURES RELATING TO SANITARY SEWER SYSTEM

15. LFUCG shall carry out assessments and engineering analyses necessary to

identify all measures needed to ensure that LFUCG's Sanitary Sewer System complies with the requirements of the Clean Water Act, the regulations promulgated thereunder, the Kentucky pollution control laws, the regulations promulgated under such laws, and National Pollutant Discharge Elimination System Permits Nos. KY0021504 and KY0021491 and then shall implement all such measures in a timely manner, with the objective of eliminating all cross-connections and Recurring SSOs from the Sanitary Sewer System and Unpermitted Bypasses at the LFUCG's WWTPs. LFUCG shall complete the requirements identified below per the identified schedules based on three (3) Sewershed Groups with Group One consisting of West Hickman, East Hickman, and Wolf Run Sewersheds, Group Two consisting of Cane Run and Town Branch Sewersheds, and Group Three consisting of North Elkhorn and South Elkhorn Sewersheds. This Paragraph 15 shall not address the collection and transmission system serving the Blue Sky WWTP.

A. Capital Improvement Projects and Short Term SSO Measures

(i) LFUCG shall eliminate the cross-connections identified in Appendix F within thirty (30) days of the lodging of the Consent Decree.

(ii) LFUCG shall implement and complete the following capital projects described further on Appendix G by the dates specified below:

a. North Elkhorn Force Main Diversion Project to be completed within twenty-four (24) months of lodging date of the Consent Decree.

b. South Elkhorn Pump Station and Force Main Upgrade to be completed within thirty (30) months of the lodging date of the Consent Decree.

c. Deep Springs Pump Station Upgrade to be completed within thirty (30) months of the

completion date of the North Elkhorn Force Main Diversion Project above, but no later than fifty-four (54) months from lodging.

d. Dixie Pump Station Upgrade to be completed within thirty (30) months of the completion date of the North Elkhorn Force Main Diversion Project above, but no later than fifty-four (54) months from lodging.

B. Sewer System Assessment ("SSA")

Within ninety (90) days of Consent Decree lodging, LFUCG shall submit to EPA/EPPC for review and comment, a Sewer System Assessment Work Plan ("SSA Work Plan") to: a) identify Sewersheds with significant I/I, such that these conditions are causing and/or contributing to Recurring SSOs or wet weather Unpermitted Bypasses at a WWTP; b) identify and quantify sources of I/I within the Sewersheds determined to have significant I/I rates; c) identify and quantify Recurring SSOs; d) identify cross-connections and unauthorized connections; and e) identify physical degradation of the Sanitary Sewer System, including general pipe condition and condition of force mains, that causes or contributes to Recurring SSOs.

(i) The SSA shall involve a) the use of appropriate existing attribute data, appropriate existing WWTP flow data, and as necessary, the collection and use of additional physical attribute data for the Sanitary Sewer System; b) the use of appropriate existing rainfall and flow data, and as necessary, the collecting and use of additional flow and rainfall data for the WCTS; c) the use of appropriate existing monitoring of groundwater at appropriate locations throughout the Sanitary Sewer System, and as necessary, the collecting and use of additional groundwater monitoring at appropriate locations throughout the Sanitary Sewer

System; d) the physical investigation of the causes of I/I and Recurring SSOs; and e) the documentation of the condition of the portions of the Sanitary Sewer System causing or contributing to Recurring SSOs.

(ii) Monitoring. The SSA Work Plan developed by LFUCG shall include a schedule for the installation of sewer flow, WWTP flow, groundwater level, and rainfall monitoring equipment; completion of monitoring activities; and completion of necessary investigative activities. In performing the SSA, LFUCG shall utilize existing sewer flow, WWTP flow, groundwater level, and rainfall monitoring and characterization data only to the extent that it is appropriate, both in terms of quality and location. The SSA Work Plan shall a) identify existing data to be utilized, b) identify additional data to be collected, and c) describe in detail how together the existing and proposed additional data will satisfy the objectives of the SSA.

(iii) Schedule. The SSA shall be completed in accordance with the following schedule: a) for Group One sewersheds, thirty-six (36) months after lodging of the Decree; b) for Group Two sewersheds, forty-two (42) months after lodging of the Decree; and c) for Group Three sewersheds, forty-eight (48) months after lodging of the Decree. LFUCG shall implement the plan in accordance with the schedule upon submission of such plan and schedule to EPA/EPPC. LFUCG may request an extension of these deadlines from EPA and EPPC where drought or other weather conditions prevent certain activities required under the SSA from being completed, such as excess rain preventing smoke testing from being completed. LFUCG shall provide written notice to EPA and EPPC of its justification for such extension of time.

(iv) Guidance Documents. LFUCG shall perform the SSA in accordance with

sound engineering practice and the following documents as guidance: a) *Handbook: Sewer System Infrastructure Analysis and Rehabilitation*, EPA/625/6-91/030, 1991; b) *Existing Sewer Evaluation and Rehabilitation*, WEF MOP FD-6, 1994; c) *A Guide to Short Term Flow Surveys of Sewer Systems*, WRC Engineering (Undated), and d) *the National Association of Sewer Service Companies (NASSCO) "Manual of Practice"*. The aforementioned documents are intended to provide guidance on the methodologies and techniques to be used in identifying sources of I/I, however, that guidance shall be applied in a manner consistent with the purpose of eliminating SSOs.

(v) Sub-basins. To identify sources of significant I/I, the Sanitary Sewer System should be divided into appropriate sewer sub-basins. Sufficient "first round" rainfall and flow data at key locations in each sub-basin should be collected to allow the characterization of each sub-basin's I/I contribution. The sub-basins should then be prioritized, based on I/I contribution and wet weather peaking factors, and subsequent field investigations carried out in a sufficient fraction of the Sanitary Sewer System to allow the preparation of a Sanitary Sewer System and WWTP Remedial Measures Plan (as described in Paragraph 15.G) that has the objective of eliminating all Recurring SSOs. Investigative activities, such as CCTV inspection, should focus on those portions of the Sanitary Sewer System that cause or contribute to Recurring SSOs.

(vi) The SSA shall include (and the SSA Study Work Plan shall describe) at a minimum the following requirements:

- a. Data Management: A description of the data management system that will organize, analyze, and report existing data to be utilized and the categories of data

that LFUCG will be collecting in accordance with this Paragraph;

- b. Quality Control/Quality Assurance: A description of the quality assurance and quality control program LFUCG will follow to ensure the accuracy and reliability of data collected in accordance with this Paragraph;
- c. Data Review: A review of existing data concerning Recurring SSOs, sewage flows, WWTP and Sanitary Sewer System attributes (e.g., pipe diameters, pipe segment lengths, diversion structure characteristics, catchment characteristics, invert elevations, pipe interior roughness coefficients, etc.), and rainfall and groundwater levels; and an evaluation of the accuracy, completeness and adequacy of that data for purposes of supporting the characterization of the Sanitary Sewer System's condition and sources of extraneous wet weather flow. The data review will further identify the additional data needed to allow the SSA to satisfy the objectives stated herein;
- d. Rainfall and Flow Monitoring: As part of the SSA, LFUCG shall carry out additional dry and wet weather rainfall flow monitoring as needed to satisfy the requirements of this Paragraph. Where the review of existing data under Paragraph 15.B.(vi)c above, is found to be adequate to satisfy the requirements of this Consent Decree, LFUCG may use such data to complete the SSA in lieu of the collection of new and additional data. Dry weather monitoring shall be carried out so as to allow the characterization of base flows and Infiltration rates. Wet weather monitoring shall be carried out following events of sufficient duration and intensity to cause significant I/I in the system to allow the collection

of sufficient rainfall and flow monitoring data, as defined by the SSA Work Plan, to allow the prioritization of sub-basins described above. The SSA Work Plan shall also describe the locations, types and rationale for placement of rain gauges, flow monitors, and any other equipment required by this Section.

e. Rainfall Gauges: To monitor the contribution from rainfall to a Sewershed within LFUCG's jurisdictional boundaries, LFUCG shall use a network of rain gauges in accordance with industry standards and sound engineering practice.

f. Flow Monitoring: Flow data shall be collected using a system of permanent or temporary flow monitors, or a combination thereof, as determined by LFUCG in the SSA Work Plan. Such monitors shall be placed at locations in the Sanitary Sewer System necessary to adequately characterize flow from each Sewershed. LFUCG shall ensure that the flow monitors are inspected, maintained, and calibrated as necessary, to maintain a system-wide up-time of ninety (90) percent. Further, the flow monitoring shall be installed and operated in accordance with the equipment manufacturers' recommendations and sound engineering practice.

(vii) Following the completion of, or where practicable, concurrent with, any necessary flow, rain and groundwater monitoring described above, LFUCG shall perform field investigative activities in Sewersheds determined to have significant I/I and any Sewersheds determined to cause or contribute to Recurring SSOs and wet weather-related bypasses at the WWTP. The field investigative activities shall be designed to locate and allow estimation of the wet weather flows associated with individual sources of I/I, or shall identify physical degradation of the Sanitary Sewer System that causes or contributes to Recurring SSOs. The field

investigative activities shall include as appropriate:

- a. Further flow monitoring to isolate sources of I/I. Such flow monitoring will be carried out as specified above in this Paragraph;
- b. Smoke testing;
- c. Visual inspections of pipes and manholes;
- d. Dye testing;
- e. Night flow isolation;
- f. CCTV inspection; and
- g. Building inspections.

(viii) These further investigative activities shall be sufficient to allow detailed characterizations of all significant sewer defects in sewer sub-basins with significant I/I and Recurring SSOs, and to support the development of the Capacity Assessment Report in Paragraph 15.F. below, and the identification of remedial measures necessary to satisfy the objectives of the Capacity Assessment Report. In conducting the field investigative activities, LFUCG shall use sound engineering practice and conduct activities consistent with the guidance provided in the appropriate sections of a) *Handbook: Sewer System Infrastructure Analysis and Rehabilitation*, EPA/625/6-91/030, 1991; b) *Existing Sewer Evaluation and Rehabilitation*, WEF MOP FD-6, 1994; c) *the National Association of Sewer Service Companies (NASSCO) "Manual of Practice"*.

C. Pumping Station Design, Capacity, and Equipment Condition Adequacy Evaluation

Within one (1) year of Consent Decree lodging, LFUCG shall carry out an evaluation of the design capacity, current effective capacity, equipment condition and operational redundancy

in its Pumping Stations. For the purpose of Paragraph 15.C., Pumping Stations shall mean those pumping stations identified in Appendix H of this Consent Decree.

- (i) This evaluation shall consider the following criteria:
 - a. Adequacy of station capacity, as described in the “Pumping Systems” chapter of the most current version of WEF’s Manual of Practice FD-4, “Design of Wastewater and Stormwater Pumping Stations”;
 - b. Critical response time, defined as the time interval between activation of the high wet well level alarm and the first SSO, under peak flow conditions;
 - c. Adequacy of station condition, based upon both physical inspection and recent operating and mechanical failure history during at least the past five years preceding the lodging date of the Consent Decree;
 - d. Adequacy of station design and equipment, including redundancy of pumps and electrical power supply, and other equipment installed, based upon the Ten State Standards; and
 - e. The ability of maintenance personnel to take corrective action within the critical response time calculated for each Pumping Station.

(ii) LFUCG shall include in the SSA Report, referenced in Sub-Section F below, detailed information regarding the criteria specified above for each of its Pumping Stations. In particular, the SSA, Pump Station, Capacity Assessment, and Hydraulic Model Report shall:

- a. Describe each Pumping Station;

- b. Provide detailed information regarding the results of the evaluation of each Pumping Station;
- c. Provide detailed information about its backup power and emergency pumping capability at each of its Pumping Stations;
- d. Provide information regarding lightning strike protection equipment at each Pumping Station;
- e. Provide detailed descriptions of its history of Pumping Station failures, including power-loss-related and lightning strike-related SSOs during the past five (5) years preceding the lodging date of the Consent Decree;

D. Capacity Assessment

(i) Within six (6) months of Consent Decree lodging, LFUCG shall provide a Capacity Assessment Work Plan for EPA/EPPC review and comment that describes how LFUCG will assess the capacity of the Sanitary Sewer System and WWTPs. The Capacity Assessment shall include all pumping stations, all Major Gravity Lines, all Force Mains and syphons and their respective related appurtenances, all Recurring SSO points, and any other portions of the Sanitary Sewer System that must be assessed so as to allow a technically-sound evaluation of the causes of Recurring SSOs or wet-weather Unpermitted Bypasses at the WWTPs. The Capacity Assessment Work Plan shall also include a schedule for completion no later than three (3) months before the dates provided for completion of the SSA in Paragraph 15. B.(iii), LFUCG shall provide the results of the Capacity Assessment in the SSA Report referenced in Sub-Section F below.

(ii) The Capacity Assessment shall specifically identify, at a minimum, the

hydraulic capacities of the portions of the Sanitary Sewer System identified above, and compare those capacities to existing and future projected average and peak dry flow and Peak Flow. (Future projected flows as used in this Section VII shall be estimated consistent with accepted industry standards and/or local practice for design purposes.) This assessment shall identify, within the aforementioned portions of LFUCG's WCTS, those portions of the WCTS that are expected to cause or contribute to SSOs, Bypasses and/or overloading at the WWTP under existing and projected future, average and peak dry flow and Peak Flow, and the degree to which those portions experience or cause, under current or projected future conditions, SSOs, Bypasses and/or overloading at the WWTP.

(iii) As part of the Capacity Assessment, LFUCG shall use the information it is required to develop pursuant to this Paragraph to assess existing and future projected capacity of the Sanitary Sewer System and the ability of the Sanitary Sewer System to transmit Peak Flows experienced by and predicted for the Sanitary Sewer System.

E. Hydraulic Model

(i) LFUCG shall develop a computerized model of the Sanitary Sewer System (the "Model") using a hydraulic modeling software package. LFUCG shall use the Model in the assessment of the hydraulic capacity of the Sanitary Sewer System, and in the identification of appropriate remedial measures to address capacity and condition limitations identified in its Sanitary Sewer System. LFUCG shall develop the Model to provide a detailed understanding of the response of the Sanitary Sewer System to wet weather events and an evaluation of the impacts of proposed remedial measures and removal of I/I flow, as follows:

a. LFUCG shall configure the Model to accurately represent LFUCG's

Sanitary Sewer System, in accordance with sound engineering practice.

LFUCG may model its Sanitary Sewer System in different levels of detail, as necessary to identify the causes of all known Recurring SSOs, and to assess proposed remedial measures with the goal to eliminate those Recurring SSOs. LFUCG's Model shall include as a minimum: (i) all Major Gravity Lines; (ii) Pumping Stations; (iii) locations with Recurring SSOs; and (iv) Force Mains.

- b. LFUCG shall configure the Model using adequate, sufficiently accurate and current physical data of the Sanitary Sewer System, such as invert and ground elevations, pipe diameters, slopes, pipe run lengths, Manning roughness factors, manhole sizes and configurations, and pumping station performance factors. In particular, LFUCG shall field verify the physical data identified in the SSA Work Plan to allow calibration of the Model.
- c. LFUCG shall calibrate the Model using appropriate rainfall data, actual hydrographs and flow data. LFUCG shall use at least two (2) separate data sets for such calibration. As part of the calibration process, LFUCG shall either use existing sensitivity analyses for the selected model, or carry out its own sensitivity analyses, such that calibration effectiveness is maximized.

- (ii) Within one hundred twenty (120) days of Consent Decree lodging,

LFUCG shall develop and submit to EPA/EPPC for review and comment, the Hydraulic Model Report which shall include:

- a. A description of the Model which shall be a widely-accepted model such as EPA's SWMM Model or InfoWorks or one of the widely accepted commercial variants;
- b. Digitized map(s) and schematics that identify and characterize the portions (including the specific gravity sewer lines) of the Sanitary Sewer System that shall be included in the Model;
- c. Identification of input data to be used;
- d. Configuration of the Model;
- e. Procedures and protocols for performance of sensitivity analyses (*i.e.*, how the Model responds to changes in input parameters and variables);
- f. Procedures for calibrating the Model to account for values representative of the Sanitary Sewer System and WWTPs using actual Sanitary Sewer System and WWTP data (*e.g.*, flow data);
- g. A schedule for complete implementation of the Model.

(iii) LFUCG shall implement the Model, and as part of the SSA Report referenced in Sub-Section F below, include a summary of activities undertaken to configure and calibrate the Model.

F. Reporting

(i) Within thirty (30) days following the completion of the SSA for each Sewershed Group, as set forth in Paragraph 15.B.(iii) above, LFUCG shall submit an SSA Report presenting the information required in Paragraph 15.B, and summarizing the results of the

SSA, Pumping Station Design and Equipment Condition Adequacy Evaluation, the Capacity Assessment, and the Model, to EPA/EPPC for review and comment.

(ii) The SSA Report shall include a thorough analysis of historical and current flow monitoring, inspection, rainfall and other data, including data collected during the aforementioned studies, and shall in general: a) identify Sewersheds with Excessive I/I, such that these conditions are causing and/or contributing to Recurring SSOs and wet-weather Unpermitted Bypasses at the WWTPs; b) identify and quantify sources of I/I within the Sewersheds determined to have Excessive I/I rates; c) identify and quantify Recurring SSOs; d) identify portions of the Sanitary Sewer System in which physical degradation of the Sanitary Sewer System is causing or contributing to Recurring SSOs; and e) identify cross-connections and unauthorized connections.

- (iii) The SSA Report shall also include the following information:
- a. Determination of existing flows for each Sewershed and sub-basin within the Sanitary Sewer System;
 - b. Average and peak daily dry weather flow;
 - c. Average dry weather Infiltration rate (in gpd/inch diameter-mile);
 - d. Peak Flow and peaking factors (the ratio of measured peak flow to average dry weather flow);
 - e. Identification of portions of the Sanitary Sewer System within the Sewershed experiencing levels of I/I that cause or contribute to Recurring SSOs and wet-weather Unpermitted Bypasses at the WWTPs;
 - f. Identification of specific sources of I/I to the Sanitary Sewer System, if

- identifiable, by manhole/line segment, street address, type (Infiltration or Inflow), source (e.g., “wall leakage”), and estimated flow from the source, if identifiable;
- g. A summary of flow monitoring activities, to include, at a minimum, a map showing the delineation of the Sewershed: the location and type of each flow meter, problems encountered and deviations from the SSA Work Plan, and a description of flow monitor calibration activities, including any scatter graphs and calibration and verification graphs;
 - h. A summary of field investigative activities performed in each sub-basin, to include, at a minimum: type of activity; number of activities performed (e.g., “100 out of 500 manholes inspected in Sub-basin 1A”), observations made under each activity (inspection procedure), and summaries of the results in each sub-basin;
 - i. A summary of the structural defects identified in the Sanitary Sewer System to include, at a minimum: number of each type of defect by line segment, manhole number or street address, and estimates of Peak Flow or impact on Sanitary Sewer System capacity (as appropriate) from defects in each line segment, based on a consistently applied set of stated criteria as set forth in the SSA Work Plan;
 - j. A summary of the technical approach utilized in carrying out the Capacity Assessment analyses;
 - k. A detailed description of any deviations from the CAP Work Plan,

including a discussion of the reasons for such deviation;

1. Identification of all portions of the Sanitary Sewer System with insufficient capacity to convey Peak Flows as identified by the Model. In the case of the Sanitary Sewer System, insufficient capacity is the inability of the sewer, Pumping Station or other structure to convey Peak Flows without experiencing surcharge sufficient to cause Recurring SSOs under either predicted Peak Flows or predicted average conditions or both. The SSA Report shall also identify any insufficient capacity in the WWTPs. In the case of a WWTP, insufficient capacity is the inability to provide full secondary treatment and disinfection, without an Unpermitted Bypass, to all flow reaching the plant, and to discharge those flows in full compliance with the applicable NPDES permit.
- m. The SSA Report shall describe future projected flows.
- n. The SSA Report shall provide information on the predicted (e.g. Manning equation) and actual Peak Flow capacity of all Major Gravity Lines (by segment), all Force Mains, syphons, Pumping Stations, and WWTPs;
- o. Summaries, by sub-basin, of the number and footage of sewer segments surcharged, and the number of structures at overflow, under each condition investigated;
- p. Mapping of each sub-basin, for each condition investigated, illustrating each pipe segment operating in surcharge, and each manhole or structure at which a Recurring SSO might be expected to occur;

- q. The information regarding the Pumping Station Evaluation as required by Sub-Section C;
- r. The results of the Capacity Assessment as required by Sub-Section D;
- s. A summary of activities undertaken to configure and calibrate the Model as required by Sub-Section E; and
- t. A summary of any capital projects implemented since commencement of the SSA, including those projects referenced in Paragraph 15.A that have reduced dry or wet weather flows in the Sanitary Sewer System.

(iv) LFUCG shall utilize the collected data from the SSA Report to develop the Sanitary Sewer System Remedial and WWTP Measures Plan required pursuant to Sub-Section G.

G. Sanitary Sewer System and WWTP Remedial Measures Plan

(i) Within six (6) months after submission of the SSA Report for each Sewershed Group, LFUCG shall, after appropriate opportunities for public participation, develop and submit for EPA/EPPC review, comment and approval in accordance with the requirements of Section X, a Sanitary Sewer System and WWTP Remedial Measures Plan with specific measures and schedules that, when implemented, will result in adequate capacity in the Sanitary Sewer System and LFUCG's WWTPs, such that Recurring SSOs, Unpermitted Bypasses and overloading at the WWTPs, and WWTP NPDES permit noncompliance will be eliminated.

(ii) The Sanitary Sewer System and WWTP Remedial Measures Plan shall identify all measures necessary to achieve adequate capacity. Adequate capacity is the capacity needed to collect, convey and treat anticipated Peak Flows, without Recurring SSOs or wet

weather Unpermitted Bypasses at the WWTPs. At a minimum, Peak Flows shall include the conditions considered as part of the SSA (see Sub-Sections B and D above). If insufficient capacity to accommodate projected Peak Flows exists in any portion of the system, including at the LFUCG WWTPs, LFUCG shall identify and propose measures to provide adequate capacity.

(iii) The Sanitary Sewer System and WWTP Remedial Measures Plan shall identify all WWTP upgrades and repair measures necessary to achieve WWTP compliance with all NPDES permit limitations for LFUCG's WWTPs and requirements and to eliminate wet weather Unpermitted Bypasses.

(iv) The Sanitary Sewer System and WWTP Remedial Measures Plan shall identify the degree to which sources of Excessive I/I shall be removed, and the degree to which Excessive I/I removal is expected to alleviate capacity constraints, and propose specific remedial measures that will address those capacity limitations not expected to be addressed by Excessive I/I removal. Anticipated I/I removal rates used in the development of the Sanitary Sewer System and WWTP Remedial Measures Plan shall reflect current industry practice and local experience. Specific remedial measures to address capacity limitations may also include increases in Pumping Station and Sanitary Sewer System capacity, construction of storage or equalization basin facilities, or increases in WWTP capacity.

(v) The Sanitary Sewer System and WWTP Remedial Measures Plan shall identify all measures necessary to eliminate all cross-connections, and Recurring SSOs caused by physical degradation of sewers, inadequate Pumping Station capacities, or inadequate Pumping Station reliability.

(vi) The Sanitary Sewer System and WWTP Remedial Measures Plan shall,

for purposes of developing schedules under Sub-Section G prioritize the Sanitary Sewer System remedial measures based upon: (a) relative likely human health and environmental impact risks; (b) Recurring SSO frequencies of activation; and (c) total annual Recurring SSO volumes. LFUCG may also take into account cost-effectiveness and risks associated with implementation. The Sanitary Sewer System and WWTP Remedial Measures Plan shall provide a description of the methodology used to apply the above factors.

(vii) The Sanitary Sewer System and WWTP Remedial Measures Plan shall provide estimated capital, O&M, and present value costs for each identified remedial measure. Such costs shall be provided in consistent, year-specific dollars. The Sanitary Sewer System and WWTP Remedial Measures Plan shall provide an expeditious schedule for design, construction, and placement in service of all proposed measures that is in no event be later than eleven (11) years from the Effective Date of the Consent Decree, or in the event that remedial measures include a WWTP upgrade, thirteen (13) years from the Effective Date of Consent Decree only for such WWTP upgrade and other remedial measures associated with the WWTP upgrade. These deadlines may only be extended with approval of EPA and EPPC, for good cause, in accordance with Section XX (Modification). LFUCG shall identify the dates for preliminary design, complete design, complete permitting, award contract, begin construction, and complete construction dates for each measure proposed.

(viii) Upon approval by EPA/EPPC, LFUCG shall implement the remedial measures in the approved Sanitary Sewer System and WWTP Remedial Measures Plan in accordance with the schedule contained therein. Nothing herein shall preclude LFUCG from implementing interim remedial measures prior to approval of the Sanitary Sewer System and

WWTP Remedial Measures Plan.

16. CMOM (Capacity, Management, Operation and Maintenance) Programs

Self-Assessment. LFUCG shall submit to EPA and EPPC within six (6) months of the Effective Date of this Consent Decree a CMOM Programs Self-Assessment of LFUCG's Sanitary Sewer System in accordance with U.S. EPA Region 4 methodology as set forth in the CD ROM disk attached hereto as Appendix I, to ensure that LFUCG has CMOM Programs in place that are effective at eliminating and preventing SSOs. This Self-Assessment shall include an evaluation of, and where appropriate, recommendation of improvements to, each CMOM Program to ensure that such Programs contain the following key CMOM elements: written, defined purpose(s); written, defined goal(s); written documentation with specific details; implementation by well trained personnel; established performance measures; and written procedures for periodic review. Recommended improvements shall include schedules for implementation. However, LFUCG shall develop and implement the CMOM programs no later than two (2) years after the date of EPA/EPPC approval of the CMOM Self-Assessment, unless otherwise specified in the CMOM Specific Program Development subparagraphs below. Particular emphasis shall be placed, and recommendations for necessary improvement shall be made, regarding the following programs, as described in the attached CD ROM: Pump Station Preventative Maintenance Program, Pump Station Performance and Adequacy Program, and Pump Station Rehabilitation Program. EPA and EPPC jointly will act on the Self-Assessment in accordance with Section X of this Consent Decree (Reporting Requirements and Approval of Submittals). LFUCG shall submit an annual report of the status of implementation of its CMOM Programs as provided in Paragraph 29.B below. If LFUCG acquires ownership of the wastewater collection and

transmission system serving the Blue Sky WWTP, LFUCG shall commence implementation of its CMOM programs for that system within six (6) months of acquiring ownership but in no event sooner than the scheduled implementation dates provided for under specific CMOM program approvals.

A. CMOM Specific Program Development - Sewer Overflow Response Plan.

(i) Sewer Overflow Response Plan - General

LFUCG shall submit to EPA and EPPC, within six (6) months of the Effective Date of this Consent Decree a Sewer Overflow Response Plan ("SORP") in compliance with 401 KAR 5:015 to establish timely and effective methods and means of: (a) responding to, cleaning up, and/or minimizing the impact of all SSOs; (b) reporting the location, estimated volume, duration, cause and impact of all SSOs to EPPC and EPA; and (c) notifying the potentially impacted public. EPA and EPPC jointly will act on the SORP in accordance with Section X of this Consent Decree (Reporting Requirements and Approval of Submittals). If approved, LFUCG shall commence implementation of the SORP pursuant to the schedule set forth in the submittal within thirty (30) days of receiving EPA/EPPC approval. By no later than October 1 of each year following the approval of the SORP, LFUCG shall review the SORP and propose changes as appropriate. Such changes are subject to EPA/EPPC review and approval. A copy of future updates to the SORP shall also be provided to the Frankfort Regional Office of EPPC's Division of Water within fifteen (15) days of incorporation of the update.

(ii) Sewer Overflow Response Plan - Building Backups

LFUCG shall include a section in its SORP that establishes a separate protocol for addressing Building Backups. The Building Backup section of the SORP shall include the

following elements:

- (a) Maintenance of a log of Building Backups separately from other SSOs;
- (b) A process a customer may follow to dispute a determination by LFUCG that a wastewater backup into a building is caused by a blockage or other malfunction of a Private Lateral, and therefore is not a Building Backup;
- (c) Repair and mitigation procedures that include measures necessary to disinfect and/or remove items potentially contaminated by the Building Backup.

B. CMOM Specific Program Development - System Capacity Assurance Program.

(i) The Program. Within two (2) years of the Effective Date, LFUCG shall submit for review, comment and approval, a Capacity Assurance Program (“CAP”) to EPA and EPPC. EPA and EPPC shall jointly act on the CAP in accordance with Section X of this Consent Decree. No later than thirty (30) days after approval, LFUCG shall commence implementation of the CAP, subject to the schedules set forth in the approved CAP. The CAP shall identify each Sewershed or part of a Sewershed with insufficient capacity under either One Hour Peak Flow, or average conditions, or both, consistent with the capacity provisions of this Section. The CAP shall also analyze all portions of the WCTS that hydraulically impact known SSOs and all portions of the WWTPs that may contribute to violations of the NPDES Permits. The CAP shall assess One Hour Peak Flow capacity of all major system components for existing and proposed flows. The CAP shall enable LFUCG to authorize new sewer service connections, or increases in flow from existing sewer service connections except as otherwise provided

herein, only after LFUCG certifies that the analysis procedures contained in the approved CAP have been used and that LFUCG has determined, based on those procedures, that there is Adequate Treatment Capacity, Adequate Transmission Capacity, and Adequate Collection Capacity as set forth in Paragraph 16.B.(ii)(a) through (c) below. At a minimum, the CAP shall contain all of the following components:

- (a) The technical information, methodology and analytical techniques, including the model or software, to be used by LFUCG to calculate collection transmission and treatment capacity;
- (b) The means by which LFUCG will integrate its certification of Adequate Treatment Capacity, Adequate Transmission Capacity, and Adequate Collection Capacity with LFUCG's approval of application for extension of sewer lines, and LFUCG's acquisition of new or existing sewers from other owners;
- (c) The technical information, methodology and analytical techniques, including the model or software to be used by LFUCG to calculate the net (cumulative) increase or decrease in volume of wastewater introduced to the wastewater conveyance and transmission system as a result of LFUCG's authorization of new sewer service connections and increases in flow from existing

- connections and the completion of: (1) specific projects that add or restore capacity to the WCTS or WWTPs (“Capacity Enhancing Projects”); (2) specific projects that reduce One Hour Peak Flow through removal of I/I (“I/I Projects”); and (3) permanent removal of sewer connections (“Removal of Connections”);
- (d) An informational management system (IMS) capable of tracking the accumulation of banked credits, earned pursuant to Paragraph 16.B.(iii) below, from completion of Capacity Enhancing Projects, I/I Projects, and Removal of Connections, the capacity-limited portion of the Sewershed in which those credits were earned, and the expenditure of such credits on future increases in flow from new and existing sewer service connections in that capacity limited portion of the Sewershed; and
- (e) All evaluation protocols to be used to calculate collection, transmission, and treatment capacity including, but not limited to, standard design flow rate rules of thumb regarding pipe roughness, manhole head losses, as-built drawing accuracy (distance and slope), and water use (gallons per capita per day); projected flow impact calculation techniques; and metering of related existing

One Hour Peak Flows (flows metered in support of analysis and/or manual observation of existing One Hour Peak Flows). LFUCG may identify sewer line segments which have been specifically designed and constructed to operate under surcharge conditions (i.e., with welded or bolted joints or inverted siphons) and identify the level of surcharge for those segments.

(ii) Capacity Certifications. Except as provided in Paragraph 16.B.(iii) and (iv), below, after the implementation date, LFUCG may authorize a new sewer service connection or additional flow from an existing sewer service connection, only after it certifies that the analysis procedures contained in the approved CAP have been used and that LFUCG has determined, based on those procedures that there is Adequate Treatment Capacity, Adequate Transmission Capacity, and Adequate Collection Capacity as set forth in Paragraph 16.B.(ii)(a) through (c).

(a) Treatment Capacity Certifications. LFUCG's certification of "Adequate Treatment Capacity" shall confirm that, at the time the WWTP receives the flow from a proposed sewer service connection(s) or increased flow from an existing sewer service connection(s), when combined with the flow predicted to occur from all other authorized sewer service

connections (including those which have not begun to discharge into the Sanitary Sewer System), the WWTP will not be in “noncompliance” for quarterly reporting as defined in 40 C.F.R. Part 123.45, Appendix A. LFUCG’s certification of Adequate Treatment Capacity shall confirm that the new or increased flow to the WWTP will not result in Unpermitted Bypasses or diversions prohibited by the KPDES Permits due to lack of treatment capacity.

- (b) Transmission Capacity Certifications. LFUCG’s certification of “Adequate Transmission Capacity” shall confirm that each Pumping Station through which the proposed additional flow from new or existing sewer service connections would pass to the WWTP receiving such flow, has the capacity to transmit the existing One-Hour Peak Flow passing through the Pumping Station, plus the addition to the existing One-Hour Peak Flow predicted to occur from the proposed connection, plus the addition to the existing One-Hour Peak Flow predicted to occur from all other authorized sewer service connections which have not begun to discharge into the Sanitary Sewer System.
- (c) Collection Capacity Certifications. LFUCG’s certification of “Adequate Collection Capacity” shall confirm that each

gravity sewer line, through which the proposed additional flow from new or existing connections would pass, has the capacity to carry the existing One-Hour Peak Flow passing through the gravity sewer line plus the addition to the existing One-Hour Peak Flow from the proposed connection, plus the addition to the existing One-Hour Peak Flow predicted to occur from all other authorized sewer service connections which have not begun to discharge into the Sanitary Sewer System without causing a Surcharge Condition.

- (d) Definition of “Surcharge Condition.” For purposes of this Paragraph 16.B. only, the term “Surcharge Condition” shall mean the condition that exists when the supply of wastewater resulting from the One-Hour Peak Flow is greater than the capacity of the pipes to carry it and the surface of the wastewater in manholes rises to an elevation greater than twenty-four (24) inches above the top of the pipe or within three (3) feet of the rim of the manhole, and the sewer is under pressure or head, rather than at atmospheric pressure, unless LFUCG has, pursuant to Paragraph 16.B.(i)(e), above, identified that pipe segment and manhole is designed to operate in that condition, in

which case the identified level of surcharge will be used.

Notwithstanding the foregoing, no criteria contained in the Capacity Assurance Plan shall be construed as setting standards for the ultimate design or rehabilitation of LFUCG's WCTS.

- (e) Minor Sewer Connections. For minor sewer service connections, LFUCG may elect to perform a Quarterly capacity analysis for each Sewershed or part of a Sewershed by certifying that the Sewershed has adequate capacity, as defined in Paragraph 16B.(ii)(a) through (c) above, to carry existing One Hour Peak Flows and the additional flows generated by all such minor sewer service connections projected to be approved in the subsequent quarter. For any Sewershed or part of a Sewershed that can be so certified LFUCG may approve these projected minor sewer service connections without performing individual certifications for each connection. "Minor Sewer Connection" shall mean connections which do not exceed 2,500 gpd.
- (iii) Capacity for Treatment, Transmission, and Collection in Lieu of Certification. LFUCG may authorize a new sewer service connection, or additional flow from an existing sewer service

connection, even if it cannot satisfy the requirements of Paragraph 16.B.(ii) above, provided LFUCG certifies that all of the following provisions, where applicable, are satisfied.

- (a) LFUCG is in substantial compliance with this Consent Decree;
- (b) LFUCG has identified the sewer line segment(s), Pumping Station(s), and/or wastewater treatment systems that do not meet the conditions for certification of Adequate Treatment capacity, Adequate Collection Capacity, and/or Adequate Transmission Capacity;
- (c) LFUCG has identified the sewer line segment(s) from which there has been a Recurring SSO;
- (d) LFUCG shall complete, prior to the time the proposed additional flow from new or existing sewer service connections is introduced into the Sanitary Sewer System, specific Capacity Enhancing Projects, I/I Projects and/or Removal of Connections which will add sewer capacity or reduce One Hour Peak Flows to the identified sewer line segment(s), Pumping Station(s), wastewater treatment system(s), and/or Recurring SSO in accordance with the factors set forth in subparagraphs (e) and (f) below;

- (e) Where LFUCG has undertaken specific Capacity Enhancing Projects that provide for additional off-line storage and/or specific Removal of Connections to satisfy the requirements of subparagraph (d) above, the estimated added capacity resulting from such projects must exceed the estimated amount of any proposed additional flow by the following factor: 1.5:1 in West Hickman and 1:1 for all other Sewersheds.
- (f) Where LFUCG has undertaken specific I/I Projects or Capacity Enhancing Projects, other than those that provide for additional off-line storage and/or specific removal of connections, to satisfy the requirements of subparagraph (d) above, the estimated reduction in One Hour Peak Flows or added capacity resulting from such projects must exceed the estimated amount of any proposed additional flow by the following factors: (a) a factor of 4:1 for I/I Projects and other Capacity Enhancing Projects in West Hickman Sewershed related to a Recurring SSO; (b) a factor of 3:1 for I/I Projects and other Capacity Enhancing Projects related to a Recurring SSO in other Sewersheds; and (c) a factor of 2:1 for I/I Projects and other Capacity Enhancing Projects not related to a Recurring SSO;

- (g) Commencing during the first year of the CAP following EPA/EPPC approval, and annually thereafter, LFUCG shall perform a review of specific Capacity Enhancing Projects and I/I Projects undertaken to determine if actual added capacity and One Hour Peak Flow reductions are in line with what LFUCG originally estimated for such projects; and LFUCG has used the results of this review to adjust future estimates as necessary;
- (h) Any new sewer service connection or increase in flow to an existing connection authorized prior to the completion of a necessary added capacity or One Hour Peak Flow reduction project as set forth above shall be conditioned upon completion of such project prior to the time that the new sewer service connection or flow increase is introduced into the Sanitary Sewer System; and
- (i) In implementing the provisions of this Paragraph 16.B.(iii), LFUCG may use a "banking credit system" for the sewer line segment(s), Pumping Station(s), wastewater treatment systems, and/or Recurring SSO for which LFUCG is not able to satisfy the conditions set forth in Paragraph 16.B.(ii) above. The addition of sewer capacity and/or reduction in One Hour Peak Flows from Capacity

Enhancement Projects, I/I Projects, and Removal of Connections, completed after the Effective Date of this Consent Decree, to the affected sewer line segment, Pumping Station, wastewater treatment system or Recurring SSO may be accumulated in the form of credits in accordance with the factors set forth in subparagraphs (e) and (f) above, which may then be used for authorization of future sewer service connections or increases in flow from existing connections to the affected sewer line segment, Pumping Station, wastewater treatment system or Recurring SSO in the capacity-limited portion of the Sewershed.

- (iv) Essential Services. Notwithstanding the provisions of Paragraph 16.B.(ii) above, LFUCG may authorize a new sewer service connection, or additional flow from an existing sewer service connection, even if it cannot certify that it has Adequate Transmission Capacity, Adequate Collection Capacity, and/or Adequate Treatment Capacity as set forth in Paragraph 16.B(ii)(a)-(c) above for health care facilities, public safety facilities, public schools, or other facilities as agreed upon in writing by EPA and EPPC; and in those cases where a pollution or sanitary nuisance condition exists, as determined by Fayette County Health

Department or its regulatory successor as the result of a discharge of untreated wastewater from an on-site septic tank or other discharge point. For all such new service connections, or additions to flow from an existing connection, LFUCG shall make the appropriate subtraction to the balance in the credit bank described in Paragraph 16.B(iii) above and modify the list described in Paragraph 16.B(viii).

- (v) Existing Illicit Connections. Notwithstanding the provisions of Paragraph 16.B.(ii) and (iii) above, LFUCG may authorize a new sewer service connection, or additional flow from an existing sewer service connection, even if it cannot certify that it has Adequate Transmission Capacity and/or Adequate Collection Capacity and/or Adequate Treatment Capacity as set forth in Paragraph 16.B.(ii) above for any illicit connections or discharges of wastewater to the storm water system or to waters of the United States. For all such new service connections or additions to flow from an existing connection, created before the entry of the Consent Decree that result from the elimination of the illicit connections or discharges, LFUCG shall not be required to make a subtraction from the balance in the credit bank described in Paragraph 16.B.(iii) above or to modify the list described in Paragraph 16.B.(viii) below. For all such new service connections

or additions to flow from an existing connection created after the entry of the Consent Decree that result from the elimination of illicit connections or discharges, excluding those connections considered minor connections, LFUCG shall make a subtraction from the balance in the credit bank described in Paragraph 16.B.(iii) above and modify the list described in Paragraph 16.B.(viii) below.

- (vi) Reconnections Following Termination as a Result of LFUCG's Private Lateral Program. Notwithstanding the provisions of Paragraph 16.B.(ii) and (iii) above, in the event of a temporary suspension or interruption of a customer's service as a result of LFUCG's private lateral program, any service that is resumed from a newly replaced or repaired Private Lateral shall not be deemed to be a new service connection or an addition to flow from an existing connection.
- (vii) Certifications. All certifications pursuant to this Paragraph 16.B. shall be made by a professional engineer registered in the Commonwealth of Kentucky and shall be approved by a responsible party of LFUCG as defined by 401 KAR 5:060 Section 9(4) and 40 C.F.R. 122.22(b). LFUCG shall maintain all such certifications, and all data on which the certifications are based, in its offices for inspection by EPA and EPPC. EPA and EPPC may

request, and LFUCG shall provide, any and all documentation necessary to support any certification made by LFUCG pursuant to this Paragraph 16.B. and make available to the extent possible, individuals providing such certifications to meet with EPA and EPPC.

- (viii) List of Future Authorized Connections. Within one hundred twenty (120) days of the Effective Date, LFUCG shall establish a list of all authorized new sewer service connections or increases in flow from existing connections which flows have not yet been introduced into the Sanitary Sewer System. The following information shall be recorded for each authorized connection: street address, estimated average daily flow, estimated maximum daily flow, Sewershed, WWTP, date authorized, and estimated Calendar Quarter when the additional flow from the connection will begin. LFUCG shall update and maintain this list as necessary until full implementation of the CAP, as approved by EPA and EPPC.
- (ix) Notwithstanding the foregoing, no criteria contained in the Capacity Assurance Plan shall be construed as setting standards for the ultimate design or rehabilitation of LFUCG's WCTS.
- (x) Nothing contained in Section VII shall alter the EPPC regulations pertaining to sewer line extensions and LFUCG shall at all times

comply with the regulations and any requirements of EPPC. Plans for sanitary sewer line extensions shall be submitted to EPPC and reviewed by EPPC in accordance with 401 KAR 5:005. With each request submitted for a sanitary line extension after implementation of the CAP, LFUCG shall submit to EPPC the analyses performed pursuant to Paragraph 16.B of the Consent Decree demonstrating that capacity exists for the proposed extension.

C. CMOM Specific Program Development - Fats, Oils, and Grease Control Program ("FOG Program"). LFUCG shall submit to EPA and EPPC within twelve (12) months of the Effective Date of this Consent Decree the FOG Program, including a schedule for implementation which shall provide for implementation within eighteen (18) months of EPA/EPPC approval. EPA and EPPC jointly will act on the FOG Program in accordance with Section X of this Consent Decree (Reporting Requirements and Approval of Submittals). The Program shall include:

- (i) legal authority to control the discharge of grease into the Sanitary Sewer System, including the ability to implement a permit program;
- (ii) specification of accepted devices to control the discharge of grease into the Sanitary Sewer System;
- (iii) establishment of standards for the design and construction of grease control devices including standards for capacity and accessibility, site map, design documents and as-built drawings;

(iv) establishment of grease control device management, operation and maintenance standards, or best management practices, that address onsite record keeping requirements, cleaning frequency, cleaning standards, use of additives, and ultimate disposal;

(v) establishment of construction inspection protocols, including scheduling, inspection report forms, and inspection record keeping requirements, to assure that grease control devices are constructed in accordance with established design and construction standards;

(vi) establishment of compliance inspection protocols, including scheduling, inspection report forms, and inspection record keeping requirements to assure that grease control devices are being managed, operated and maintained in accordance with the established management, operation and maintenance standards or best management practices;

(vii) establishment of an enforcement program to ensure compliance with the grease control program;

(viii) establishment of a compliance assistance program to facilitate training of grease generators and their employees;

(ix) establishment of a public education program directed at reducing the amount of grease entering the Sanitary Sewer System from private residences;

(x) establishment of staffing and equipment requirements to ensure effective implementation of the program; and,

(xi) establishment of performance indicators to be used by LFUCG to measure the effectiveness of the FOG Program.

D. CMOM Specific Program Development - Gravity Line Preventative

Maintenance Program. LFUCG shall submit to EPA and EPPC within twelve (12) months of the Effective Date of this Consent Decree a Gravity Line Preventative Maintenance Program, including a schedule of implementation which shall provide for implementation within eighteen (18) months of EPA/EPPC approval. EPA and EPPC jointly will act on the Gravity Line Preventative Maintenance Program in accordance with Section X of this Consent Decree (Reporting Requirements and Approval of Submittals). This Program shall include:

(i) Routine Hydraulic Cleaning Program. LFUCG shall have in place protocols for implementing routine hydraulic cleaning component of the preventative maintenance program for gravity lines. The program will include provisions for needs determination, establishing priorities and scheduling, number of crews and personnel (including, where appropriate, contract crews), hydraulic cleaning equipment to be used, standard hydraulic cleaning maintenance procedures, standard forms, records and performance measures and an information management system.

(ii) Routine Mechanical Cleaning Program. LFUCG shall have in place protocols for implementing routine mechanical cleaning component of the preventative maintenance program for gravity lines. The program will include provisions for needs determination, establishing priorities and scheduling, number of crews and personnel (including, where appropriate, contract crews), mechanical cleaning equipment to be used, standard mechanical cleaning maintenance procedures, standard forms, records and performance measures and an information management system.

(iii) Root Control Program. LFUCG shall have in place protocols, methods, and approaches for implementing a root control component of the preventative

maintenance program for gravity lines. The program will include provisions for needs determination, establishing priorities and scheduling, number of crews and personnel (including, where appropriate, contract crews), root control methods and approaches, root control maintenance procedures, standard forms, records and performance measures and an information management system.

E. CMOM Specific Program Development - Pump Station Operation Plan for Power Outages

LFUCG shall submit to EPA and EPPC for review, comment, and approval within nine (9) months of the Effective Date of this Consent Decree a Pump Station Operation Plan for Power Outages. This operation plan shall include an evaluation of the adequacy of its current Pumping Station backup power and emergency procedures for power outages. These procedures may be achieved via emergency generators, emergency pumping capabilities, separate power feeds from separate substations, or other approved procedures. Emergency generators may be either permanently installed or portable. Emergency pumping typically consists of portable, engine-driven pumps that can be quickly connected to a Pumping Station.

(i) The evaluation of emergency procedures for power outages shall consider the following criteria:

- (a) An adequate alternative power source must have sufficient capability to operate the station at its rated capacity, as well as operate all ancillary equipment and instrumentation;
- (b) Emergency pumping capability means modification of a Pumping Station to allow rapid connection of a portable pump to

the Pumping Station and provision of a pump with the capability to handle that station's Peak Flows. This includes providing "quick-connect" couplers for a pump discharge.

(c) The ability of maintenance personnel to take corrective action within the critical response time calculated for each Pumping Station.

(d) In evaluating the adequacy of its current situation, LFUCG shall consider its history of equipment failure-related, power-loss-related and lightning strike-related SSOs during the past five (5) years preceding the lodging date of the Consent Decree.

(ii) LFUCG shall include in the Pump Station Operation Plan for Power Outages, detailed information regarding the criteria specified above for each of its Pumping Stations. In particular, the Pump Station Operation Plan for Power Outages shall:

- (a) Describe each station;
- (b) Provide detailed information regarding the results of the evaluation of each Pumping Station;
- (c) Provide detailed information about its backup power, emergency pumping capability, and emergency procedures at each of its Pumping Stations;
- (d) Provide information regarding lightning strike protection equipment at each Pumping Station;
- (e) Provide detailed descriptions of its history of power-loss-related and

lightning strike-related SSOs during the past five (5) years preceding the lodging date of the Consent Decree;

- (f) Identify all measures necessary to correct all identified deficiencies, including all appropriate emergency procedures and lightning strike-protection measures necessary to minimize power-loss related SSOs; and
- (g) Expedient schedules for the implementation of all identified measures; provided, however, that such schedules shall not extend beyond three (3) years of the approval date by EPA and EPPC of the Pump Station Operation Plans for Power Outages.

EPA and EPPC jointly will act on the Pump Station Operation Plan for Power Outages in accordance with Section X of this Consent Decree (Reporting and Approval of Submittals).

17. Backup Power for WWTPs. By April 1, 2008, LFUCG shall ensure that backup power is provided for secondary treatment at each of its WWTPs, in addition to the backup power that is currently provided for primary treatment. Back-up power may be provided through a dual power feed system consistent with the Ten State Standards.

VIII. SUPPLEMENTAL ENVIRONMENTAL PROJECTS

18. LFUCG shall implement two Supplemental Environmental Projects (SEPs) as described in, and in accordance with all provisions of, Appendix J-1 (Coldstream Park Stream Corridor Restoration and Preservation SEP), and Appendix J-2 (Green Infrastructure SEP) of this Consent Decree.

19. LFUCG is responsible for the Satisfactory Completion of the SEPs in accordance with the requirements of this Decree.

20. With regard to the SEPs, LFUCG certifies the truth and accuracy of each of the following:

A. That all cost information provided to EPA in connection with EPA's approval of the SEPs is complete and accurate and represents a fair estimate of the cost necessary to implement the SEPs and that LFUCG in good faith estimates that the cost to implement the Coldstream Park Stream Corridor Restoration and Preservation SEP, exclusive of administrative fees and legal fees, is \$1,000,000, and that the cost to implement the Green Infrastructure SEP, exclusive of administrative fees and legal fees, is \$230,000;

B. That, as of the date of executing this Decree, LFUCG is not required to perform or develop the SEPs by any federal, state, or local law or regulation, nor is LFUCG required to perform or develop any of the SEPs by agreement or grant or as injunctive relief awarded in any other action in any forum;

C. That the SEPs are not projects that LFUCG planned or intended to fund, construct, perform, or implement other than in settlement of the claims resolved in this Decree;

D. That LFUCG has not received, and is not negotiating to receive, credit for the SEPs in any other enforcement action; and

E. That LFUCG will not receive any reimbursement for any portion of the SEPs from any other person.

21. SEP Completion Reports

A. Within ninety (90) days after the completion of each SEP, LFUCG shall submit a SEP Completion Report to the United States in accordance with Section XVII of this Consent Decree (Notices). The SEP Completion Reports shall contain the following

information:

- (i) A detailed description of the SEP as implemented;
- (ii) A description of any problems encountered in completing the SEP and the solutions thereto;
- (iii) An itemized list of all Eligible SEP Costs;
- (iv) Certification that the SEP has been fully implemented pursuant to the provisions of this Decree; and
- (v) A description of the environmental and public health benefits resulting from implementation of the SEP (with a quantification of the benefits and pollutant reductions, if feasible).

B. Progress reports on the SEPs are required pursuant to Paragraph 29.

22. EPA may, in its discretion, require information in addition to that described in the preceding Paragraph in order to evaluate LFUCG's completion report.

23. After receiving each SEP Completion Report, the United States shall notify LFUCG whether or not LFUCG has Satisfactorily Completed the SEP. If the SEP has not been Satisfactorily Completed, Stipulated Penalties may be assessed under Section XI of this Consent Decree (Stipulated Penalties).

24. Disputes concerning the satisfactory performance and/or Satisfactory Completion of SEPs (including disputes about whether stipulated penalties are due) and the amount of Eligible SEP Costs may be resolved under Section XIII of this Decree (Dispute Resolution). No other disputes arising under this Section shall be subject to Dispute Resolution.

25. Each submission required under this Section shall be signed by an LFUCG

official with knowledge of the SEP and shall bear the certification language set forth in Paragraph 31 below.

26. Any written public statement made by LFUCG that publicizes any SEP under this Decree shall include the following language: "This project was undertaken in connection with the settlement of an enforcement action under the Clean Water Act, United States et al. v. Lexington-Fayette Urban County Government, brought on behalf of the U.S. Environmental Protection Agency." Any oral statement made by LFUCG publicizing any SEP under this Decree in a public gathering shall acknowledge that the project was undertaken in connection with the settlement of this CWA case. "Publicize" means the dissemination of information intended to attract public notice, interest, or notoriety.

IX. COMMONWEALTH ENVIRONMENTAL PROJECTS

27. In further consideration of the settlement with the Commonwealth of the action resolved by this Consent Decree, LFUCG shall timely perform Commonwealth environmental projects ("Commonwealth Environmental Projects") as set forth in Appendix K. The total expenditure for the Commonwealth Environmental Projects shall not be less than \$1,300,000 for the Blue Sky Package Treatment Plant Elimination project (Appendix K-1) and \$200,000 for the Flooding Evaluation project (Appendix K-2). If LFUCG fails to perform these Commonwealth Environmental Projects by the dates specified in Appendix K, LFUCG shall pay to the Commonwealth as a stipulated penalty the difference between its documented Commonwealth Environmental Project expenditures and \$1,500,000. Such payment shall be due and payable on the latest date for completion of the Commonwealth Environmental Projects identified in Appendix K. Alternatively, LFUCG may propose, and the EPPC shall consider, additional

Commonwealth Environmental Projects for which the total expenditure shall not be less than the difference between its documented Commonwealth Environmental Project expenditures and \$1,500,000.

28. LFUCG shall submit to EPPC a Commonwealth Environmental Project Completion Report for each Commonwealth Environmental Project described in Appendix K no later than sixty (60) days from the date for completion of the Commonwealth Environmental Projects set forth in Appendix K. The Report shall contain the following information for each Commonwealth Environmental Project: (a) a detailed description of the Commonwealth Environmental Project as implemented; (b) a description of any operating problems encountered and the solutions thereto; (c) itemized costs; (d) certification that the Commonwealth Environmental Project has been fully implemented pursuant to Appendix K and the provisions of this Consent Decree; and (e) a description of the environmental and public health benefits resulting from implementation of the Commonwealth Environmental Project.

X. REPORTING REQUIREMENTS AND APPROVAL OF SUBMITTALS

29. Reports. LFUCG shall submit the following notices and reports:

A. Quarterly Reports. After the Effective Date of this Consent Decree and until termination of this Decree pursuant to Section XXI (Termination), LFUCG shall submit to EPA and EPPC quarterly reports by email and by either U.S. Mail or an overnight delivery service. The first such quarterly report shall be submitted to EPA and EPPC no later than thirty (30) days after the second full calendar quarter after the Effective Date of this Consent Decree. Succeeding quarterly reports shall be submitted no later than thirty (30) days after the completion of each succeeding calendar quarter. The quarterly report shall include, at a

minimum:

(i) A description of all projects and activities conducted during the most recently completed calendar quarter to comply with the requirements of this Consent Decree, in Gantt chart or similar format;

(ii) The date, locations, estimated volume, and cause (if known) of all SSOs for the most recently completed quarter; a cumulative accounting of the estimated reduction in volume and in number of occurrences of SSOs and Unpermitted Bypasses;

(iii) The anticipated projects and activities that will be performed in the next quarter to comply with the requirements of this Consent Decree, in Gantt chart or similar format; and

(iv) If LFUCG violates any requirement of this Consent Decree or has reason to believe that it is likely to violate any requirement of this Consent Decree in the future, LFUCG shall notify the United States and EPPC of such violation and its likely duration, with an explanation of the violation's likely cause and of the remedial steps taken, and/or to be taken, to prevent or minimize such violation. If the cause of a violation cannot be fully explained at the time the report is due, LFUCG shall include a statement to that effect in the report. LFUCG shall investigate to determine the cause of the violation and then shall submit an amendment to the report, including a full explanation of the cause of the violation, within thirty (30) days after the quarterly report.

(v) Any additional information that demonstrates that LFUCG is implementing the remedial measures required in this Consent Decree.

B. Annual Reports. LFUCG shall submit to EPA and EPPC an annual report

for the previous calendar year, with the first annual report due January 31, 2009, and each year thereafter by January 31. Each annual report shall contain a summary of the CMOM Programs implemented pursuant to this Consent Decree, including a comparison of actual performance with any performance measures that have been established. The annual report shall contain a summary of each remedial measure and capital project implemented pursuant to this Consent Decree, including a description of LFUCG's compliance with the requirements of Section VI (Compliance Measures Relating to Storm Sewer System) of this Consent Decree. LFUCG shall also send to EPA and EPPC its MS4 Annual Report on the date specified in the effective NPDES MS4 Permit.

30. All reports required to be submitted pursuant to this Consent Decree shall be submitted to the recipients specified in accordance with Section XVII of this Consent Decree (Notices).

31. Each written report submitted by LFUCG under this Section shall be signed by a Division Director, or higher-level LFUCG official, and include the following certification:

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the

possibility of fine and imprisonment for knowing violations.

This certification requirement does not apply to emergency or similar notifications where compliance would be impractical.

32. Nothing in this Section X relieves LFUCG of the obligation to provide the requisite notice for purposes of Section XII (Force Majeure) of this Consent Decree.

33. The reporting requirements of this Consent Decree do not relieve LFUCG of any reporting obligations required by the Clean Water Act or its implementing regulations or by any other federal, state, or local law, regulation, permit, or other requirement.

34. Approval of Deliverables. After review of any modification of the SWQMP, CMOM Programs Self-Assessment, plan, workplan, statement of work, report, or other item that is required to be submitted pursuant to this Consent Decree for EPA/EPPC approval, EPA and EPPC may jointly, in writing: (a) approve the submission; (b) approve the submission upon specified conditions; (c) approve part of the submission and disapprove the remainder; or (d) disapprove the submission. If EPA/EPPC fails to approve, or otherwise act on a submittal within sixty (60) days of receipt of the submittal, then any subsequent milestone or completion date that is dependent upon such action by EPA/EPPC shall be extended by the equivalent number of days beyond the sixty (60) day review period for the submittal that is used by EPA/EPPC for the approval or other action.

35. If the submission is approved pursuant to Paragraph 34, subpart (a), LFUCG shall take all actions required by the plan, report, or other document, in accordance with the schedules and requirements of the plan, report, or other document, as approved. If the submission is conditionally approved or approved only in part, pursuant to Paragraph 34, subparts (b) or (c),

LFUCG shall, upon written direction of EPA/EPPC take all actions required by the approved plan, report, or other item that EPA/EPPC determines are technically severable from any disapproved portions, subject to LFUCG's right to dispute under Section XIII of this Decree (Dispute Resolution), the specified conditions.

36. If the submission is disapproved in whole or in part pursuant to Paragraph 34, subparts (c) or (d), then, subject to LFUCG's right to dispute the disapproval under Section XIII of this Consent Decree (Dispute Resolution), LFUCG shall, within sixty (60) days or such other time as specified by EPA/EPPC in such notice or agreed to by EPA/EPPC in writing, correct all deficiencies and resubmit the plan, report, or other item, or disapproved portion thereof, for approval, in accordance with the preceding Paragraphs.

37. Any Stipulated Penalties applicable to the original submission, as provided in Section X of this Decree (Reporting Requirements and Approval of Submittals), shall accrue during the 60-day period or other specified period, but shall not be payable unless the resubmission is untimely or is disapproved for material deficiencies; provided that, if the original submission was so deficient as to constitute a material breach of LFUCG's obligations under this Decree, the Stipulated Penalties applicable to the original submission shall be due and payable notwithstanding any subsequent resubmission.

38. If a resubmitted plan, report, or other item, or portion thereof, is disapproved in whole or in part, EPA/EPPC may again require LFUCG to correct any deficiencies, in accordance with the preceding Paragraphs, or may itself correct any deficiencies, subject only to LFUCG's right to invoke Dispute Resolution. EPA and EPPC may also deem LFUCG to be out of compliance with this Consent Decree for failure to timely submit the submittal in compliance

with the requirements of this Consent Decree, and one or both may assess stipulated penalties pursuant to this Consent Decree, subject only to the rights of LFUCG under the dispute resolution provisions of this Consent Decree.

39. Obligation to Implement Re-Submittal. In the event that EPA/EPPC approves, approves upon conditions, or modifies any submittal pursuant to this Section, LFUCG shall proceed to take any action required to implement the submittal as approved or modified by EPA/EPPC, subject only to the rights of LFUCG under the dispute resolution provisions of this Consent Decree.

40. Submittals are Enforceable. All submittals required to be approved, including all schedules set forth therein, shall be enforceable under this Consent Decree as if they were set forth herein upon approval, approval upon conditions, or modification by EPA/EPPC, and after conclusion of any Dispute Resolution period. Any portion of a submittal that is not specifically disputed by LFUCG shall be enforceable during any Dispute Resolution period, provided that implementation of the non-disputed portions of the submittal is not dependent upon implementation of the disputed portion.

41. Revisions to Submittals. The Parties recognize the LFUCG may need or want to revise certain submittals during the term of this Consent Decree. Such revisions shall not be considered modifications to the Consent Decree for purposes of Section XX of this Consent Decree (Modification). LFUCG must obtain EPA and EPPC's prior written approval of any revision to the substance of any submittal initially required to be approved. LFUCG may revise the form of any submittal without consulting EPA/EPPC, but shall provide a copy of any revised submittal to EPA and EPPC within seven (7) days after making such revision.

XI. STIPULATED PENALTIES

42. If LFUCG fails to pay the civil penalties required to be paid under Section V (Civil Penalty), Paragraph 9, of this Decree when due, LFUCG shall pay a stipulated penalty of \$1,000 per day for each day that the payment is late, to the United States. Late payment of the civil penalty shall be made in accordance with Section V, above (Civil Penalty). Stipulated Penalties shall be paid in accordance with Paragraph 50, below. All transmittal correspondence shall state that any such payment is for late payment of the civil penalty due under this Decree, or for Stipulated Penalties for late payment, as applicable, and shall include the identifying information set forth in Paragraph 10, above.

43. LFUCG shall be liable for Stipulated Penalties to the United States and EPPC for violations of obligations of this Consent Decree unless excused under Section XII (Force Majeure). A violation includes failing to perform any obligation required by the terms of this Decree, including any statement of work or schedule approved under this Decree, according to all applicable requirements of this Decree and within the specified time schedules established by or approved under this Decree.

44. Compliance Measures. The following Stipulated Penalties shall accrue for each violation identified below:

A. For each failure to adopt, amend, or maintain in force the ordinances required by Paragraph 12 of this Consent Decree after the dates specified therein, LFUCG may be assessed stipulated penalties as follows:

<u>Penalty Per Violation Per Day</u>	<u>Period of Noncompliance</u>
\$500 per day	1st through 30th day

\$1,000 per day

31st day and beyond

Stipulated penalties shall not be assessed where the failure is caused by an order from a court that stays, vacates or otherwise invalidates such an ordinance.

B. For each failure to meet a Performance Standard listed on Appendix E to this Consent Decree, LFUCG may be assessed stipulated penalties as follows:

(i) For each Performance Standard that requires activities to be implemented or completed by a specific date, \$5,000 for failure to meet the deadline, and \$2,000 for each 30-day period thereafter that the activities remain not implemented or completed.

(ii) For each Performance Standard that requires a certain number of inspections or activities to be completed each calendar month, \$2,000 for each month in which LFUCG fails to comply. For any such Performance Standard that is not complied with more than three (3) times, the stipulated penalty shall be \$6,000 for each additional month that LFUCG fails to comply.

(iii) For each Performance Standard that requires a certain number or amount of activities to be implemented or completed on an annual or bi-annual basis, \$10,000 for failure to complete the activities within the relevant period, and \$5,000 for each 30-day period thereafter that the activities remain not completed.

C. For each violation of any other requirement of Section VI of this Consent Decree (Compliance Requirements Relating to Storm Sewer System), stipulated penalties of \$500 per day per violation may be assessed against LFUCG.

D. For failure to timely submit any of the submittals required in Section VII of this Consent Decree (Compliance Requirements Relating to Sanitary Sewer System),

stipulated penalties in the amount of \$3,000 may be assessed against LFUCG. For each day LFUCG remains out of compliance for failure to timely submit any of the above submittals, a stipulated penalty may be assessed as follows:

<u>Period Beyond Submittal Date</u>	<u>Penalty Per Violation Per Day</u>
1-30 days	\$500
more than 30 days	\$1,000

E. For each day LFUCG fails to timely complete projects required in Section VII of this Consent Decree (Compliance Requirements Relating to Sanitary Sewer System) in accordance with the schedule set forth in this Consent Decree or in an approved compliance program, LFUCG may be assessed stipulated penalties for each such project as follows:

<u>Period Beyond Completion Date</u>	<u>Penalty Per Violation Per Day</u>
1 - 30 days	\$1,000
31 - 60 days	\$1,500
61 - 120 days	\$2,000
more than 120 days	\$3,000

In addition, for the circumstances described below, LFUCG may be assessed stipulated penalties as specified below:

- (i) For any Recurring SSO that occurs at a location identified on Appendix A or for which a project has been identified to eliminate the Recurring SSO under a Capital Improvement Project or the Sanitary Sewer System and WWTP Remedial Measures Plan after the SSO elimination deadline specified for that location, \$1,000

per SSO of less than 5,000 gallons, \$2,000 per SSO of 5,000 gallons to 100,000 gallons, \$5,000 per SSO of more than 100,000 gallons.

- (ii) For any SSO that occurs other than those identified in subparagraph 44.E(i), \$2,000 per SSO occurring more than two (2) years after the approval of the CMOM Self-Assessment.
- (iii) For wet weather Unpermitted Bypasses at the WWTPs, \$3,000 per bypass occurring after the deadline established for eliminating such bypasses under the Sanitary Sewer System and WWTP Remedial Measures Plan.
- (iv) For the addition of a sanitary hook-up to the Sanitary Sewer System when there is a condition of inadequate collection, transmission, or treatment capacity exists, in violation of Paragraph 16.B(ii), \$1,000 per hook-up, unless LFUCG has relied upon a certification made in good faith under Paragraph 16.B(ii) and has, upon notice of the existence of inadequate capacity as defined in Paragraph 16.B(ii), promptly taken steps to rectify the inadequacy.
- (v) For any other violation of Section VII of this Decree, \$500 per day per violation.

45. Submission, Reporting and Notice Requirements. The following Stipulated Penalties shall accrue per violation per day for failure to timely submit a complete report

(including quarterly and annual reports) or notice, as required in Section X (Reporting Requirements and Approval of Submittals) of this Consent Decree:

<u>Penalty Per Violation Per Day</u>	<u>Period of Noncompliance</u>
\$1,000	1st through 14th day
\$2,000	15th through 30th day
\$3,000	31st day and beyond

46. SEP Compliance

Penalties under 46.A and 46.B are in the alternative, and shall not be used to apply to the same SEP.

A. If LFUCG has completed a SEP, but the SEP has not been Satisfactorily Completed, LFUCG may be assessed:

For the Coldstream SEP:	\$1,050,000
For the Green Infrastructure SEP:	\$245,000

less any amounts of Eligible SEP Costs that EPA determines were expended in a manner consistent with the Consent Decree. Stipulated penalties under this Subparagraph A shall accrue as follows: If, the first time LFUCG certifies that a SEP has been fully implemented pursuant to Paragraph 21, the SEP has not been Satisfactorily Completed, but LFUCG's performance of the SEP substantially complied with LFUCG's obligations under this Decree, then no stipulated penalty shall accrue while LFUCG carries out the work necessary to Satisfactorily Complete the SEP. LFUCG shall have no longer than 60 (sixty) days to carry out such additional work. If LFUCG certifies a second time that the SEP has been fully implemented, but the SEP has not been Satisfactorily Completed, the stipulated penalty shall accrue as of the date of the second

certification. If, the first time LFUCG certifies that a SEP has been fully implemented, the SEP has not been Satisfactorily Completed and LFUCG's performance of the SEP did not substantially comply with LFUCG's obligations under this Decree, then the stipulated penalty shall accrue as of the date of the first certification.

B. If LFUCG abandons work on any SEP, LFUCG shall pay:

For the Coldstream SEP: \$1,250,000

For the Green Infrastructure SEP: \$287,500

less any amounts of Eligible SEP Costs that EPA determines were expended in a manner consistent with the Consent Decree. The penalty under this Subparagraph shall accrue as of the date specified for completing the Project or the date performance ceases, whichever is earlier.

C. If LFUCG fails to comply with the schedules in Section VIII of this Consent Decree (Supplemental Environmental Projects) or in Appendix J to this Consent Decree (including the preparation of the SEP Completion Reports), for each failure to meet an applicable milestone LFUCG may be assessed Stipulated Penalties of \$3,000 per month. Such penalties shall accrue from the date LFUCG was required to meet each such milestone, until compliance with the milestone is achieved.

D. LFUCG shall issue a retraction in the same or similar medium as the original statement, and may be assessed a stipulated penalty of \$5,000 for each violation if it fails to comply with the requirements under Paragraph 26 regarding public statements related to the SEP.

47. Subject to the provisions of Subparagraphs A, B, and C of the immediately preceding Paragraph, Stipulated Penalties under this Section shall begin to accrue on the day

after performance is due or on the day a violation occurs, whichever is applicable, and shall continue to accrue until performance is Satisfactorily Completed or until the violation ceases. Stipulated Penalties shall accrue simultaneously for separate violations of this Consent Decree. LFUCG shall pay any Stipulated Penalty within thirty (30) days of receiving a written demand by one or both Plaintiffs, unless the Parties enter into Dispute Resolution, in which case the provisions of Paragraph 49 apply. The United States, or EPPC, or both may seek Stipulated Penalties under this Section. Where both seek Stipulated Penalties for the same violation of this Consent Decree, Defendant shall pay fifty (50) percent to the United States and fifty (50) percent to EPPC. Where only one Plaintiff demands Stipulated Penalties for a violation, and the other Plaintiff does not join in the demand within thirty (30) days of receiving the demand, or timely joins in the demand but subsequently elects to waive or reduce Stipulated Penalties for that violation, Defendant shall pay the Stipulated Penalties due for the violation to the Plaintiff making the demand, less any amount paid to the other Plaintiff. The determination by one Plaintiff not to seek Stipulated Penalties shall not preclude the other Plaintiff from seeking Stipulated Penalties.

48. The United States or EPPC may, in the unreviewable exercise of its respective discretion, reduce or waive any Stipulated Penalties otherwise due to that Plaintiff under this Consent Decree.

49. Stipulated Penalties shall continue to accrue as provided in Paragraph 47, above, during any Dispute Resolution, but need not be paid until the following:

A. If the dispute is resolved by agreement or by a decision of EPA that is not appealed to the Court, LFUCG shall pay accrued penalties agreed or determined to be owing to

the United States within sixty (60) days of the effective date of the agreement or the receipt of EPA's decision or order;

B. If the dispute is appealed to the Court, LFUCG shall pay all accrued penalties determined by the Court to be owing within sixty (60) days of receiving the Court's decision or order, except as provided in Subparagraph C, below;

C. If the United States or LFUCG appeals the District Court's decision, LFUCG shall pay all accrued penalties determined to be owing within sixty (60) days of receiving the final appellate court decision.

50. LFUCG shall, as directed by the United States, pay Stipulated Penalties owing to the United States by EFT in accordance with Section V (Civil Penalty), Paragraph 9, above, or by certified or cashier's check in the amount due payable to the "U.S. Department of Justice," referencing DOJ No. 90-5-1-1-08858 and Civil Action Number 5:06-cv-386, delivered to the office of the United States Attorney, Eastern District of Kentucky, at 260 West Vine Street Lexington, KY 40507. If payment is due to EPPC under this Section, payment shall be made by certified check made payable to the Kentucky State Treasurer, referencing Civil Action Number 5:06-cv-386, and shall be sent to Director, Division of Enforcement, Department for Environmental Protection, 300 Fair Oaks Lane, Frankfort, KY 40601.

51. At the time of payments of stipulated penalties required by this Section, LFUCG shall simultaneously send written notice of payment and a copy of any transmittal documentation to the United States and EPPC in accordance with Section XVII of this Decree (Notices). The notices shall reference Civil Action Number 5:06-cv-386 and DOJ Number 90-5-1-1-08858.

52. If LFUCG fails to pay Stipulated Penalties according to the terms of this Consent

Decree, LFUCG shall be liable for interest on such penalties, as provided for in 28 U.S.C. §1961, accruing as of the date payment became due.

53. Subject to the provisions of Section XV of this Consent Decree (Effect of Settlement/Reservation of Rights), the Stipulated Penalties provided for in this Consent Decree shall be in addition to any other rights, remedies, or sanctions available to the United States or the Commonwealth for LFUCG's violation of this Consent Decree or applicable law. Where a violation of this Consent Decree is also a violation of the Clean Water Act, LFUCG shall be allowed a credit, for any Stipulated Penalties paid, against any statutory penalties imposed for such violation.

XII. FORCE MAJEURE

54. A "force majeure event" is any event beyond the control of LFUCG, its contractors, or any entity controlled by LFUCG that delays the performance of any obligation under this Consent Decree despite LFUCG's best efforts to fulfill the obligation. "Best efforts" includes anticipating any potential force majeure event and addressing the effects of any such event (a) as it is occurring and (b) after it has occurred, to prevent or minimize any resulting delay to the greatest extent possible. "Force Majeure" does not include LFUCG's financial inability to perform any obligation under this Consent Decree.

55. LFUCG shall provide notice to EPA and EPPC orally or by electronic or facsimile transmission as soon as possible, but not later than 72 hours after the time LFUCG first knew of, or by the exercise of due diligence, should have known of, a claimed force majeure event. LFUCG shall also provide written notice to the United States and EPPC as provided in Section XVII of this Consent Decree (Notices), within seven (7) days of the time LFUCG first

knew of, or by the exercise of due diligence, should have known of, the event. The notice shall state the anticipated duration of any delay, its cause(s), LFUCG's past and proposed actions to prevent or minimize any delay, a schedule for carrying out those actions, and LFUCG's rationale for attributing any delay to a force majeure event. Failure to provide oral and written notice as required by this Paragraph may be grounds for the United States to deny any claim of force majeure.

56. If the United States, after consultation with EPPC, agrees that a force majeure event has occurred, the United States will agree to extend the time for LFUCG to perform the affected requirements for the time necessary to complete those obligations. An extension of time to perform the obligations affected by a force majeure event shall not, by itself, extend the time to perform any other obligation. Where the United States agrees to a material extension of time, the appropriate modification shall be made pursuant to Section XX of this Consent Decree (Modification).

57. If the United States, after consultation with EPPC, does not agree that a force majeure event has occurred, or does not agree to the extension of time sought by LFUCG, the United States' position shall be binding, unless LFUCG invokes Dispute Resolution under Section XIII of this Consent Decree. In any such dispute, LFUCG bears the burden of proving, by a preponderance of the evidence, that each claimed force majeure event is a force majeure event, that LFUCG gave the notice required by Paragraph 55, that the force majeure event caused any delay that LFUCG claims was attributable to that event, and that LFUCG exercised best efforts to prevent or minimize any delay caused by the event.

XIII. DISPUTE RESOLUTION

58. Unless otherwise expressly provided for in this Consent Decree, the dispute resolution procedures of this Section shall be the exclusive mechanism to resolve disputes arising under or with respect to this Consent Decree. However, the procedures of this Section shall not apply to actions by the United States or EPPC to enforce obligations of LFUCG that have not been disputed in accordance with this Section. Defendant's failure to seek resolution of a dispute under this Section shall preclude Defendant from raising any such issue as a defense to an action by the United States or EPPC to enforce any obligation of Defendant arising under this Decree.

59. Informal Dispute Resolution. Any dispute subject to dispute resolution under this Consent Decree shall first be the subject of informal negotiations. The dispute shall be considered to have arisen when LFUCG sends the United States and EPPC a written Notice of Dispute. Such Notice of Dispute shall state clearly the matter in dispute. The period of informal negotiations shall not exceed thirty (30) days from the date the dispute arises, unless that period is modified by written agreement. If the Parties cannot resolve a dispute by informal negotiations, then the position advanced by the United States, after consultation with EPPC, shall be considered binding unless, within twenty (20) days after the conclusion of the informal negotiation period, LFUCG invokes formal dispute resolution procedures as set forth below.

60. Formal Dispute Resolution. LFUCG shall invoke formal dispute resolution procedures, within the time period provided in the preceding Paragraph, by serving on the United States and EPPC a written Statement of Position regarding the matter in dispute. The Statement of Position shall include, but may not necessarily be limited to, any factual data, analysis, or

opinion supporting LFUCG's position and any supporting documentation relied upon by LFUCG.

61. The United States, after consultation with EPPC, shall serve its Statement of Position within forty-five (45) days of receipt of LFUCG's Statement of Position. The United States' Statement of Position shall include, but may not necessarily be limited to, any factual data, analysis, or opinion supporting that position and any supporting documentation relied upon by the United States. If within five (5) days of receiving the United States' Statement of Position, LFUCG requests to confer with the United States about the United States' Statement of Position, the United States will confer (in person and/or by telephone) with LFUCG, but such a conference shall be concluded no later than twenty-one (21) days after the issuance of the United States' Statement of Position. The United States will reaffirm its Statement of Position or, if the United States decides to amend its Statement of Position, the United States will amend its Statement of Position, within fourteen (14) days after the conclusion of the conference. If the United States fails to reaffirm or amend its Statement of Position, the Statement of Position shall be deemed reaffirmed. The United States' Statement of Position shall be binding on LFUCG unless LFUCG files a motion for judicial review of the dispute in accordance with the following Paragraph.

62. LFUCG may seek judicial review of the dispute by filing with the Court and serving on the United States and EPPC in accordance with Section XVII of this Consent Decree (Notices) a motion requesting judicial resolution of the dispute. If no conference was requested pursuant to the previous Paragraph, LFUCG's motion must be filed within fourteen (14) days of receipt of the United States' Statement of Position pursuant to the preceding Paragraph. If a

conference was requested pursuant to the previous Paragraph, LFUCG's motion must be filed within fourteen (14) days of receipt of the United States' reaffirmation of its original Statement of Position or issuance of an amended Statement of Position pursuant to the preceding Paragraph. The motion shall contain a written statement of LFUCG's position on the matter in dispute, including any supporting factual data, analysis, opinion, or documentation, and shall set forth the relief requested and any schedule within which the dispute must be resolved for orderly implementation of the Consent Decree.

63. The United States shall respond to LFUCG's motion within the time period allowed by the Local Rules of this Court. LFUCG may file a reply memorandum, to the extent permitted by the Local Rules.

64. Except as otherwise provided in this Consent Decree, in any dispute under this Section, LFUCG shall bear the burden of demonstrating that its position complies with the Consent Decree and better furthers the Objectives of the Consent Decree. The United States reserves the right to argue that its position is reviewable only on the administrative record and must be upheld unless arbitrary and capricious or otherwise not in accordance with law, and LFUCG reserves the right to oppose any such argument.

65. The invocation of dispute resolution procedures under this Section shall not, by itself, extend, postpone, or affect in any way any obligation of LFUCG under this Consent Decree, unless and until final resolution of the dispute so provides. Stipulated Penalties shall be assessed and paid as provided in Section XI (Stipulated Penalties).

XIV. INFORMATION COLLECTION AND RETENTION

66. The United States, the Commonwealth, and their representatives, including attorneys, contractors, and consultants, shall have the right to enter LFUCG facilities at all reasonable times, upon presentation of credentials, to:

- a. monitor the progress of activities required under this Consent Decree;
- b. verify any data or information submitted to the United States or the Commonwealth in accordance with the terms of this Consent Decree;
- c. obtain samples;
- d. obtain documentary evidence, including photographs and similar data; and
- e. assess LFUCG's compliance with this Consent Decree.

67. Until five (5) years after the termination of this Consent Decree, LFUCG shall retain, and shall instruct its respective contractors and agents to preserve, all non-identical copies of all records and documents (including records or documents in electronic form) in its or its contractors' or agents' possession or control, or that come into its or its contractors' or agents' possession or control, and that demonstrate or document LFUCG's compliance or noncompliance with the obligations of this Consent Decree. Drafts of final documents or plans, and non-substantive correspondence and emails do not need to be retained. This record retention requirement shall apply regardless of any corporate or institutional document-retention policy to the contrary. At any time during this record-retention period, the United States or the Commonwealth may request copies of any documents or records required to be maintained under this Paragraph.

68. Before destroying any documents or records subject to the requirements of the

preceding Paragraph, LFUCG shall notify the United States and EPPC at least ninety (90) days prior to the destruction of any such records or documents, and, upon request by the United States or EPPC, LFUCG shall deliver any such records or documents to EPA or EPPC. LFUCG may assert that certain documents, records, or other information is privileged under the attorney-client privilege or any other privilege recognized by federal law. If LFUCG asserts such a privilege, it shall provide the following: a) the title of the document, record, or information; b) the date of the document, record, or information; c) the name and title of the author of the document, record, or information; d) the name and title of each addressee and recipient; e) a description of the subject of the document, record, or information; and f) the privilege asserted.

69. This Consent Decree in no way limits or affects any right of entry and inspection, or any right to obtain information, held by the United States or the Commonwealth pursuant to applicable federal or state laws, regulations, or permits, nor does it limit or affect any duty or obligation of LFUCG to maintain records or information imposed by applicable federal or state laws, regulations, permits, or orders.

XV. EFFECT OF SETTLEMENT/RESERVATION OF RIGHTS

70. This Consent Decree resolves the civil claims of the United States and the EPPC for the violations alleged in the Complaint filed in this action through the date of lodging. As a special reservation, natural resource trustees reserve their claim against LFUCG for liability for damages for injury to, destruction of, or loss of natural resources, and for the costs of any natural resource damage assessments, including regarding the fish kill that resulted from the discharge of partially treated sewage due to a bypass at Town Branch WWTP on or about August 31, 2007,

and the fish kill that resulted due to a bypass at East Hickman pump station on or about January 7, 2008.

71. The United States and the Commonwealth reserve all legal and equitable remedies available to enforce the provisions of this Consent Decree, except as expressly stated herein, and LFUCG reserves all defenses thereto. This Consent Decree shall not be construed to prevent or limit the rights of the United States or the Commonwealth to obtain penalties or injunctive relief under the Clean Water Act or its implementing regulations, or under other federal or state laws, regulations, or permit conditions, except as expressly specified in the preceding Paragraph. The United States and the Commonwealth further reserve all legal and equitable remedies to address any imminent and substantial endangerment to the public health or welfare or the environment arising at, or posed by, LFUCG, whether related to the violations addressed in this Consent Decree or otherwise.

72. This Consent Decree is not a permit, or a modification of any permit, under any federal, state, or local laws or regulations, and LFUCG's compliance with the Consent Decree shall be no defense to any action commenced pursuant to any such laws, regulations, or permits. LFUCG is responsible for achieving and maintaining complete compliance with all applicable federal, state, and local laws, regulations, and permits. The United States and the Commonwealth do not, by their consent to the entry of this Consent Decree, warrant or aver in any manner that LFUCG's compliance with any aspect of this Consent Decree will result in compliance with provisions of the Clean Water Act or with any other provisions of federal, state, or local laws, regulations, or permits.

73. This Consent Decree does not limit or affect the rights of LFUCG or of the United

States or the Commonwealth against any third parties, not party to this Consent Decree. The effect of this Consent Decree on the rights of third parties, not party to this Consent Decree, against LFUCG shall be as provided by law.

74. This Consent Decree shall not be construed to create rights in, or grant any cause of action to, any third party not party to this Consent Decree.

XVI. COSTS

75. The Parties shall bear their own costs of this action, including attorneys fees, except that the United States and the Commonwealth shall be entitled to collect the costs (including attorneys fees) incurred in any action necessary to collect any portion of the civil penalty or any Stipulated Penalties due but not paid by LFUCG.

XVII. NOTICES

76. Unless otherwise specified herein, whenever notifications, submissions, or communications are required by this Consent Decree, they shall be made in writing and addressed as follows:

To the United States:

Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
Box 7611 Ben Franklin Station
Washington, D.C. 20044-7611
Re: DOJ No. 90-5-1-1-08858

Chief
Water Programs Enforcement Branch
Environmental Protection Agency Region 4
61 Forsyth St., SW
Atlanta, GA 30303

& Office of Water Legal Support
Office of Regional Counsel
Environmental Protection Agency Region 4
61 Forsyth St., SW
Atlanta, GA 30303

To EPA only, as opposed to the United States:

Chief
Water Programs Enforcement Branch
Environmental Protection Agency Region 4
61 Forsyth St., SW
Atlanta, GA 30303

& Office of Water Legal Support
Office of Regional Counsel
Environmental Protection Agency Region 4
61 Forsyth St., SW
Atlanta, GA 30303

For verbal notification:
Chief, Water Programs Enforcement
Branch 404/562-9938

To EPPC:

Director of the Division of Enforcement
Department for Environmental Protection
300 Fair Oaks Lane
Frankfort, KY 40601

For verbal notification:
Director of the Division of Enforcement
502/564-2150

To LFUCG:

Commissioner of Law
Lexington-Fayette Urban County
Government
200 East Main Street
Lexington, KY 40507
(859) 258-3500

Commissioner of Dept. for Env. Quality
Lexington-Fayette Urban County
Government
200 East Main Street
Lexington, Kentucky 40507
(859) 425-2800

77. Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address.

78. Notices submitted pursuant to this Section shall be deemed submitted upon the date they are postmarked and mailed or provided to a reputable overnight delivery service, unless otherwise provided in this Consent Decree or by mutual agreement of the Parties in

writing.

XVIII. EFFECTIVE DATE

79. The Effective Date of this Consent Decree shall be the date upon which this Consent Decree is entered by the Court.

XIX. RETENTION OF JURISDICTION

80. The Court shall retain jurisdiction over the case until termination of this Consent Decree, for the purpose of resolving disputes arising under this Decree or entering orders modifying this Decree, pursuant to Sections XIII (Dispute Resolution) and XX (Modification), or effectuating or enforcing compliance with the terms of this Decree.

XX. MODIFICATION

81. The terms of this Consent Decree may be modified only by a subsequent written agreement signed by the United States, EPPC and LFUCG or by further order of the Court. Where a modification agreed-upon by the United States, EPPC and LFUCG constitutes a material change to any term of this Decree, it shall be effective only upon approval by the Court. Non-material changes to this Decree (including Appendices) may be made by written agreement of the Parties without court approval. Except as provided in Section X relating to EPA/EPPC review and approval of deliverables, any changes to the deadlines set forth in Paragraph 15.G (Sanitary Sewer System and WWTP Remedial Measures Plan) of this Consent Decree shall be considered a material change.

82. Any disputes concerning modification of this Decree shall be resolved pursuant to Section XIII of this Decree (Dispute Resolution), provided, however, that, instead of the burden of proof provided by Paragraph 64, the Party seeking the modification bears the burden of

demonstrating that it is entitled to the requested modification in accordance with Federal Rule of Civil Procedure 60(b).

XXI. TERMINATION

83. The Consent Decree is subject to termination, in whole or in part, after LFUCG certifies that it has met all requirement of this Consent Decree, including, without limitation, (a) completion of all SEPs and Commonwealth Environmental Projects, (b) payment of all penalties and stipulated penalties due, (c) submission and approval of all plans required in Sections VI and VII or in any amendment to this Consent Decree, and (d) completion of all work and implementation of all the requirements in the plans required in Sections VI and VII of this Consent Decree or in any amendment to this Consent Decree. EPA/EPPC's determination that the Consent Decree should be terminated shall be based on a consideration of whether all of the requirements listed above have occurred. Notwithstanding the above, Section VI (Compliance Measures Relating to Storm Sewer System) of this Consent Decree is subject to termination after LFUCG certifies that it has met all requirements of Section VI of the Consent Decree for a period of five (5) years following the Effective Date of this Consent Decree.

84. LFUCG may serve upon the United States and EPPC a request that they jointly make a determination that this Consent Decree be terminated in whole or in part. Any such request shall be in writing and shall include a certification that the requirements listed in the above Paragraph have been met. If the United States and EPPC jointly agree that LFUCG has met all of the requirements listed above, the Parties shall submit for the Court's approval, a joint stipulation terminating the Consent Decree, or appropriate portions thereof. If the United States and EPPC determine not to seek termination of the Consent Decree in whole or in part because

all of the requirements listed above were not met, they shall so notify LFUCG in writing. The notice shall summarize the basis for its decision and describe the actions necessary to achieve final compliance. If LFUCG disagrees with any such determination, it shall invoke the dispute resolution procedures of this Consent Decree before filing any motion with the Court regarding the disagreement. However, LFUCG shall not seek dispute resolution of any dispute regarding termination until ninety (90) days after service of its Request for Termination.

XXII. PUBLIC PARTICIPATION

85. This Consent Decree shall be lodged with the Court for a period of not less than thirty (30) days for public notice and comment in accordance with 28 C.F.R. § 50.7. The United States reserves the right to withdraw or withhold its consent if the comments regarding the Consent Decree disclose facts or considerations indicating that the Consent Decree is inappropriate, improper, or inadequate. LFUCG consents to entry of this Consent Decree without further notice. This Paragraph does not create any rights exercisable by LFUCG.

XXIII. SIGNATORIES/SERVICE

86. Each undersigned representatives of LFUCG and EPPC and the Assistant Attorney General for the Environment and Natural Resources Division of the United States Department of Justice, certifies that he or she is fully authorized to enter into the terms and conditions of this Consent Decree and to execute and legally bind the Party he or she represents to this document.

87. This Consent Decree may be signed in counterparts, and its validity shall not be challenged on that basis.

88. LFUCG agrees not to oppose entry of this Consent Decree by the Court or to

challenge any provision of the Decree, unless the United States has notified LFUCG in writing that it no longer supports entry of the Decree.

89. LFUCG agrees to accept service of process by mail with respect to all matters arising under or relating to this Consent Decree and to waive the formal service requirements set forth in Rules 4 and 5 of the Federal Rules of Civil Procedure and any applicable Local Rules of this Court including, but not limited to, service of a summons.

XXIX. INTEGRATION

90. This Consent Decree and its Appendices constitute the final, complete, and exclusive agreement and understanding among the Parties with respect to the settlement embodied in the Decree and supersede all prior agreements and understandings, whether oral or written, concerning the settlement embodied herein. Other than the Appendices, which are attached to and incorporated in this Decree, and deliverables that are subsequently submitted and approved pursuant to this Decree, no other document, nor any representation, inducement, agreement, understanding, or promise, constitutes any part of this Decree or the settlement it represents, nor shall it be used in construing the terms of this Decree.

XXV. FINAL JUDGMENT

91. Upon approval and entry of this Consent Decree by the Court, this Consent Decree shall constitute a final judgment of the Court as to the United States, the Commonwealth,

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and LFUCG. The Court finds that there is no just reason for delay and therefore enters this judgment as a final judgment under Fed. R. Civ. P. 54 and 58.

Dated and entered this 31 day of January, 2011.

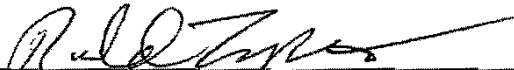


UNITED STATES DISTRICT JUDGE
Eastern District of Kentucky


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WE HEREBY CONSENT to the entry of this Consent Decree in *United States, et al. v. LFUCG*, No. 5:06-cv-386 (E.D. Ky), subject to the public notice and comment provisions of 28 C.F.R. § 50.7:

FOR PLAINTIFF UNITED STATES OF AMERICA:



RONALD J. TENPAS
Assistant Attorney General
U.S. Department of Justice
Environment and Natural Resources Division



VALERIE K. MANN
Attorney of Record for United States
Trial Attorney
U.S. Department of Justice
Environment and Natural Resources Division
Environmental Enforcement Section
P.O. Box 7611
Ben Franklin Station
Washington, D.C. 20044-7611
Telephone: 202-616-8756
Facsimile: 202-514-2583

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WE HEREBY CONSENT to the entry of this Consent Decree in *United States, et al. v. LFUCG*, No. 5:06-cv-386 (E.D. Ky), subject to the public notice and comment provisions of 28 C.F.R. § 50.7:

FOR PLAINTIFF UNITED STATES OF AMERICA (Continued):

JAMES A. ZERHUSEN
Acting United States Attorney
Eastern District of Kentucky

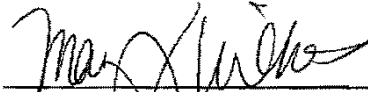


ANDREW SPARKS
Attorney of Record for United States
Assistant United States Attorney
Eastern District of Kentucky
260 West Vine Street
Lexington, Kentucky 40507
Telephone: (859) 233-2661
Facsimile: (859) 233-2666

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WE HEREBY CONSENT to the entry of this Consent Decree in *United States, et al. v. LFUCG*, No. 5:06-cv-386 (E.D. Ky), subject to the public notice and comment provisions of 28 C.F.R. § 50.7:

FOR PLAINTIFF UNITED STATES OF AMERICA (Continued):




MARY J. WILKES
Regional Counsel
United States Environmental Protection Agency
Region 4
61 Forsyth Street
Atlanta, GA 30303

Of Counsel:
PAUL SCHWARTZ
Assistant Regional Counsel
United States Environmental Protection Agency
Region 4
61 Forsyth Street
Atlanta, GA 30303
Telephone: (404) 562-9576
Facsimile: (404) 562-9486

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WE HEREBY CONSENT to the entry of this Consent Decree in *United States, et al. v. LFUCG*, No. 5:06-cv-386 (E.D. Ky), subject to the public notice and comment provisions of 28 C.F.R. § 50.7:

FOR PLAINTIFF UNITED STATES OF AMERICA (Continued):



GRANTA Y. NAKAYAMA
Assistant Administrator
Office of Enforcement & Compliance Assurance
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Of Counsel:
ELYSE DI BIAGIO-WOOD
Water Enforcement Division
Office of Civil Enforcement, US EPA
Mail Code: 2243A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

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WE HEREBY CONSENT to the entry of this Consent Decree in *United States, et al. v. LFUCG*,
No. 5:06-cv-386 (E.D. Ky):

**FOR PLAINTIFF COMMONWEALTH OF KENTUCKY,
ENVIRONMENTAL & PUBLIC PROTECTION CABINET:**



ROBERT D. VANCE

Secretary

Environmental & Public Protection Cabinet
Commonwealth of Kentucky



BRENDA GAIL LOWE

SHARON R. VRISENGA

Office of Legal Services

5TH Floor, Capital Plaza Tower

Frankfort, KY 40601

Telephone: (502) 564-5576

Facsimile: (502) 564-6131

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WE HEREBY CONSENT to the entry of this Consent Decree in *United States, et al. v. LFUCG*,
No. 5:06-cv-386 (E.D. Ky):

**FOR DEFENDANT LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT:**



MAYOR JIM NEWBERRY
Lexington-Fayette Urban County Government
12th Floor, Government Center
200 East Main Street
Lexington, Kentucky 40507



JOHN C. BENDER
Attorney of Record for LFUCG
Greenebaum Doll & McDonald PLLC
300 West Vine Street, Suite 1100
Lexington, KY 40507-1665
Telephone: (859) 288-4607
Facsimile: (859) 367-3806

Case No. 2022-00186
Lexington-Fayette Urban County Government
Responses to Commission Staff's First Request for Information

Staff DR 1-11:

Refer to the Commission's June 24, 2022 Order, Appendix B. For the email dated June 1, 2022, Point 4 states that LFUCG uses the U.S. City Average Consumer Price Index for All Urban Consumers (CPI) for the last 12 months ending each April as its CPI.

- a. Explain how the components of the U.S. City Average Consumer Price Index relate to the expenses incurred by LFUCG for the monthly sewer fee.
- b. Explain how the components of the U.S. City Average Consumer Price Index relate to the expenses incurred by LFUCG for the tap-on fee.
- c. Explain whether the component weights in the calculation of the CPI align with the weighting of LGUCG's expenses. For example, if the fuel component of the CPI is 5 percent of the total; provide support that the fuel component for LFUCG is also 5 percent of its total expenses. Do this for each component comprising the CPI.

Response:

Commission-approved rates must be "fair, just, and reasonable." In determining reasonable rates, the Commission looks to the overall picture. Although some of the components of the U.S. City Average Consumer Price Index directly correlate to the expenses incurred by a sewer utility, not every component has a direct correlation. More importantly, increasing municipal utility rates by CPI-u serves as a reasonable means to assist a municipal utility to receive necessary revenues to cover expenses without spending significant resources on performing an annual rate analysis. These smaller annual increases also reduce the likelihood of rate shock with a significantly larger increase several years after no annual increases.

LFUCG's annual increases have furthered that goal of avoiding significantly higher increases in subsequent years. As mentioned above, the consent decree—which requires timely

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infrastructure upgrades—served as the catalyst to implement annual increases based on CPI.

These annual increases are a means to ensure that the revenue needed to complete these massive requirements would not significantly lag before another more substantial increase was required.

There is substantial support for using an inflationary index to increase municipal utility rates. The attached report prepared by authors at the Lawrence Berkeley National Laboratory—a U.S. Department of Energy National Laboratory managed by the University of California—confirms that water and wastewater rates have historically increased faster than CPI. In the summary of findings, it states:

Water and wastewater treatment and delivery is the most capital-intensive of all utility services. Historically underpriced, water and wastewater rates have exhibited unprecedented growth in the past fifteen years. ***Steep annual increases in water and wastewater rates that outpace the Consumer Price Index (CPI) have increasingly become the norm across the United States.*** In this paper, we analyze water and wastewater rates across U.S. census regions between 2000 and 2014. We also examine some of the driving factors behind these rate increases, including drought, water source, required infrastructure investment, population patterns, and conservation effects. Our results demonstrate that water and wastewater prices have consistently increased and have outstripped CPI throughout the study period nationwide, as well as within each census region. ***Further, evaluation of the current and upcoming challenges facing water and wastewater utilities suggests that sharp rate increases are likely to continue in the foreseeable future.***

Report at V (emphasis added).

Some commentators also suggest that a Construction Cost Index (CCI) has more correlation to the provision of water and wastewater utility services than CPI. See Shadi Eskaf (Senior Project Director at the Environmental Finance Center at University of North Carolina), “Using an Index to Help Project Capital Costs Into the Future,” available at <https://efc.web.unc.edu/2012/09/26/using-an-index-to-help-project-capital-costs-into-the-future/>

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Lexington-Fayette Urban County Government
Responses to Commission Staff's First Request for Information

Engineering News-Record calculated its annual CCI for April 2022 at 8.9%. Another CCI published by Mortenson calculated an annual 18.3% CCI after the first quarter of 2022. These construction cost indexes further support the reasonableness of LFUCG's across-the-board increase of 8.3%

Witness: Charles Martin

LBNL-1005705

WATER AND WASTEWATER RATE HIKES OUTPACE CPI

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May 2016

ACKNOWLEDGEMENTS

The authors would like to thank Harold Smith of Raftelis Financial Consultants, Inc. (RFC) and Jonah Schein of the U.S. Environmental Protection Agency (EPA) for providing input on our analysis. The authors would also like to thank Louis-Benoit Desroches of Lawrence Berkeley National Laboratory (LBNL) for his thoughtful review. The authors also acknowledge support from DOE contract number DE-AC02-05CH11231.

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SUMMARY

Water and wastewater treatment and delivery is the most capital-intensive of all utility services. Historically underpriced, water and wastewater rates have exhibited unprecedented growth in the past fifteen years. Steep annual increases in water and wastewater rates that outpace the Consumer Price Index (CPI) have increasingly become the norm across the United States. In this paper, we analyze water and wastewater rates across U.S. census regions between 2000 and 2014. We also examine some of the driving factors behind these rate increases, including drought, water source, required infrastructure investment, population patterns, and conservation effects. Our results demonstrate that water and wastewater prices have consistently increased and have outstripped CPI throughout the study period nationwide, as well as within each census region. Further, evaluation of the current and upcoming challenges facing water and wastewater utilities suggests that sharp rate increases are likely to continue in the foreseeable future.

1. INTRODUCTION

Water utilities have historically priced treatment and delivery at artificially low levels.¹ Low water and wastewater rates for consumers across the United States, enabled by delayed capital improvements and formerly generous government grant programs, have prompted the widespread perception of potable water as a relatively cheap commodity. Between 2001 and 2013, however, water and wastewater rates^a rose considerably across the United States, outpacing the Consumer Price Index (CPI)^b by two and a half times.² Although rates have risen in the past, the sustained, steep rate increases observed in recent years have exceeded previous trends.

Water utilities face challenges of drought, source switching and diversification, aging infrastructure that often requires substantial capital investment, population growth, and declining demand resulting from conservation efforts and technologies. These financial demands are reflected in rising rates, which are beginning to indicate the actual economic cost of delivered potable water. Financially sustainable rates must (1) enable the utility to recover expenditures through revenues, and (2) be affordable to consumers so they can continue to support utility infrastructure.^{c,3} Despite recent rate hikes, however, an estimated 64 percent of water utilities still do not generate enough revenue to cover all financial obligations,⁴ and only 9 percent report that no changes are required to provide for cost recovery.⁵ Ultimately, the long-term and mounting financial pressures on U.S. water utilities signal that recent patterns of steep rate increases that considerably exceed the economic inflation rate are not temporary.

In exploring recent trends in residential water and wastewater rates, this paper (1) discusses rate trends in

the existing literature; (2) examines some of the factors driving recent rate increases, including drought, available water sources, infrastructure needs, population growth, and conservation efforts and technology; (3) surveys patterns in underlying rate structures; and (4) analyzes rate trends in comparison to the CPI. Throughout this paper we refer to potable water from the drinking water system as “water,” and sewage or other effluent as “wastewater.”

2. BACKGROUND

With an estimated 54,000 community water systems, 14,780 wastewater treatment facilities, and 19,739 wastewater pipe systems⁶ in the United States, the water industry is operationally dispersed. Although most communities have experienced rising water rates during the past decade, both nominal rates and rate increases demonstrate great variability. For the 50 largest cities in the United States, the cost (in 2013\$) for a monthly consumption of 7,500 gallons of water by residential users in 2013 ranged from a low of \$14.74 in Memphis to a high of \$61.43 in Seattle.² Wastewater rates for the same 7,500 gallon amount demonstrated a wider range, from a low of \$12.72 in Memphis to a high of \$139.46 in Atlanta.² High water rates in a region do not always signify high wastewater rates, and vice versa. Of 50 cities studied, Jacksonville ranked 13th for water and 41st for wastewater rates (where a higher rank indicates higher rates).² The pace of rate adjustments is similarly varied. From 2013 to 2014 water rates for use of 100 gallons per person per day ranged from no change in the cities of Phoenix, Santa Fe, Jacksonville, Columbus, and Atlanta to as much as a 43.1 percent increase in Fresno.⁷ The disparities stem from the fact that water and wastewater rates are largely a function of local circumstances, including structural factors such as utility size, population growth, rate structure, current and projected debt, and water source, among others.

^a For a residential household consuming 7,500 gallons per month.

^b CPI data available here: <http://www.bls.gov/cpi/data.htm>.

^c Underpricing can lead to financial difficulty for the utility and overconsumption by the consumer; overpricing can result in water bills that place a hardship on some consumers.

3. LITERATURE REVIEW

This section summarizes findings from a review of the water and wastewater rate literature and how increases in rates compare to the overall CPI.^d In the past few decades, the United States has moved from an era of water resource development to one of allocation, while total demand for new water has exceeded new supply in parts of the country.^{8, 9} Population migration trends generally have been toward more arid regions and toward urban centers, and protecting stream flows for recreation and wildlife has become more customary to include in water source planning. Meanwhile, options to develop new or alternative water supplies, such as new dams, desalination plants, or long-distance transfers, come at a higher cost. Ongoing and deferred maintenance and expansion of existing infrastructure has also strained financial resources. Such broader factors underlie a recent boost in rates for both raw and delivered water; on average, rates for delivered water have increased five to ten percent per year throughout the past decade, with the annual growth rate increasing over time. One report predicts this trend will continue to accelerate, as regional scenarios show that “sharply increasing water prices that we can empirically observe today in a few selected water-deficient regions are likely to be predictive of trends that will develop in many other parts of the world tomorrow.”⁸

Several reports provide more evidence of recent jumps in water tariffs. The Water and Wastewater Rate

Survey by the American Water Works Association and Raftelis Financial Consultants, Inc. (AWWA/RFC) of 318 water utilities and 231 wastewater utilities nationwide identified an average rate increase between July 2012 and July 2014 of 9.5 percent (water) and 9.7 percent (wastewater) for consumption of 1,000 cubic feet/month.⁵ The surveys also show that from 1996 to 2012, the average residential price of water climbed 4.9 percent per year compared to an annual growth of 2.5 percent in general CPI. In some areas annual growth rates for water prices have reached 12 percent.⁵ *Circle of Blue*⁷ has performed annual surveys of water rates for single-family residences in the nation’s 20 largest cities plus 10 regionally representative cities, tracking trends since 2010. Water costs for a “medium consumption” scenario of a family of four each using 100 gallons per day^e rose on average 6 percent between 2014 and 2015, and climbed by 41 percent since 2010.^{10,11} Black & Veatch’s 2012/2013 survey estimated a 5.6 percent compound average annual increase in water bills and a 6.1 percent increase in wastewater bills for residential consumers from 2001 to 2013, compared to a 2.4 percent average increase in CPI for the same period.² Fitch Ratings contends that water prices will continue to exceed inflation.¹² *USA TODAY* reporters expanded on the Black & Veatch and AWWA/RFC surveys by obtaining similar data from dozens of additional municipalities to cover a total of 100 water utilities, representing a mix of small and large utilities in all 50 states. They found that since 2000, water rates have at least doubled in 29 percent of the municipalities examined.¹³

Similarly, another study finds that recent water and sewer services show marked and consistent price inflation relative to the general CPI, outpacing other utilities like telephone services, electricity, natural gas, and postage.¹⁴ The CPI specific to water and sewerage services increased from an indexed value of 50 in 1975, diverging abruptly from general CPI around 1990 to reach roughly 220 in 2000 and 400 in 2010. A

^d The CPI is one measure of inflation, as consumers experience it in their day-to-day expenses. It is defined by the Bureau of Labor Statistics as “a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services” (<http://www.bls.gov/cpi/cpifaq.htm>). The goods and services included in calculating CPI are from recent *Consumer Expenditure Surveys* of around 7,000 families. Major groups are food and beverages; housing; apparel; transportation; medical care; recreation; education and communication; and other goods and services (e.g. tobacco products, haircuts). Also included are government-charged fees, like vehicle registration or utility fees, and taxes directly correlated with prices of goods, like sales taxes. The CPI is continually revised along with shifts in demographics and consumer buying habits, and advances in statistical methods.

^e That per capita daily consumption is higher than the U.S. Geological Survey’s estimated average of 89 gallons.^{7, 11}

plot of water and sewerage CPI since 1983 shows an inflection point around 2002 to 2003, after which the CPI increases more sharply than before (Figure 3.1).

These studies together suggest that during the past decade, water price increases have eclipsed historical prices of a market basket of goods and services.

Table 3.1 summarizes rate increases compared to CPI for various study periods.

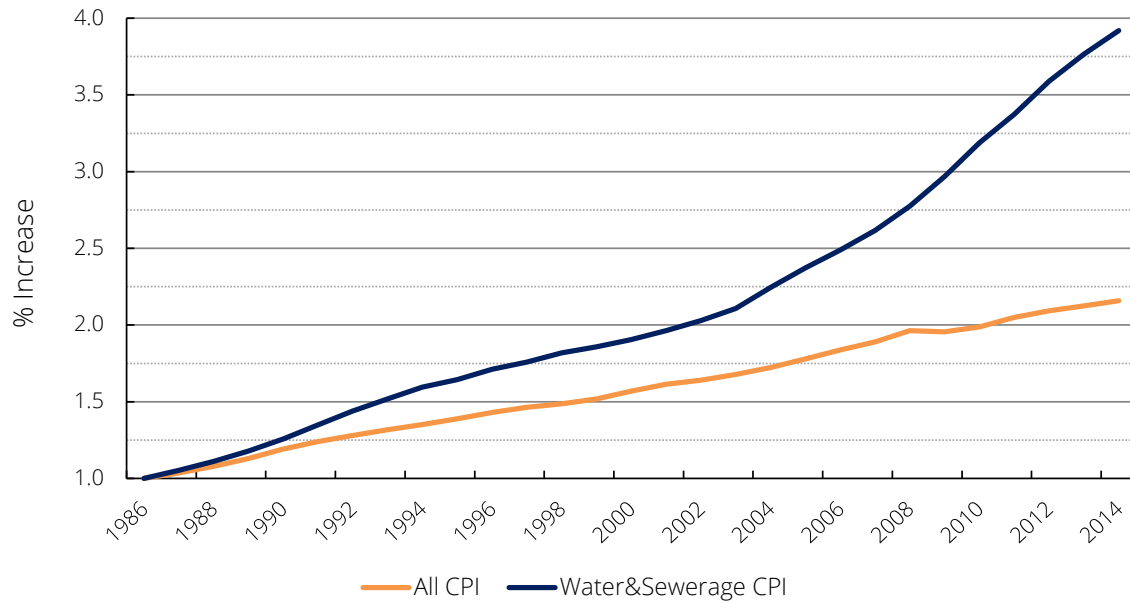


Figure 3.1 CPI for Water Rates versus CPI for All Items
 Source: U.S. Bureau of Labor Statistics, <http://www.bls.gov/cpi/data.htm>

Table 3.1 Summary of Rate Increases from the Existing Literature

Study	Years	Monthly Consumption	Water Rate Increase	Wastewater Rate Increase	% Increase CPI
Circle of Blue	2010-2015	100 g/p/d, family of 4	41%	-	-
	2014-2015		6%	-	-
Black & Veatch	2001-2013	7,500 gallons	5.6%	6.1%	2.4%
AWWA & RFC	2006-2008	7,480 gallons	12.3%	15.1%	10.9%
	2008-2010		13.6%	8.6%	-0.9%
	2010-2012		13.7%	14.8%	5.1%
	2012-2014		9.5%	9.7%	4.0%

These trends are expected to continue in the foreseeable future. Over half (55 percent) of water and wastewater utilities project that annual rate increases of at least five percent are necessary over the next ten years.⁴ Water and wastewater utilities reported the projected annual rate hikes are necessary to fully cover services and ensure funding sufficiency over the next decade, including operation and maintenance, debt service, replacement and renewal, capital improvements, and sufficient reserve funding.⁴ Figure 3.2 indicates that while these projections have declined slightly as compared to 2014, utilities still view rate increases as an imperative for future financial stability.

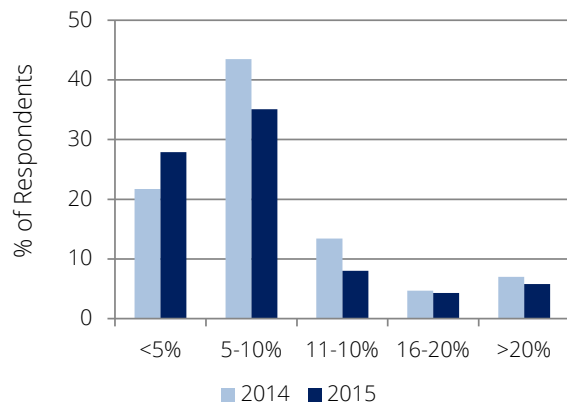


Figure 3.2 Annual Rate Increases Required for Funding Sufficiency
 Source: Black & Veatch, *Strategic Directions: U.S. Water Industry Report*

4. FACTORS DRIVING RATE INCREASES

The varied characteristics of water utilities within the U.S. water supply industry and the unique set of challenges that face each utility make it difficult to summarize the underlying drivers of rate increases or to develop mitigation strategies. From increasing operating expenses resulting from rising commodity

prices (such as for electricity^f and treatment chemicals) to compliance with national clean-water standards, many factors are potentially implicated in the decade-long spike in water prices.¹³ Although an extensive analysis of rate increases in the context of all relevant variables is outside the scope of this study, the following sections examine five major drivers behind the recent pattern of sharp, sustained rate increases: (1) drought, (2) available water sources, (3) capital needs for infrastructure investment, (4) population patterns, and (5) conservation efforts and technology.

4.1 DROUGHT

Given legal constraints, political pressures, and low estimates of price elasticity, water utilities generally have resisted marginal^g cost pricing, instead setting rates to meet average costs.¹⁵ Instead of raising prices during droughts, municipal water utilities typically respond by limiting residential outdoor use via time-of-day or day-of-week restrictions, outright bans on car washing or using water to clean hardscapes, requiring hose shutoff valves, or rationing via an allotment system.^h Enforcement varies by

^f A recent study of 11 utilities collectively serving 20 million customers in all regions of the country revealed the energy required to convey, treat, and distribute drinking water to be 1,500–3,500 kWh/million gallons (mean = 2,300); Young, R. “A Survey of Energy Use in Water Companies.” American Council for an Energy-Efficient Economy. 2015. <http://aceee.org/sites/default/files/water-company-energy-use.pdf>.

^g Marginal water cost pricing refers to the cost increment between volume cost ranges.

^h Examples abound as of August 2015. Denver, CO residents may only water between 6 p.m.-10 a.m. three days per week (<http://www.denverwater.org/Conservation/WaterUseRulesRegulations/SummerWateringRules/>). San Francisco, CA residents must avoid watering outdoor landscapes in a manner that causes runoff to hardscapes (<http://sfwater.org/index.aspx?page=872>), while those in San Diego, CA with standard sprinklers may water only five minutes per day, two days per week, with residents using drip and micro-irrigation systems still limited to two days. (<http://www.sandiego.gov/water/conservation/drought/prohibitions.shtml>). Santa Cruz, CA allots 1000 ft³ to SFRs. (<http://www.cityofsantacruz.com/departments/water/drought/residential-drought-requirements>). Statewide, Californians may not irrigate within 48 hours of rainfall, nor may they use tap water to wash

municipality. Average-cost prices—unreflective of water’s status as a scarce resource—historically have proven to be a disincentive to conservation as well as to investment in infrastructure and technological or policy innovation.

Recent studies have confirmed the strong potential for drought pricing to reduce urban water use. Using metered data disaggregated into end uses from more than 1,000 households in 11 municipalities, Mansur and Olmstead determined that using equilibrium prices in lieu of water rationing would reduce deadweight loss and thereby increase welfare¹ by \$96 per household during a lawn-watering season, or almost 30 percent of what sample households pay annually for water.¹⁶ The authors concluded that outdoor water use is more price-elastic, or sensitive to changes in price, than is indoor consumption, and recommended that drought pricing be coupled with consumer rebates to effectively cut water demand while addressing issues of equity. In practice, the 1987–1991 California drought furnished some evidence for drought pricing strategies. Relatively steep price jumps across an increasing block rate structure established by the Alameda County Water District in July 1991 led to a 16 percent drop in residential water consumption from 1990 to 1991, as well as an increase in revenue—despite small estimated demand elasticities.¹⁵ Other water utilities in California that instead implemented quantity restrictions experienced revenue losses that required them to raise rates after the drought ended.¹⁵ As the Water Research Foundation put it, “Because the

majority of the utilities’ expenses, at least in the short-run, are fixed while the majority of revenues are obtained from the commodity charges,” conservation efforts often result in revenues declining more rapidly than expenses.¹⁷

Widespread droughts are common in the United States, especially in the country’s western half, where per-capita consumption is highest largely because of domestic irrigation. While 2014 witnessed atypically dry or drought conditions in more than half the country, droughts covering 40 percent or more of U.S. land area have occurred at least once per decade in eight of the past nine decades.¹⁸ Figure 4.1 shows the percent area of the country that fall into the following U.S. Department of Agriculture Drought Monitor¹⁹ categories: no drought, abnormally dry (D0), moderate drought (D1), severe drought (D2), extreme drought (D3), and exceptional drought (D4).

Looking ahead, continued demographic shifts westward and a changing climate likely will find more Americans living under drought conditions. Populations in the two most arid U.S. Census divisions, Mountain and Pacific, are expected to grow by 45 percent and 33 percent, respectively, between 2010 and 2040, while variability in water supply will increase as the planet warms.²⁰ Those trends, combined with the economic rationale behind raising water tariffs to lessen demand or meet the marginal costs of supply, mean that drought pricing—and the potential for marginal cost pricing in drought’s absence—should be factored into projections of water rates for the next 30 years.

driveways or sidewalks.
(http://www.waterboards.ca.gov/waterrights/water_issues/programs/drought/docs/fs_conservreg_032715.pdf). In Austin, TX, residents may only water one day per week, and washing vehicles outside of commercial carwash facilities is prohibited
(<http://www.austintexas.gov/department/stage-2-watering-restrictions>).

¹ Deadweight loss can be thought of as an inefficient allocation of goods and services via distortions of a perfectly competitive market, such as quantity or price restrictions, externalities, or the imposition of subsidies or taxes. Decreasing deadweight loss reduces this excess burden and augments welfare, used in microeconomics to signify economic well-being.

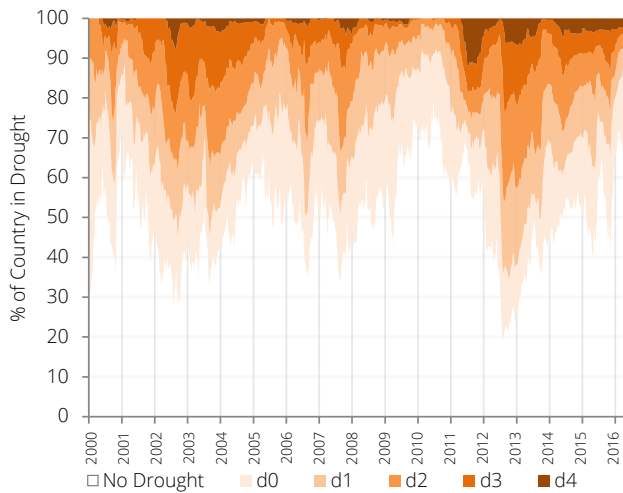


Figure 4.1 Drought in the U.S., 2000-2016
 Source: U.S. Drought Monitor, droughtmonitor.unl.edu

4.2 WATER SOURCES

During a drought, a utility may find itself unable to obtain water supplies from surface or ground water, which are usually among the least expensive sources. Utilities traditionally rely on their primary (cheapest) source to the greatest extent possible, followed by other sources in order of increasing price.²¹ Supply scarcity has become an imminent threat for many utilities; over 60 percent of utilities cite it as the most significant of four different climate change issues.⁴ Recently, utilities (particularly in the West) have had to turn to new or alternative water supplies, such as new dams, desalination plants, or long-distance transfers, which engender high costs.⁴ Water source is a key cost indicator for utilities, and inevitably a factor in rate determination.²¹ The following section examines trends between water source and rates, as well as the impact of source diversification on water prices.

The 2012 AWWA/RFC survey developed weighted averages for the sources tapped by water utilities: 31 percent groundwater, 50 percent surface water, and 16 percent purchased/other water.²² One study analyzed the AWWA/RFC 2010 survey data to

determine water rates by source, and found that water prices were cheapest for utilities that utilized groundwater, followed by surface water, and then purchased water.²¹ Analysis of the 2014 AWWA/RFC survey data indicates these trends have persisted.

Figure 4.2 provides average and median rates for water utilities^j by water source for consumption of 7,480 gallons. The analysis determined rates for utilities that reported obtaining at least 75 percent of their water supply from the specified source. The average rates were \$29.41 for groundwater, \$34.71 for surface water, \$33.69 for other,^k and \$41.38 for purchased water. The Environmental Protection Agency's (EPA) 2006 Community Water System Survey found that the number of utilities that rely on purchased water increased by 9 percent between 2000 and 2006, representing 18 percent of all systems.²³ One study developed a cost recovery ratio (determined by dividing monthly charges by the sum of operating expenses and interest accrued from debt^l), and concluded that utilities that relied primarily on groundwater held the highest cost recovery ratio.²¹

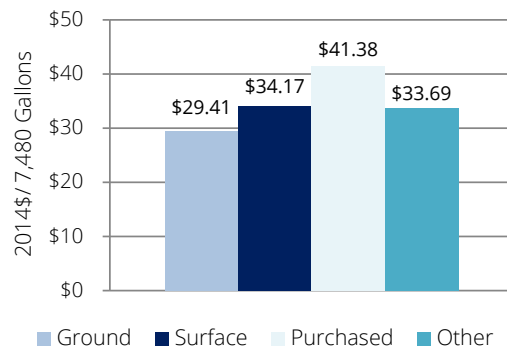


Figure 4.2 Water Rates by Source
 Source: AWWA/RFC (2014), *Water and Wastewater Rate Survey*

Utilities engaged in source diversity (defined as not utilizing a single source for more than 60

^j Such data were not provided for wastewater utilities.

^k Not specified.

^l Data on actual debt payment were unavailable.

percent of supply)^m incur additional costs. This trend is growing, particularly in water-scarce areas.²¹ In 2012, 10 percent of utilities reported using more than one primary water source, compared to 6.7 percent in 2010. Split-source utilities have higher rates than both surface and groundwater utilities, a trend mirrored by higher minimum operating expenses compared to providers with a single primary source.²¹ Additionally, utilities engaged in source diversification “tend to be very large utilities located in areas with the lowest annual precipitation, suggesting that water scarcity can push utilities to diversify their sources, resulting in higher costs to the utility and higher rates for the consumer.”²¹ Exploration of the 2014 AWWA/RFC Water and Wastewater Rate Survey confirms this trend. The average monthly bill for a residential user (assuming consumption of 7,480 gallons) for utilities that do not rely on a single source for more than 50% of their water supply was relatively high, at \$38.76.5

There is no nationally representative available information regarding the distribution of water supply sources for wastewater utilities, average rates by source, or average rates for split-source utilities. We assume that supply source influences costs for wastewater utilities in a similar manner because wastewater use is directly correlated with water use in the vast majority of utilities, with divided wastewater and storm water systems.

4.3 INFRASTRUCTURE NEEDS

The water and wastewater infrastructure throughout the United States is reaching the end of its service life,²⁴ with pipes laid in the 1890s, 1920s, and 1950s requiring replacement in the next 30 to 40 years.ⁿ Substantial capital investment is needed both

^m Definition provided by the 2012 AWWA/RFC *Water and Wastewater Rate Survey*. The 2014 survey did not provide an update to these figures.

ⁿ Pipes laid during World War II, which commonly incorporated inferior materials, often require earlier replacement than those laid at the end of the 19th century.

for infrastructure replacement and expansion to accommodate growing populations. Among the range of challenges facing the industry, utility employees surveyed in the AWWA’s *State of the Water Industry Survey* ranked the “renewal and replacement of aging water and wastewater infrastructure” as the most critically important, followed by “financing for capital improvements.”⁵ Out of five possible capital improvement plan drivers (infrastructure repair/rehabilitation, infrastructure replacement, expansion, new facilities, and upgrades for new regulations), water and wastewater service providers identified repair/rehabilitation and replacement as the most important, followed by expansion.⁵ Further, utilities identified “maintaining or expanding asset life” as the most significant sustainability issue.⁴

The total cost burden is great, with costs for fixed assets an estimated five times that of operating expenses.²¹ Cost predictions for infrastructure replacement, renewal, and expansion vary (estimates range from \$195 billion for water and wastewater combined from 2010–2040,⁶ to a high of \$1 trillion for drinking water alone from 2011–2035²⁵). These discrepancies are largely indicative of different methodologies, study periods, and assumptions regarding pipe replacement. Between 2002 and 2010, the long-term debt of water utilities, much of it attributable to capital infrastructure projects, increased by a median of 23 percent.²¹ Despite its importance, infrastructure is critically underfunded; one estimate concludes that should current spending patterns persist, only about a quarter of 30-year (2010–2040) capital needs for maintaining and expanding water delivery systems, wastewater treatment plants, and sanitary and storm sewer systems will be funded.⁶ Another study found that based on current spending patterns, the total investment need for water infrastructure that is funded will likely decline—from approximately 57 percent in 2011 to 49 percent in 2020 and to 40 percent in 2040.²⁶

The amount an individual utility will have to invest in infrastructure depends on many factors, including the age and material of the infrastructure, population

and projected population growth, and the size of the utility. Many utilities have delayed incorporating pending infrastructure costs into their tariffs and fees in favor of maintaining lower rates. With the useful lifetimes of many systems drawing to a close, however, utilities increasingly are left with no choice but to integrate the high costs of infrastructure renewal and replacement into their rates and fees to ensure full-cost pricing,⁹ resulting in sharp rate increases to consumers.⁵ Currently, only 17 percent of utilities report they are “fully able” to recover all the costs of providing service (including infrastructure needs) through customer rates; fewer than 15 percent project they will be able to do so in the future.⁵ With Congressional appropriations representing only a fraction of the investment need, the public will play a large role in financing infrastructure investments through increased rates or taxes.²⁶ Thus, there are concerns regarding the ability of utilities to use their rates to finance the necessary capital expenditures while ensuring affordability and minimizing rate shock.²⁶

4.3.1 Water Infrastructure Needs

The AWWA estimated that infrastructure costs by themselves could triple drinking water bills in the most affected communities.⁶ The EPA developed 20-year cost estimates for drinking water renewal, replacement, and expansion (beginning in 2011) of \$384 billion.^{p,27} Conversion of a number of assessments for 20-year needs in 2011 (billions of dollars) yielded estimates of \$331 to \$572, \$412, and \$570.²⁷ AWWA’s assessment of water infrastructure replacement and expansion funding requirements outstrip these estimates,

⁹ According to the AWWA/RFC 2014 Water and Wastewater Rate Survey, doing so entails “charging rates and fees that reflect the full cost of providing water—[which] must include renewal or replacement costs of treatment, storage, distribution, and collection systems.”

^p Represents the need associated with thousands of miles of pipe, thousands of treatment plant and source projects, and billions of gallons of storage. Did not factor in population growth.

projecting costs of \$1.0 trillion from 2011–2035⁹ and \$1.8 trillion from 2011–2050.²⁵ The AWWA study disaggregates funding requirements by U.S. Census region (see Figure 4.3). U.S. Census regions (outlined in Table 4.1) are used throughout the paper when discussing trends and presenting analytical results.

Table 4.1 States in Each U.S. Census Region

REGION	STATES
Midwest	Iowa, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, South Dakota, and Wisconsin.
South	Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.
Northeast	Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.
West	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

Source: U.S. Census Bureau, *Census Bureau Regions and Divisions with State FIPS Codes*, http://www2.census.gov/geo/docs/maps-data/maps/reg_div.txt

Figure 4.3 below indicates the percentage of infrastructure investment needs for each census region for potable water. The South requires the greatest investment in infrastructure—approximately half of the total national need.²⁵ As of 2014, the South had the lowest average water rates out of the census regions, but is projected to incur the highest infrastructure renewal costs per household.²⁵

⁹ Estimates are in 2010 dollars. This study period is five years longer than previously listed estimates.

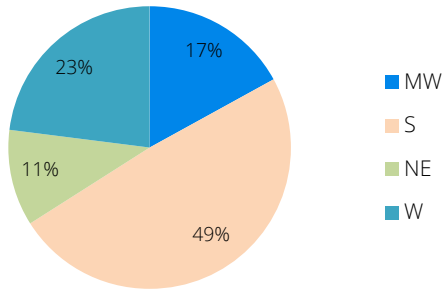


Figure 4.3 Total Projected Water Infrastructure Need by Region, 2011-2035

Source: AWWA (2012), *Buried No Longer: Confronting America's Water Infrastructure Challenge*

Table 4.2 shows the percent of projected drinking water infrastructure costs to be allocated to replacement or to growth within each census region from 2011 to 2050.²⁵ Investment needs attributable to population growth are most prominent in the West, followed by the South. This projected growth is a major driver behind the high costs the South and West are expected to incur. Both the Northeast and Midwest, in contrast, are projected to require substantially less investment overall, as well relatively little investment attributable to expansion. Nationwide, replacing existing pipes accounted for 54 percent of needs; growth accounted for 46 percent.²⁵

Table 4.2 Percent of Total Projected Infrastructure Costs Allocated to Replacement and Growth by Census Region, (2011-2015)

Region	Replacement %	Growth %
Midwest	87%	13%
South	44%	56%
Northeast	87%	13%
West	39%	61%
Nationwide	54%	46%

Source: AWWA (2012), *Buried No Longer: Confronting America's Water Infrastructure Challenge*

Medium-sized water utilities^f appear to require nearly half (44 percent) of the total national projected capital investment, though this is proportional with the percent of U.S. population they serve (46 percent).²⁷ Larger water utilities are estimated to serve about 46 percent of the population but require only 39 percent of total investment. Water utilities defined as small by the EPA will disproportionately require 17 percent of the national estimated capital investment while serving only 8 percent of the population.²⁷ Smaller utilities may also be unable to utilize economies of scale, given that they may have more pipe miles per customer.

4.3.2 Wastewater Infrastructure Needs

In 2012 the EPA estimated addressing the needs of wastewater infrastructure and treatment will require approximately \$271 billion over the next 20 years.^{28,s} While this is a decline from the estimate of \$338 billion made in the 2008 report, infrastructure investment needs remain high and underfunded. Investment for wastewater treatment (\$102 billion) and pipe repair/new replacement (\$96 billion) account for the majority of wastewater funding needs, representing 73 percent. Remaining needs include combined sewer overflow (\$48 billion), storm water management (\$19 billion), and recycled water distribution (6 billion).²⁸ The spending gap between wastewater infrastructure investment need and spending is evident—projections made in 2007 estimated 28 percent of necessary infrastructure investment would be funded in 2011, 23 percent in 2020, and only 18 percent in 2040.⁶

While no data on regional wastewater infrastructure investment needs were identified, one study estimated funding needs for all 50 states. California, New Jersey, and New York were identified

^f The EPA defines large as >100,000 customers, medium as 3,301-100,000 customers, and small as <3,300 customers.

^s Projected investment need has increased by greater than 100 percent for some states since the 2004, indicating that an updated projection would likely yield higher total investment needs.

as requiring the most funding (close to \$25 billion each).²⁸ Regional need was calculated by grouping state needs into their respective census regions. Based on these calculations, wastewater infrastructure funding needs appear to be fairly evenly distributed across the four census regions, as shown in Figure 4.4. Another study determined that out of eight¹ U.S. regions, the Mid-Atlantic had the highest projected wastewater and storm water needs at over \$1,800 per capita.⁶

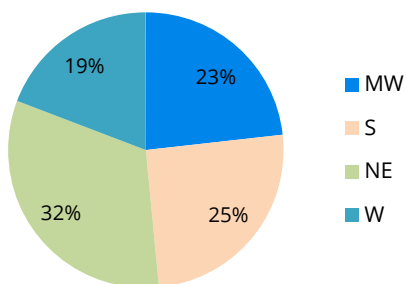


Figure 4.4 Total Projected Wastewater Infrastructure Need by Region, 2007-2027

Source: EPA (2008), *Clean Watersheds Needs Survey Report to Congress*

4.4 POPULATION PATTERNS

Of the 69 utilities in the 2012 AWWA/RFC survey that provided customer account and sales information, 60 (87 percent) showed a net positive gain of water customers that year compared to 2004.¹⁷ Although new customers pay connection fees, those do not offset the long-term costs of serving additional customers, given the increased demand on supplies or the expansion projects that might be required. As previously mentioned, the greatest population shifts and growth has occurred in water-strapped areas or urban centers.⁸ The four states with the greatest total population growth from 2000 to 2010 are mostly desert

¹ Far West, Great Lakes, Mid-Atlantic, New England, Plains, Rocky Mountain, Southeast and Southwest.

or semi-arid and located in the West (Nevada, Arizona, Utah, and Idaho, with growth rates between 21 and 35 percent), followed closely by Texas in the South, which has large swathes of semi-arid and arid climate zones.²⁹ These states must not only satisfy increased water demand, but often must do so using supplies that can be less secure because of drought. Many utilities must diversify water supplies (typically involving more expensive, purchased water) while simultaneously undertaking expensive infrastructure expansion projects.

Figure 4.5 indicates new housing construction (completion) trends in each of the Census regions throughout the study period.³⁰ All regions exhibit a significant decline in new construction housing completions in the wake of the 2008 mortgage crisis and ensuing recession. The figure shows that the South maintains the highest level of new construction (followed by the West), and that completions have increased every year for the past five years. Data on new homes sold from the National Association of Home Builders (NAHB) corroborates these trends.³¹

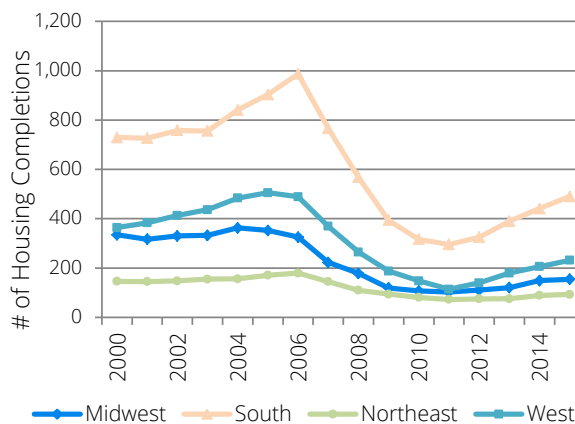


Figure 4.5 New Residential Housing Construction by Region

Source: U.S. Census Bureau (2016) *New Residential Construction*, www.census.gov/construction/nrc/historical_data/index.html

Regions that experience shrinking or stagnant populations—many in the Midwest and Northeast—

also face financial instability due to dwindling customer bases.²⁵ 30 percent of utilities in the Northeast and 23 percent of utilities in the Midwest cited population decline as negatively affecting revenue streams over the past five years.⁴ If expectations for population growth are not realized, water utilities can be left paying off debt incurred from long-term infrastructure expansion while their revenue base diminishes.¹⁷

4.5 CONSERVATION EFFECTS

The promotion of conservation strategies, including both publicity to change behavior and conservation pricing, does influence utility revenues. When listing factors that negatively affect utility revenue streams, water and wastewater utilities list changes in water use behaviors (second most-pressing issue at 45%) and more efficient water-using devices (fourth most-pressing issue at 35%) of a top seven items of concern.⁴ However, conservation strategies are often required to qualify for infrastructure funding and for additional water resources.^{32,33} Water utility organizations, such as the Alliance for Water Efficiency (AWE), assist water utilities to balance conservation requirements with revenue needs. AWE has a program focused specifically on sustainable rates and includes on its website case studies on the long term benefits of efficiency in regards to infrastructure.^u Water utilities may increasingly look to the experiences of electric utilities in innovating rate structures to preserve incentives for conservation. Cutting the linkage between sales and profit through a decoupled rate structure is one option that holds promise to avoid revenue loss with increased water conservation. Under decoupling, utilities can recover the shortfall between actual and anticipated revenues by balancing accounts that store excess funds or by implementing a “true-up” mechanism that periodically adjusts rates.³⁴ In 2008, the California Public Utilities

^u More information on the AWE program can be found at this website <http://www.financingsustainablewater.org>.

Commission adopted decoupling policies for investor-owned water utilities, with some success in enabling these utilities to escape negative budget impacts through customer surcharges authorized by a Water Revenue Adjustment Mechanism.³⁴

5. TRENDS IN WATER AND WASTEWATER RATES

This section analyzes historical water and wastewater rate structures and rates obtained from the eight AWWA/RFC water and wastewater surveys performed every even-numbered year between 2000 and 2014. The biennial survey covers a large and diverse sample of water and wastewater utilities, from those with fewer than 500 consumers to those that serve more than nine million. The water utilities that responded to the 2014 survey serve approximately 38 percent of the U.S. population; responding wastewater utilities serve about 26 percent.⁵ Nearly all participating utilities report a municipal governance model: 97 percent and 99 percent of respondents for water and wastewater utilities, respectively.⁵ The AWWA/RFC surveys analyze the water and wastewater industries separately. The water survey asks utility respondents to provide the cost consumers pay for a given volume of water. The total consumer cost is divided into fixed and volumetric charges; separate examination of these two components is outside the scope of this study, but section 5.2 explores patterns in rate structures across time and census regions. The survey reports utilities by state and region, with geographic groupings similar to that of the U.S. Census regions, with the exception that the District of Columbia and Delaware are grouped in the Northeast, rather than the South. For this analysis, the U.S. Census region groupings were used. Table 4.1 in section 4.3.1 (page 8) details the states encompassed in each census region.

5.1 METHODOLOGY AND DATA CONSIDERATIONS

We calculated water and wastewater prices from the AWWA/RFC surveys using the steps outlined below. Our methodology was nearly identical for water and wastewater prices, but the wastewater charge does not include peak pricing as there are no peak rates for wastewater.

1. Ensure all rates are reported in the same units, dollars per thousand gallons (\$/thous-gal).
2. For water rates, peak prices were incorporated into the price using the following equation:
$$\text{Water Charge} = \left[\left(\frac{2}{3} \times \text{WaterPrice}_{\text{year-round}} \right) + \left(\frac{1}{3} \times \text{WaterPrice}_{\text{peak}} \right) \right]$$

Year-round values are used without weighting.
3. Multiply residential total water/wastewater charge by number of residential accounts for each respective utility. Exclude records where number of residential accounts is missing.
4. Sum by state and region weighted residential water/wastewater charges.
5. Weight by the summed regional state census populations.
6. Report for each census region.

The AWWA/RFC survey is the most comprehensive and robust publicly available survey of water rates to date. However, several considerations must be kept in mind when viewing the results. First, as the survey has evolved, the participant pool has grown. Earlier survey years generally had fewer participants; thus, data from later survey years are more comprehensive. Additionally, the survey is not designed to be nationally representative. Certain regions are better represented in the survey, with larger samples of utilities: the South is particularly well-represented, and the Northeast under-represented. Our national and regional results in section 5.3 are

weighted by utilities' corresponding state and regional populations to account for unequal representation. While there is no assurance that the participating utilities are necessarily representative of an entire state, the diverse mix of participating utilities (large/small and urban/rural) in the sample should contribute to dependable results.

One characteristic of the AWWA/RFC survey is variability of which utilities are sampled for each year of the survey. While many utilities have participated in the majority (in some cases all) of the surveys, each survey year is composed of a mix of different utilities. The primary purpose of this paper is to examine how water and wastewater rates have changed throughout the past 14 years, and how these adjustments have outpaced CPI. We acknowledge that an evolving sample can produce trends that are not solely reflective of the rate changes throughout the study period, but are also potentially influenced by utilities with generally higher or lower rates entering or exiting the sample year to year. In order to mitigate and gauge the impact the inconsistencies had in sampling between survey years had on water and wastewater price trends, we took two actions. First, in instances where regional trends diverge significantly from national trends, we examined changes in the utility sample between survey years more closely to determine whether changes in the sample may have contributed to anomalous rates. Second, we developed water rates for a subsample of water utilities that consistently participated in the AWWA/RFC surveys. Trends for each subsample (National, Midwest, Northeast, South, and West) were compared to the larger trends in order to gain insight into the effects sample variability may have had. These efforts are detailed further in section 5.3.2.

Lastly, it is important to note that because all rates are adjusted to 2014 dollars, if rates remained constant between two survey years, they would actually appear as a slight dip (given inflation). Thus, very minor decreases in rates (one to three percent) are likely to be a function of the adjustment to 2014 dollars, and are expected to represent rate stability.

5.2 UNDERLYING RATE STRUCTURE

Water and wastewater utilities distribute total costs among residential customers in a variety of ways that reflect expenditures, priorities (*e.g.*, affordability, conservation, revenue stability, and equity), institutional capacity, and/or billing system technology. Most residential water bills are broken down into two separate types of charges: fixed and variable. Fixed charges, otherwise known as base, minimum, monthly, or meter charges, are not dependent on the amount of water used, and typically include costs associated with meter reading, billing, and collection. The variable portion of the bill is volumetric; that is, dependent upon the amount of water metered at each connection per billing period. Although the greater part of water and wastewater costs are fixed in the short term, billing by volume enables utilities to cover costs that vary with treatment volume (*e.g.*, chemicals and energy) and may permit the prevention of future fixed costs by lessening water and wastewater flows in the longer run. A small proportion of utilities have no variable charges, instead relying upon a *flat charge* for water that does not vary with the amount used.

Typically, variable charges for utilities are structured as: (1) *uniform volumetric rates*, where the unit price of water does not change with use but the total price increases as customers use additional units of water; (2) *decreasing block rates*, where customers are charged a lower unit price as their water use rises; or (3) *increasing block rates*, where the unit price of water grows along with its consumption, sending a price signal to conserve water. *Increasing/decreasing block rates*, a combination of increasing and decreasing block rates, are seen more rarely. Water service providers that implement *seasonal rates* atop of any of these rate structures to promote conservation can apply a higher price per unit of water used during certain times of the year, characteristically during the summer months of higher outdoor irrigation.

Figure 5.1 and Figure 5.2 present residential water rate structures from AWWA/RFC survey samples from 2000 through 2014. Because utilities that charge seasonal rates ranged between only 10–15% of the sample over this time period, the figures encompass year-round residential water rate structures, including the normal year portion for those utilities that also charge seasonal rates. As the AWWA/RFC samples are not representative, we present unweighted data that show the prevalence of rate structures among participating utilities nationally (Figure 5.1) and regionally (Figure 5.2), excluding non-responses (coded N/A, N/R, or “other”).

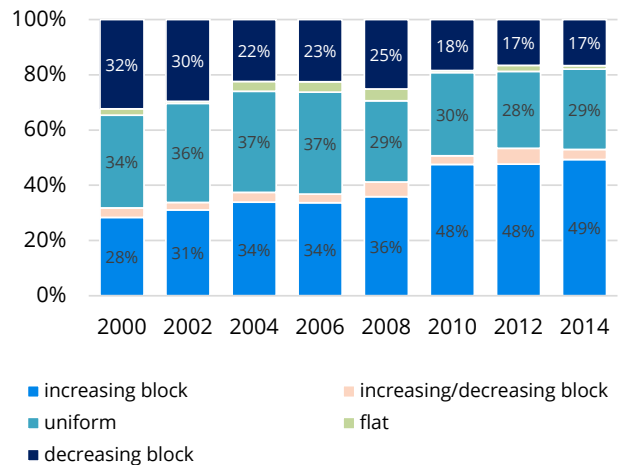


Figure 5.1 Residential Water Rate Structure among National Sample of Utilities

Figure 5.1 demonstrates that the proportion of water service providers relying on a decreasing block rate structure steadily diminishes from 2000–2014, almost by half. The share of utilities employing a uniform volumetric rate structure is fairly consistent around one third, and those with flat and increasing/decreasing block rates are relatively negligible. Water utilities with an increasing block rate structure make up three tenths of the sample in early years, rising to almost one half in 2010–2014. This significant shift is likely to be a product of water utility objectives to raise revenue to meet infrastructure

needs, encourage efficient use in the face of drought and diminishing supplies relative to population growth, improved billing system technology, or a combination of these.

While Figure 5.1 shows the rate structures in the national AWWA/RFC sample over time, Figure 5.2 reveals the variation in rate structures across census regions over the survey period. In the Northeast and Midwest, sampled water utilities with decreasing block and uniform volumetric rate structures predominate, while increasing block rate structures are uncommon. In contrast, water utilities in the South and West rely principally upon increasing block rates, followed by uniform volumetric rates. Very few utilities in the West employ decreasing block rate structures, in accordance with drought, infrastructure, and population pattern pressures discussed in section 4.

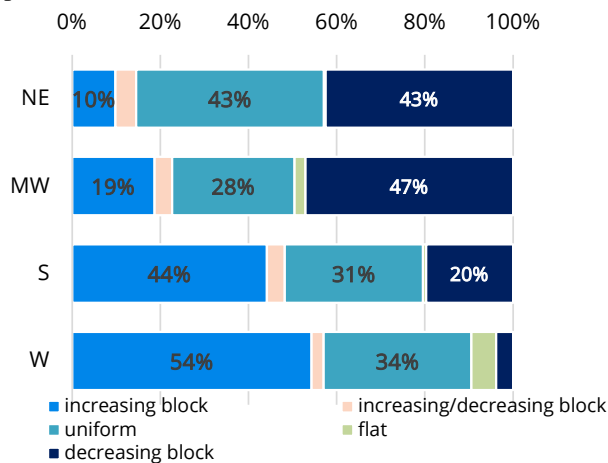


Figure 5.2 Residential Water Rate Structure among Utilities by Region, Averaged 2000–2014

Next, Figure 5.3 indicates that for wastewater service providers in AWWA/RFC’s national sample, uniform volumetric rates are by far the most common, followed by flat charges. Decreasing block wastewater charges exhibit a slight decrease over time, while their converse—increasing block rates—show a small uptick in prevalence in recent years relative to 2000–2002. We note that volumetric pricing for wastewater is

typically based upon the water meter readings for months when outdoor water use is at its lowest.

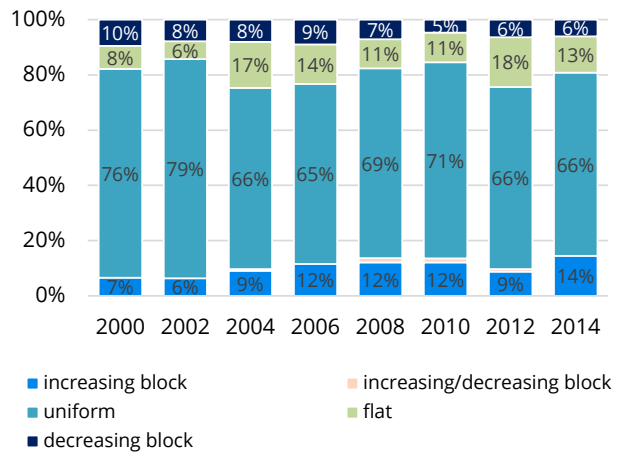


Figure 5.3 Residential Wastewater Rate Structure among National Sample of Utilities

5.3 WATER TRENDS DISCUSSION

Figure 5.4 (page 15) presents historical costs for residential water by region as determined by the AWWA/RFC surveys.^{5,22,35,36,37,38,39,40} The price units for all survey years are 2014 dollars per thousand gallons (2014\$/tg) using CPI data from the Bureau of Labor Statistics.⁴¹ Utility water prices are first weighted by their service population within each state to provide an estimate of the state water prices, and then the state water prices are weighted by state population within each of the four regions to obtain the regional water price estimation. Results are not necessarily representative of a given census region due to the number and variation of utilities participating across the survey years. Historically speaking, the West and Northeast have higher water rates (typically exceeding the national average). The South has the third highest rates. Water rates were lowest in the Midwest for all survey years except the most recent one (2014), in which rates were higher than those in the South by only a narrow margin.

Figure 5.5 displays another view of national and regional water rate trends for each of the eight Raftelis surveys, while Table 5.1 presents the percent change in water rates between each Raftelis survey for the nation and each census region. In accordance with the literature, the national water rate trend consistently rises year to year. Nationally, in the early survey years (2000–2006), rate increases are relatively subtle. The trend becomes notably steeper after 2008, with rate increases between 2008–2010 estimated at 13 percent and 2010–2012 at 10 percent. While national prices continued to rise through 2014, the rate of change tapers off slightly compared to the previous few surveys, with an observed rate increase of 6 percent between the 2012 and 2014 surveys.

Examination of regional rate changes reveals that all four census regions demonstrate a marked overall increase in water rates, yet they have also experienced isolated periods of rate decline. All census regions also exhibit at least one significant rate hike (defined as an increase of at least 15 percent). Rates do not climb equally across regions for the same time periods. For example, between 2002 and 2004, rates in the Northeast climbed by 25 percent, while simultaneously decreasing by 9 percent in the West.

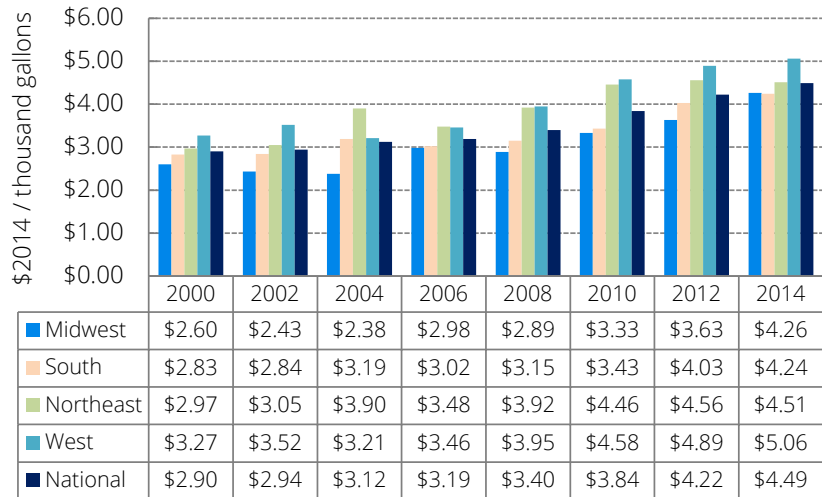


Figure 5.4 Historical Residential Water Costs, 2000-2014

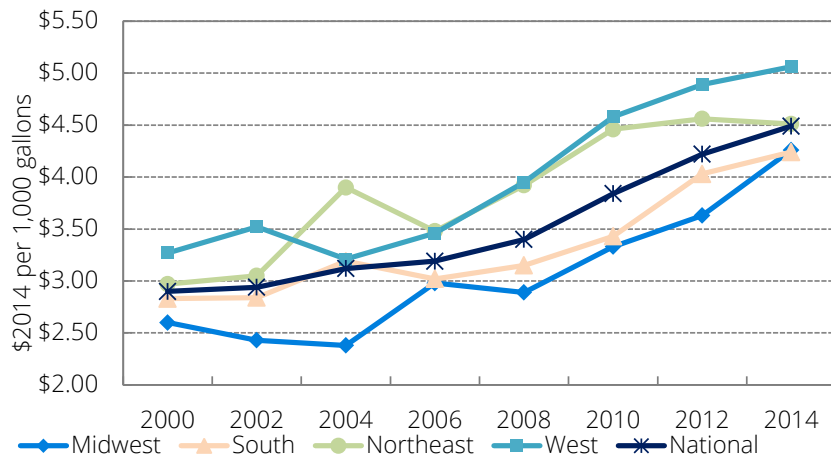


Figure 5.5 Historical Residential Water Price Trends, 2000-2014

Table 5.1 Change (%) in Water Rates between Survey Years

Survey Year	REGION				
	MW	S	NE	W	Nat'l
2000–2002	-7%	0%	3%	8%	1%
2002–2004	-2%	12%	28%	-9%	6%
2004–2006	25%	-5%	-11%	8%	2%
2006–2008	-3%	4%	13%	14%	7%
2008–2010	15%	9%	14%	16%	13%
2010–2012	9%	17%	2%	7%	10%
2012–2014	17%	5%	-1%	3%	6%

Figure 5.6 below indicates the average annual rate increase for each census region over two time periods: the entire study period (2000–2014), and another for 2006–2014. Despite the variability in rate adjustments in Figure 5.6, average annual water rate increases were largely similar across the regions, but the recent scenario measure indicates more drastic rate increases over the past decade for all regions except the Northeast. This observation is in line with the data presented in Figure 3.1 on page 3, which shows a steeper slope for water and sewerage CPI in more recent years.

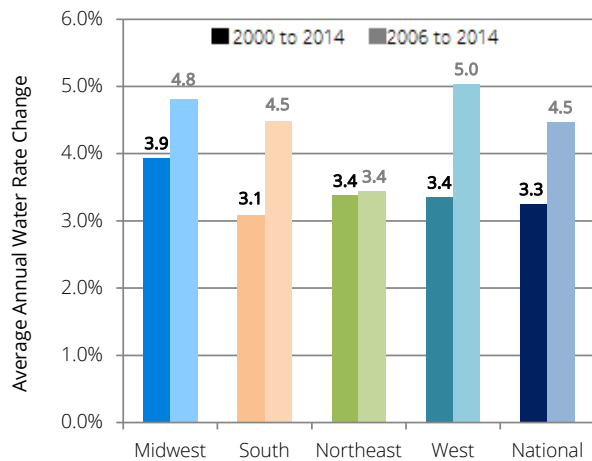


Figure 5.6 Average Annual Regional Water Rate Increases (%)

5.3.1 Exploration of Rate Decline

Observed rate declines were typically more moderate than rate increases, ranging from 1 to 11 percent. Rate declines—particularly those that were more severe—occurred in earlier survey years and have become less common. After 2006, the rate declines occurring are minor and are a function of inflation adjustment: three percent in the Midwest and one percent in the West. In 2004–2006 and 2002–2004, we investigated two of the more prominent rate

declines (11 percent in the Northeast in 2004–2006, and 9 percent in the West in 2002–2004). The Northeast exhibited the most volatile water rates of the entire sample, with a 28 percent increase between the 2002 and 2004 surveys and an 11 percent decrease between the 2004 and 2006 surveys. As mentioned previously, the Northeast was made up of the smallest sample sizes (some survey years had fewer than 20 participating utilities), making it particularly susceptible to variability of the changing utility mix in the sample. Examination of the Northeast samples revealed that variability in the sample may explain the rate volatility surrounding the 2004 survey year.

The number of Northeastern utilities participating in the survey more than doubled between 2002 and 2004 (from 18 to 38), with only 11 utilities participating in both. While most utilities that participated in both survey years increased their rates (in some cases quite drastically), the significant change in the sample likely contributes to the magnitude of the 28% average rate increase in the Northeast between 2002 and 2004. The sample changed notably once again in 2006; it was composed of about half of the 2004 utilities as well as a few additions. While our analysis showed an 11% decline in rates between 2004 and 2006, examination of rates for utilities that participated in both surveys indicated that the majority maintained or raised rates between the surveys—only a handful actually lowered them. Additionally, a few of the utilities that participated in 2004 but not 2006 had higher rates and larger service populations; thus, their rates held more weight when calculating the regional average. The volatility of the Northeast utility sample largely drove the unexpected rate fluctuations between 2002 to 2004 and 2004 to 2006.

Next, we further explored the nine percent decline in water rates in the West between 2002 and 2004. The sample in the West also changed significantly between these years; it more than doubled, with 32 utilities in 2002 and 78 in 2004. Of the 22 utilities that participated in both surveys, nearly all raised their rates, and only two decreased their rates. Thus, it

appears the decline in the West between 2002 and 2004 is chiefly a manifestation of the sample volatility, and that rates generally did increase during this time period.

5.3.2 Water Rate Subsample Results

In order to gauge the impact of the fluctuating sample on the results, we calculated water rates for subsamples of utilities that consistently participated in the surveys using the same calculation methodology. While a consistent sample of utilities that participated in all eight surveys is ideal for the subsample, the resulting small sample size would have compromised other aspects of the analysis. Thus, subsamples were expanded to include all water utilities that had participated in at least six of the eight surveys, or 93 nationally. Results from these subsamples are at times from small sample sizes (particularly for the Northeast), and they are not intended to be representative of each census region. The subsamples are a service-population weighted average of water rates from a consistent sample of utilities in a given region. They are included only with the intention to provide a check against initial results, as well as perspective on how the fluctuating samples may have influenced results. Table 5.2 below summarizes the subsample sizes relative to the total survey sample size.

Table 5.2 Comparison of Sample Size by Year

Survey Year	Total Sample Size	Subsample Size
2000	176	65
2002	147	61
2004	265	89
2006	230	87
2008	280	88
2010	308	89
2012	290	87
2014	318	76

Results for the regional and national subsamples compared to the general sample are shown in Figure 5.7 through Figure 5.11 (page 18). The charts appear to corroborate our initial findings, with the National, West, Midwest, and South trend lines following very closely and reporting similar linear equations. The Northeast does appear to diverge more substantially, but given the extremely small size of the subsample, its results should be viewed critically. Overall, the analogous subsample trends substantiate our analysis and water rate findings, and indicate that fluctuations in the sample generally did not appear to skew results. We did not develop subsamples for wastewater.

One inconsistent trend in the subsample is the apparent dip in water prices between 2012 and 2014 in the West. The subsample for these years is relatively small, with about 20 utilities in each year. Closer examination indicated that on a utility-by-utility basis, water rates generally increased between 2012 and 2014. A couple of select cities, however, did demonstrate nominal water rate declines between 2012 and 2014. There are multiple explanations for this rate decrease in the subsample:

1. Several utilities with notably higher rates and large populations (*e.g.*, Oakland), participated in the 2012 survey, but not in 2014.
2. After years of rate increases, the reported rates between 2012 and 2014 remained the same nominally, but the adjustment to 2014 dollars created the appearance of a decrease.
3. Some utilities (*e.g.*, Sacramento) implemented conservation pricing, decreasing rates for lower water consumption and raising rates for higher consumption. In this case, such a pricing scheme was likely undertaken to combat the severe California drought; rewarding conscientious water users and disincentivizing excess water use (see section 5.2).

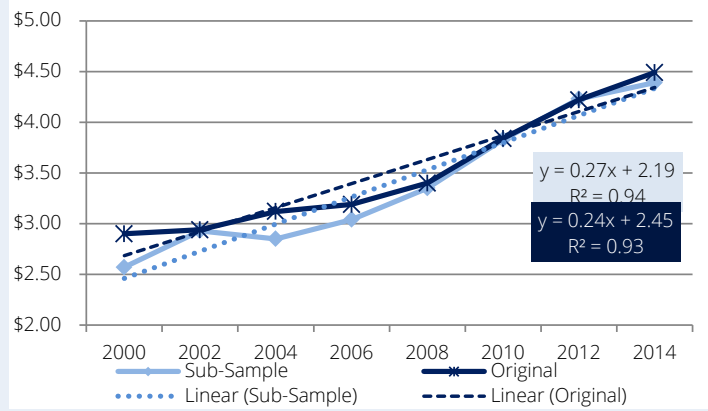


Figure 5.6 National Water Rate Trends, 2000-2014

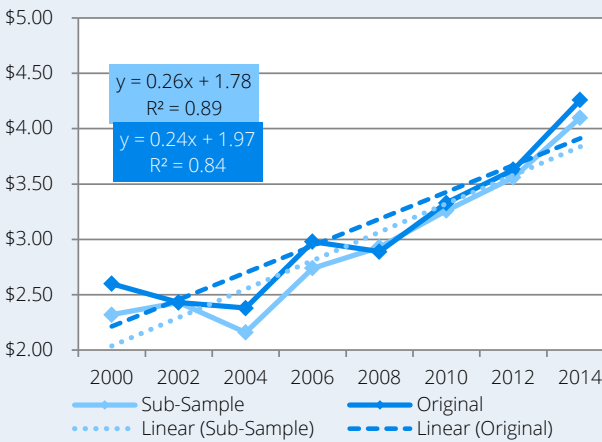


Figure 5.7 Midwest Water Rate Trends, 2000-2014

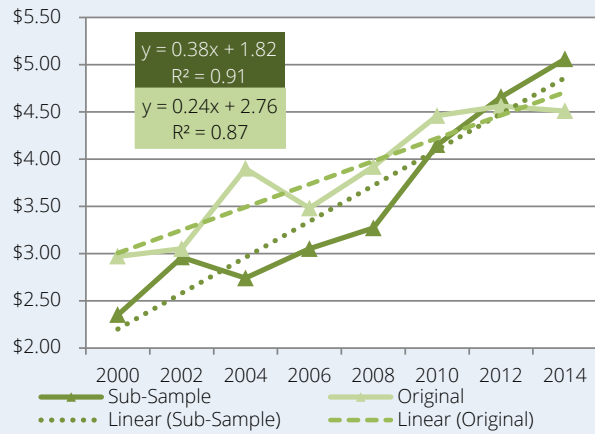


Figure 5.9 Northeast Water Rate Trends, 2000-2014

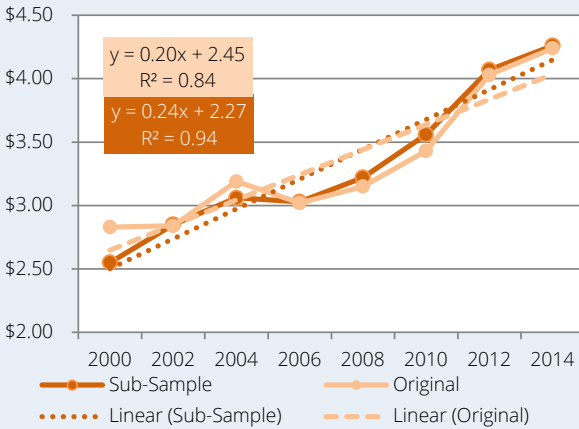


Figure 5.8 South Water Rate Trends, 2000-2014

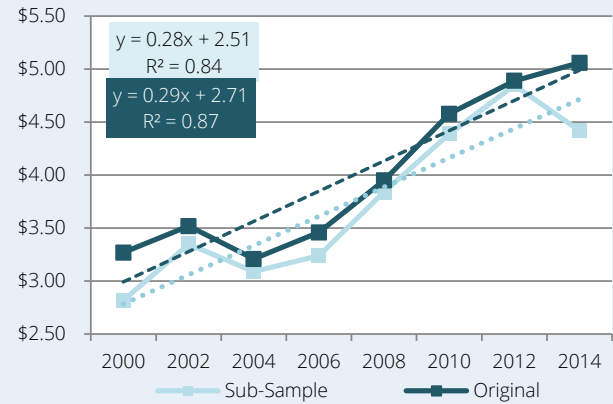


Figure 5.10 West Water Rate Trends, 2000-2014

5.4 WASTEWATER TRENDS DISCUSSION

Figure 5.12 presents historical wastewater rates per the AWWA/RFC surveys. Throughout the survey years, wastewater rates in the Northeast and South are consistently above the national average, while the West hovers just below and prices in the Midwest are typically lower. In later survey years, the Northeast displays substantially higher wastewater rates than any other region. Between 2000 and 2008 the Midwest consistently reported the lowest wastewater rates, which from 2010 onward, however, rose above those in the West.

Figure 5.13 and Table 5.3 illustrate national and regional rate trends for the study period, as well as the observed change (%) in wastewater rates between each study. These rates have consistently risen between each survey and have never undergone a period of decline. Additionally, national wastewater rates have demonstrated steeper, (often) double-digit increases in recent years (2006–2012). The Midwest in particular exhibits some drastic wastewater rate increases: 21 percent between 2004 and 2006 and 17 percent between 2010 and 2012. In 2000, the Midwest wastewater rates were significantly below the national average, but now are on par with national rates and most other regions.

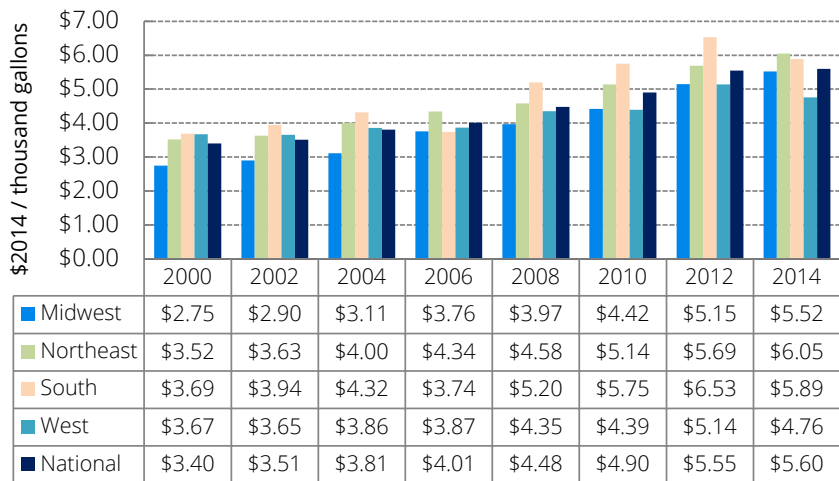


Figure 5.11 Historical Residential Wastewater Costs, 2000-2014

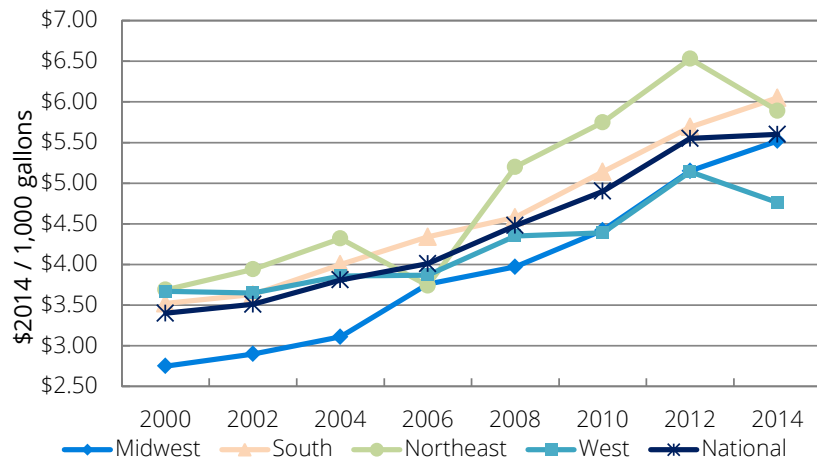


Figure 5.12 Historical Residential Wastewater Price Trends, 2000-2014

Table 5.3 Change (%) in Wastewater Rates by Region, 2000-2014

Survey Year	REGION				
	MW	S	NE	W	Nat'l
2000-2002	-7%	0%	3%	8%	1%
2002-2004	-2%	12%	28%	-9%	6%
2004-2006	25%	-5%	-11%	8%	2%
2006-2008	-3%	4%	13%	14%	7%
2008-2010	15%	9%	14%	16%	13%
2010-2012	9%	17%	2%	7%	10%
2012-2014	17%	5%	-1%	3%	6%

Figure 5.14 below presents the annual average wastewater rate increases over the entire study period (2000–2014) and the recent period (2006–2014). The average annual change does not vary significantly for the two different periods, indicating that rate increases have been fairly consistent since 2000. However, the average annual change in wastewater prices is variable by region. The Midwest, in the most extreme instance, has sustained more than *twice* the wastewater rate increase that the West has for both time periods.

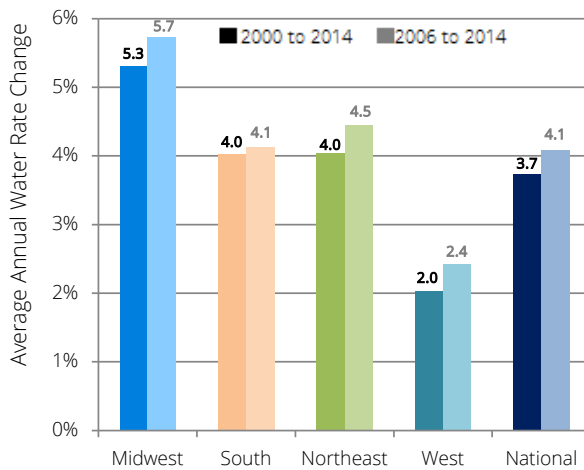


Figure 5.13 Average Annual Regional Wastewater Rate Increases (%)

5.4.1 Investigation of Wastewater Rate Declines

The rate decline of 13 percent in the Northeast between 2004 and 2006 appears to be driven by the same data characteristics as the decline in water rates during the same time period. Like for water rates, the sample of utilities changed significantly between these two survey years, with the sample size decreasing significantly. See section 5.3.2 for further explanation on how these differences in sample size impacted rates in the Northeast between 2004 and 2006. The sample size in the Northeast is very small between 2012 and 2014, with only 11 and 12 utilities participating in each

year, respectively. All but a few of the utilities participated in both surveys. While more utilities increased their rates than decreased them, several populous utilities decreased their rates.

Our analysis indicates that the West also witnessed a decline in wastewater rates between 2012 and 2014. These years had a relatively large sample size of about 60 utilities in each year. While the samples between the years varied slightly, further examination of wastewater rates for utilities that participated in both years indicated that this decline in wastewater rates is warranted: wastewater rates in more than half of the participating utilities declined between the two survey years.

5.5 DISCUSSION OF WATER AND WASTEWATER RATES

Figure 5.15 shows the increase (as a percent) in inflation-adjusted water and wastewater rates between the 2000 and 2014 surveys. Nationally, between 2000 and 2014 the typical residential water bill has increased about 55 percent. Cumulative water rate rises during the 14-year period ranged from a low of 50 percent in the South to a high of 64 percent in the Midwest.

Nationally, between 2000 and 2014 the typical residential wastewater bill has increased by about 65 percent. Total wastewater rate growth exhibited more variation by region. In the West, rates increased 30 percent during the 14-year period and the Midwest, 101 percent. While the pace of rate increases in the Midwest outstrip those of any other region, as of 2014, these rates remain some of the lowest in the country (only the West had lower average wastewater rates).

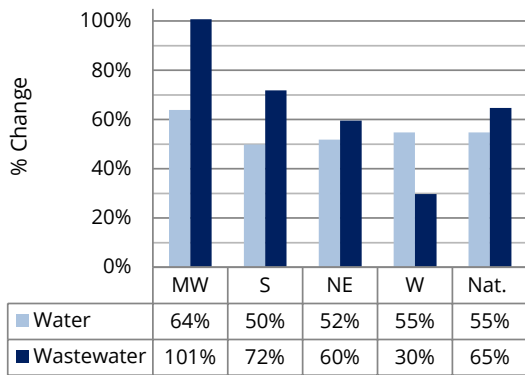


Figure 5.14 Total Percentage Change in Water and Wastewater Rates, 2000-2014

The analysis presented earlier in this section characterizes the evident variation in rates as well as the pace and direction of rate trends by region for both water and wastewater between the survey years. A more holistic view of water rates, however, implies that these trends have more or less resulted in the same cumulative rate increase from 2000 to 2014. For wastewater, total rate changes have proved to be highly variable by region.

6. CONCLUDING REMARKS

Our findings corroborate those from the existing water and wastewater rate literature, and strengthen the observation that water and wastewater rate increases over the past 15 years have outstripped CPI by a wide margin. Investigation into some of the key underlying factors signifies that water and wastewater rate increases will continue. Impending expensive infrastructure needs, shifts and growth in population, and intensifying drought in certain regions of the country—paired with resultant issues of water supply shortages and conservation pricing—are all likely to

become more pronounced over the coming years. However, despite the acute rate hikes water and wastewater utilities have implemented to mitigate the financial impacts of these stresses, few such utilities are on solid financial footing.

Our estimates of the rise in water and wastewater prices are somewhat more conservative than estimates from the literature. Our calculated average water and wastewater rate increases between 2000 and 2014 using AWWA/RFC survey data are 3.9 percent and 4.6 percent respectively, in contrast to estimates from Black and Veatch of 5.6 percent and 6.1 percent between 2001 and 2013. The Circle of Blue Survey estimated a cumulative rate increase of 41 percent between 2010 and 2015, while our analysis indicates growth of 17 percent between 2010 and 2014. Our research also indicates a trend of more accelerated rate increases for wastewater than for water, a pattern existing studies also demonstrate. On balance, the literature is clear that against the backdrop of higher rates across the country, nominal rates are markedly variable by region. Throughout the analysis period, average water and wastewater rates at times have varied by more than 30% between regions.

While it was outside the scope of this paper to quantify various factors suspected to impel water price increases, such as drought, water source, infrastructure needs, population patterns, and conservation effects, measuring the impacts of these drivers on tariffs would improve our understanding of the institutional rationale behind these higher rates. Additionally, larger and consistent samples of utilities represented over time, with a more varied geographical distribution, would contribute to better insight into water and wastewater rate trends.

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