Lexington-Fayette County Government has received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA). The most recent award is for the fiscal year ended June 30, 2020, and is the second award received by LFUCG. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

The City also received the GFOA Certificate of Achievement for Excellence in Financial Reporting Award for the FY2020 Annual Comprehensive Financial Report for the twenty-eighth consecutive year.
The Lexington-Fayette Urban County Government is proud to present this Popular Annual Financial Report (PAFR). This is a short form report that provides summarized information about the Government's financial activities. It is intended to give readers an overview of the Government and its finances, and does not provide all the detailed information required by accounting standards. It does not include information on all of the Government's Funds or Component Units. Detailed financial information, including the audited financial statement, is available in the Government's Comprehensive Annual Financial Report, commonly called the Annual Report. The Annual Report provides full disclosure of all material events in the notes to the financial statements, as well as required supplementary information and historical statistical information.

The Annual Report and PAFR are available online at:
https://www.lexingtonky.gov/departments/accounting
What is a Popular Annual Financial Report

The Governmental Accounting Standards Board (GASB) provides lots of rules and guidelines that tell local governments what must be reported to the public. These rules ensure we're accountable to our residents and stakeholders, and provide uniformity in financial practices. LFUCG provides all required information in the Annual Comprehensive Financial Report (ACFR)- a 192 page report that outlines the financial health of the organization. The ACFR serves as LFUCG's audit and contains current year and historical financial information.

The Popular Annual Financial Report (PAFR) summarizes that information for our citizens and stakeholders in a way that is more accessible and less technical. You'll find information about our government and finances together in this document, as well as useful information about the City of Lexington.

Please visit our website at www.lexingtonky.gov to see complete financial reporting for LFUCG.
Lexington was founded in 1775, seventeen years before Kentucky became a state. William McConnell and a group of frontier explorers were camping at a natural spring when they received word that the first battle of the American Revolution had just been fought in Lexington, Massachusetts. In honor of that event, they named their site “Lexington.” Lexington grew quickly, and by the 1820s it had become one of the largest and wealthiest cities west of the Allegheny Mountains. Because of its rich culture, Lexington garnered the nickname, “Athens of the West.” Lexington has continued to grow and prosper in the two centuries since. In 1974 Lexington and Fayette County became one of the first cities in America to merge the city and county governments. This would be highly beneficial for development and preserving the natural beauty of the area. Now, Lexington has a population of over 322,570 and its metropolitan statistical area is home to over 500,000. Lexintonians enjoy low unemployment, low cost of living, and a rare combination of urban vibrancy and beautiful horse farms. Lexington, now “The Horse Capital of the World,” is one of the most livable cities in the country.
LETTER FROM THE 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 us 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 cuts, focusing on maintaining the excellent basic services 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,

Linda Gorton
Mayor

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

200 East Main Street  Lexington, KY 40507  (859) 425-2255  www.lexingtonky.gov

HORSE CAPITAL OF THE WORLD

LEXINGTON
The Urban County Council consists of one Councilmember from each of the twelve districts and three At-Large Councilmembers, for a total of fifteen members. The District Councilmembers are elected for two-year terms and may serve up to six consecutive terms. At-Large Councilmembers are elected for four-year terms and may serve up to three consecutive terms. The at-large member who receives the most votes in the general election becomes the Vice Mayor. In the Mayor’s absence, the Vice Mayor is the presiding officer.

All Council Work Sessions/Meetings are held in the Council Chamber on the second floor of the Government Center and are open to the public. There is a time for public comment at both of these meetings. Work Sessions are held every Tuesday at 3:00 pm when the Council is in session and Council Meetings are held on two Thursdays of each month at 6:00 pm. Please visit www.lexingtonky.gov for up-to-date information.
**Best Run Cities in America, #5**

"Wallet Hub compared the operating efficiency of 150 of the largest US cities to reveal which among them are managed best."

Using a scoring metric that includes a "Quality of Services" score made up of 38 metrics and measured against each City's per-capita budget, it was determined that Lexington, Kentucky is the fifth best run City in America.

WalletHub, wallethub.com

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**US News and World Report Best Places Rankings**

#33 Best Places to Live  
#56 Best Places to Retire  
#19 Cheapest Places to Live

"Lexington blends influences from the South and Midwest to create a cultural identity all its own. A college town, Lexington is home to the University of Kentucky, which is the city's largest school and employer. The university plays an important role in the city by providing a constant influx of young, educated people into the culture and economy."

US News and World Report, usnews.com

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**Best Cities for New College Grads, #6**  
SmartAsset

**Cities with the Best Work-Life Balance, #10**  
SmartAsset

**Best Cities for First-Time Homebuyers, #11**  
SmartAsset

**Cities Whose Unemployment Rates are Bouncing Back Most, #21**  
Wallet Hub

**Best Places to Travel, #22**  
Travel and Leisure Magazine
The Lexington-Fayette County area continues in a period of recovery following the 2020 Coronavirus outbreak. The area shows encouraging signs of economic stabilization and even growth. Lexington continues to outperform the state and national averages in employment, and continues to attract and retain a highly educated workforce. The population of Lexington is one of the most educated of similar sized cities in the country. Median Household income remains higher than the state average, and has continued to grow.

Sources: Bureau of Labor Statistics, U.S. Census Bureau, Bureau of Economic Analysis

Population Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Lexington-Fayette</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>300,000</td>
</tr>
<tr>
<td>2020</td>
<td>330,000 (+9%)</td>
</tr>
</tbody>
</table>

Median Household Income (dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Kentucky</th>
<th>Lexington-Fayette</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>2019</td>
<td>54,824</td>
<td>58,356</td>
</tr>
</tbody>
</table>

Educational Attainment

- Graduate or Professional Degree: 19.3%
- Bachelor's Degree: 24.4%
- Associate's Degree: 7.5%
- Some College, no degree: 20.5%
- High School or equivalent: 19.6%
- No Degree: 8.7%

Per Capita Personal Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Lexington-Fayette</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>40,000</td>
</tr>
<tr>
<td>2019</td>
<td>43,000</td>
</tr>
<tr>
<td>2020</td>
<td>54,824</td>
</tr>
</tbody>
</table>
EDUCATED WORKFORCE

Anchored by the state’s flagship university, the University of Kentucky, the Bluegrass boasts 10 colleges and universities within 40 miles of Lexington. In addition, Lexington has four other professional and technical colleges. In total, nearly 70,000 students are enrolled in institutions of higher learning in the Bluegrass, awarding more than 18,000 degrees and credentials annually. Among cities over 300,000 in population, the U.S. Census Bureau ranks Lexington as the 12th most highly educated in the nation (based on the 42.9% of the population 25 years or older holding at least a bachelor’s degree). Even more impressive, 18.6% of the population has a graduate or professional degree, ranking Lexington the 11th most highly educated city.

INNOVATION LEADER

According to StatsAmerica’s Innovation Index 2.0, the Lexington-Fayette Metropolitan Statistical Area (MSA) is the state leader in innovation and entrepreneurship. StatsAmerica’s Innovation Index 2.0 quantifies a county, MSA, or Economic Development District’s capacity for innovation and the amount of innovation already produced. The Lexington-Fayette MSA has the highest overall index score in the state with 111.1, compared to Louisville/Jefferson County KY-IN MSA’s 103.8 and Cincinnati OH-KY-IN MSA’s 110.5.

CENTRAL LOCATION

Lexington is far from the middle of nowhere, in fact, it is in the middle of everything! Lexington is located 600 miles from over two-thirds of the US population and is ideally situated at the crossroads of two major interstates, I-75 and I-64, giving companies here direct access to both north-south and east-west routes.

LOW BUSINESS COSTS

Kentucky has the lowest cost of electricity in the industrial sector among states east of the Mississippi River. Kentucky’s industrial electricity rates are seventh lowest nationally and almost 18% lower than the national average.

Water service is available through local providers in each of the Bluegrass counties. Kentucky American Water, located in Lexington, is the largest, with a capacity of 90 million gallons per day.
Fayette County has a diverse economy with major employers in manufacturing, finance, healthcare, government, and other industries. The diversity of the economy is one of our strengths with more than 28,500 companies doing business in a multitude of sectors. Lexington-Fayette County is a $20+ billion economy marked by consistent and sustainable growth. Between 2016 and 2020, the Lexington-Fayette County economy (GDP) grew 5% overall with an average annual growth of 1%. The 2020 COVID-19 pandemic created noticeable declines in the manufacturing, education and health services, and entertainment industries; however, all are showing signs of recovery in 2021.

Top 10 Employers in Fayette County

- **UK**: 15,541
- **Amazon**: 5,727
- **Fayette County Public Schools**: 5,620
- **Catholic Health Initiatives**: 2,621
- **Conduent**: 2,500
- **VA**: 2,000
- **Baptist Health**: 4,502
- **Lexmark**: 1,400
- **Lockheed Martin**: 1,500

Source: Lexington Chamber of Commerce
Inside the Government-Wide Statement of Net Position

- **Net Position**: Net position is the sum of all the assets and deferred outflows of resources less the liabilities and deferred inflows of resources.
- **Assets**: The listed assets represent anything of value (equipment, real estate, cash) that the Government owns.
- **Liabilities**: The liabilities represent all debts and future obligations that the Government has to pay.
- **Deferred Outflows and Inflows of Resources**: The outflow (consumption) or inflow (acquisition) of resources in the current period applicable to future reporting periods.

What does it mean? The Government-Wide Statement of Net Position presents information on all of the Government’s assets and liabilities, deferred outflows, and deferred inflows with the difference between the above reported as Net Position. Net Position is the difference between what the government owns and what the government owes. Positive net position balances indicate a measure of financial stability. The Government maintained a positive net position in 2021, following long-term trends for LFUCG. Net position decreased from $276.1 million in 2020 to $244.6 million in 2021. The largest portion of the Government's net position is invested in capital assets (building, land, infrastructure, etc) that the government uses to provide services to its citizens.

The government-wide financial activities also include Component Units which are legally separate organizations for which the Government is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.
A Look Back...

A five-year review of Revenues and Expenses within the Governmental and Enterprise Funds shows ongoing trends. While the COVID-19 pandemic affected governmental revenue collections, especially those business-related revenues in FY2020 and FY2021, LFUCG was able to maintain a slight growth in revenues due to the influx of CARES Act Relief funds in FY2020. Additionally, the government experienced a decrease in expenses during those same years due to carrying a higher level of position vacancies paired with enhanced controls on operating expenses. The Enterprise Funds, which represent the business-type activities of the City, have experienced less volatility related to the pandemic and show a moderate increase in both revenues and expenses.

Revenues and Expenditures

The Government primarily operates from Governmental Funds and Enterprise Funds. The City budgets, records, and monitors revenues and expenditures by fund.

Governmental Funds account for the basic services of Government like police, fire, and public works. The General Fund is a type of Governmental Fund.

Enterprise Funds are used to report on business-like operations that generate revenues to pay for expenses. These include services like the sanitary sewer, landfill, water quality/stormwater and others.
The City's General Fund experienced moderate growth in 2021, leading to a 5% revenue increase over 2020. This growth is reflective of LFUCG's rebounding economy as local businesses show signs of recovery and expansion.

The majority of the General Fund revenues that fund the Government's activities come from License Fees & Permits as reported in the chart. The major categories within License Fees and Permits are Occupational Fees (Employee Withholding Fee and Net Profit Fee on business net profits), Insurance Premium Tax, and Franchise Fees. Employee Withholding Fee is an assessment of 2.25% on the total wages received by individuals in the Lexington-Fayette County area, and Net Profits Fee is an assessment of 2.25% on net profits of businesses operating in the Lexington-Fayette County area. Insurance Premium Tax is an assessment of 5% on insurance premiums sold by insurance agencies. Franchise Fees are an assessment on utility bills. The rate of the assessment is based on the type of utility. The rate for gas and electric billing is 4% and the rate on water billing is 3%.

Other major revenue categories for the Government are Property Taxes and Charges for Services. Charges for Services include charges collected by the Detention Center, EMS charges, fees for building permits, and fees associated with Parks and Recreation programs.
General Fund Expenditures

$366,387,641  
2019

$348,227,011  
2020

$362,784,544  
2021

Trend

General Fund Governmental Expenditures by Department

- **56%** Public Safety
- **5%** Parks & Recreation
- **4%** Environmental Quality & Public Works
- **5%** Public Library Contribution
- **3%** Social Services & ESR Grants
- **27%** All Other

General Fund Governmental Expenditures by Source

- **66%** Personnel
- **21%** Operations
- **13%** Debt Service
The Government issues Municipal Bonds annually to fund various Capital Projects. Most of these municipal bonds are “tax-exempt,” which means that someone who buys a municipal bond doesn’t have to pay federal taxes on the interest they earn, while the government gets to borrow money at a cheaper interest rate. The government repays the amount of the bonds plus interest over a period of time, which is usually between ten and twenty years. Our high bond rating allows us to obtain the best rates when we issue debt, which means we pay less interest over the life of our payments. Bonds have previously been issued for projects such as fire stations, infrastructure improvements, and large construction projects like the Lexington Senior Center. Without bonding, large capital investments in the community might not be possible. A list of capital projects funded through a bond issue during FY2021 is included on Page 15.

<table>
<thead>
<tr>
<th></th>
<th>Governmental</th>
<th>Business-Type Activities</th>
<th>Total Primary Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$363,851</td>
<td>$388,498</td>
<td>$607,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P Global</td>
<td>AA</td>
<td>Aa2</td>
<td></td>
</tr>
<tr>
<td>Moody’s</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Both Moody’s and S&P rate our bonds in a category referred to as “High Grade”, which means the Government has strong financial management and is trusted to repay the city’s commitments.
Capital assets are tangible and intangible assets acquired for use in operations that will benefit the local government for more than a single fiscal period. Typical examples of capital assets include land, land improvements, construction-in-progress, infrastructure/improvements, buildings, furniture, motor vehicles, and software.

### Summary of Capital Assets - For Years As Stated
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental</th>
<th>Business-Type Activities</th>
<th>Total Primary Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$888,308</td>
<td>$531,655</td>
<td>$1,419,963</td>
</tr>
<tr>
<td>2020</td>
<td>$911,308</td>
<td>$519,444</td>
<td>$1,430,752</td>
</tr>
</tbody>
</table>

**Capital assets** are the largest asset of the local government.
A **capital project** is a project that helps maintain, improve, or replace a government **asset**. Some examples of capital projects regularly undertaken by LFUCG include paving and roadway maintenance, building repairs, major equipment purchases, and the purchase of vehicles. The work to complete capital projects often stretches over fiscal years.

Lexington-Fayette Urban County Government typically funds large capital projects through the issuance of General Obligation bonds. In 2021, a smaller than average bond program was developed in response to uncertain economic conditions. The program for 2021 included only critical items that were necessary to maintain services to residents or address safety concerns. A list of capital projects funded through bonding in 2021 is included below:

### 2021 General Obligation Bond Funded Capital Projects

**New Issue and Reallocation**

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Cost (Rounded to the Nearest $1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paving and Road Maintenance</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Police Vehicle Replacements</td>
<td>$1,760,000</td>
</tr>
<tr>
<td>General Government Fleet and Equipment Replacement</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Community Corrections Fire Alarm System Upgrade</td>
<td>$392,000</td>
</tr>
<tr>
<td>Traffic Signal Replacement and Repair</td>
<td>$300,000</td>
</tr>
<tr>
<td>Government Center Envelope Safety Project</td>
<td>$260,000</td>
</tr>
<tr>
<td>Police Ballistic Vest Replacement</td>
<td>$102,000</td>
</tr>
<tr>
<td>Parks and Recreation Health and Safety Projects</td>
<td>$200,000</td>
</tr>
<tr>
<td>Parks and Recreation ADA Renovations</td>
<td>$125,000</td>
</tr>
<tr>
<td>Fire and Emergency Services Cardiac Monitor Replacement</td>
<td>$180,000</td>
</tr>
<tr>
<td>Fire Turnout Gear Replacement</td>
<td>$343,000</td>
</tr>
<tr>
<td>Fiber Project at Old Frankfort Pike</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Source: Lexington-Fayette Urban County Government FY2021 Adopted Budget
## GOVERNMENT SERVICES

<table>
<thead>
<tr>
<th>Service</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging &amp; Disability Services</td>
<td>859-278-6072</td>
</tr>
<tr>
<td>Building Inspection</td>
<td>859-258-3770</td>
</tr>
<tr>
<td>Central Purchasing</td>
<td>859-258-3320</td>
</tr>
<tr>
<td>Citizens’ Advocate Office</td>
<td>859-280-8271</td>
</tr>
<tr>
<td>Code Enforcement</td>
<td>859-425-2255</td>
</tr>
<tr>
<td>Community Corrections</td>
<td>859-425-2700</td>
</tr>
<tr>
<td>Community &amp; Resident Services</td>
<td>859-300-5300</td>
</tr>
<tr>
<td>Environmental Quality &amp; Public Works</td>
<td>859-425-2255</td>
</tr>
<tr>
<td>Family Services</td>
<td>859-288-4040</td>
</tr>
<tr>
<td>Fire &amp; Emergency Services</td>
<td>859-231-5600</td>
</tr>
<tr>
<td>Health Department</td>
<td>859-252-2371</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>859-288-2900</td>
</tr>
<tr>
<td>Planning</td>
<td>859-258-3160</td>
</tr>
<tr>
<td>Police</td>
<td>859-258-3600</td>
</tr>
<tr>
<td>Revenue</td>
<td>859-280-8300</td>
</tr>
<tr>
<td>Social Services</td>
<td>859-258-3804</td>
</tr>
<tr>
<td>Youth Services</td>
<td>859-246-4393</td>
</tr>
</tbody>
</table>

## CONTACT LIST

- **Steve Kay**
  - Vice Mayor
  - skay@lexingtonky.gov
  - 859-280-8250

- **James Brown**
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  - jbrown2@lexingtonky.gov
  - 859-280-8238

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  - 859-280-8239

- **Hannah LeGris**
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  - 859-280-8240

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  - 859-280-8248

- **Kathy Plomin**
  - District 12
  - kplomin@lexingtonky.gov
  - 859-280-8265

## LexCall 311

LexCall 311 can assist you with resident needs including garbage collection, potholes, trash and debris, street signs and other LFUCG services. They can also connect you to any LFUCG employee or Division.

## MAYOR AND COUNCIL

- **Mayor Linda Gorton**
  - mayor@lexingtonky.gov
  - 859-258-3100

- **Steve Kay**
  - Vice Mayor
  - skay@lexingtonky.gov
  - 859-280-8250

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- **Kathy Plomin**
  - District 12
  - kplomin@lexingtonky.gov
  - 859-280-8265
Requests for Information

The information contained in the PAFR is a general overview of the Government's finances.

Questions or requests for additional information may be addressed to

Sr. Administrative Officer
Ashley Simpson at
asimpson@lexingtonky.gov or to:

LFUCG
200 East Main Street
Lexington, KY 40507

The PAFR and Annual Report for Lexington-Fayette Urban County Government can be found online at

www.lexingtonky.gov/departments/accounting