

LEXINGTON PUBLIC LIBRARY
Lexington, Kentucky

Financial Statements
June 30, 2011

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Mountjoy
Chilton
Medley

Independent Auditor's Report

To the Board of Trustees
Lexington Public Library
140 East Main Street
Lexington, Kentucky 40507

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of the Lexington Public Library, a component unit of Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of the Lexington Public Library as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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To the Board of Trustees
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mountjoy Chilton Medley, LLP".

Mountjoy Chilton Medley, LLP

September 15, 2011

Management's Discussion and Analysis
June 30, 2011

FINANCIAL HIGHLIGHTS

- The Library made capital investments during the fiscal year for equipment and building improvements.
- The Library allocated 10% of its tax revenues for library materials.
- The Library's Net Assets increased \$1.7 million. These funds have been committed to future growth and renewal/replacement of existing property and equipment.
- The Library's Fund Balance increased \$1.9 million more than budgeted. This was the result of higher than expected revenue in the form of tax revenue and a one-time restricted gift combined with a reduction in both personnel and operating costs.
- The Library's General Fund received a \$438,000 gift from the Little Foundation and the Lexington Public Library Foundation to be used for the purpose of remodeling and updating the Central Library Theater. This project will be completed in fiscal year 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements, and the budgetary comparison schedule, which is not part of the basic financial statements, of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Library's financial statements present two kinds of statements, each with a different snapshot of the Library's finances. The focus is both the Library as a whole (government-wide) and the individual fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on individual funds of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year-to-year or government-to-government) and enhance the Library's accountability.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library's finances is "Is the Library, as a whole, better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net assets of the Library and the changes in net assets. One can think of the Library's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Library's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation.

In the Statement of Net Assets and the Statement of Activities, we divide the Library into three kinds of activities.

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2011
(Continued)**

GOVERNMENT-WIDE STATEMENTS (Continued)

Governmental activities - Most of the Library's basic services are reported here. Property taxes, grants and other income finance most of these activities.

Business-type activities - The Library reports fees for service activities in this fund; this includes video rentals, copiers and other machines, and garage activity.

Component unit activities - The Library reports donations in this fund.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library's funds. The fund financial statements provide more information about the Library's funds and not the Library as a whole.

The Library has three kinds of funds:

Governmental Funds: Most of the Library's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Funds: Services for which the Library charges customers a fee are generally reported in proprietary funds.

Component Unit Funds - Donations and expenses related to funding the Library are reported in the component unit.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

A comparative analysis of government-wide information is presented in the financial report.

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2011
(Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF NET ASSETS

A summary of the Library's Statement of Net Assets is presented in Table A-1.

Condensed Statement of Net Assets

	Total	
	2011	2010
Assets		
Current and other assets	\$ 7,641,516	\$ 5,342,835
Net Capital Assets	20,764,771	21,443,112
Total Assets	<u>\$28,406,287</u>	<u>\$26,785,947</u>
Liabilities		
Current Liabilities	\$ 1,775,347	\$ 1,639,666
Long-term Liabilities	7,452,097	7,760,141
Total Liabilities	<u>9,227,444</u>	<u>9,399,807</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,843,042	13,198,791
Restricted		
Unrestricted	6,335,801	4,187,349
Total Net Assets	<u>19,178,843</u>	<u>17,386,140</u>
Total liabilities and net assets	<u>\$28,406,287</u>	<u>\$26,785,947</u>

The Net Assets increased \$1.7 million. These funds have been committed to future growth and renewal/replacement of existing property and equipment.

A summary of the Library's Statement of Activities is presented in Table A-2.

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2011
(Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

**STATEMENT OF ACTIVITIES
Condensed Statement of Activities**

	Total		Change	Percent Change	Percent of total
	2011	2010			
Revenues					
LFUCG tax revenue	\$ 13,287,501	\$ 13,324,095	\$ (36,594)	0%	91%
Interest and investment earnings	94,968	71,120	23,848	34%	1%
Capital grants and contributions	105,000	105,000		0%	1%
Operating grants and contributions	364,038	282,742	81,296	29%	2%
Charges for services	770,180	678,626	91,554	13%	5%
Other revenues	7,702	9,724	(2,022)	-21%	0%
Total Revenue	14,629,389	14,471,307	158,082	1%	100%
Expenses					
Personnel	7,656,145	8,350,789	(694,644)	-8%	60%
Operating expenses	1,832,107	2,076,587	(244,480)	-12%	14%
Grant-foundation	186,553	91,163	95,390	105%	1%
Books & materials	1,355,352	1,350,596	4,756	0%	11%
Enterprise	517,845	489,920	27,925	6%	4%
Depreciation and amortization -general fund	1,060,430	1,034,563	25,867	3%	8%
Carnegie Payment	45,000	55,000	(10,000)	-18%	0%
Library corporation	261,372	288,660	(27,288)	-9%	2%
Transfers	(294,277)	219,315	(513,592)	-234%	-2%
Interest expense	216,159	224,505	(8,346)	100%	2%
Total Expenses	12,836,686	14,181,098	(1,344,412)	-9%	100%
Change In Net Assets	1,792,703	290,209	1,502,494	518%	
Net Assets - Beginning	17,386,140	17,095,931	290,209	2%	
Net Assets - Ending	\$ 19,178,843	\$ 17,386,140	\$ 1,792,703	10%	

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2011
(Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF ACTIVITIES

While the Statement of Net Assets shows the financial position of the Library, the Statement of Activities provides answers as to the nature and source of these changes. The Library's main source of revenue, property tax, is approximately 88% of the Library's total revenue. The property tax revenue source decreased less than 1%.

The personnel expense represents approximately 58% of total expenses.

BUDGET HIGHLIGHTS

The Library adopts an annual Operating Budget following budget workshops with the Board of Trustees and a vote of the entire Board of Trustees. The operating budget includes proposed expenses and the means of financing them. The Library's operating budget is amended during the year if unusual events occurred. A fiscal year 2011 budget comparison for the current month and year to date is presented to management and the Board of Trustees as interim financial statements; however, they are not reported on nor shown on the financial statements section of this report.

The Library's actual expenditures, overall, were less than the approved budget. A 2011 budget comparison and analysis is presented in Table A-3 on page 8.

Lexington Public Library
 Management's Discussion and Analysis
 June 30, 2011
 (Continued)

BUDGET HIGHLIGHTS (Continued)

BUDGET TO ACTUAL - 2011

TABLE A-3 2011 BUDGET TO ACTUAL

	Budget	Actual	Over (Under) Budget
SUPPORT AND REVENUES			
KY Dept. of Libraries and Archives	\$ 137,725	\$ 132,411	\$ (5,314)
Grants, other	118,450	649,409	530,959
LFUCG tax revenue	12,739,252	13,287,501	548,249
Contributions	135,195	174,210	39,015
Enterprise fund revenue	386,000	455,082	69,082
Fines and lost books	372,000	321,619	(50,381)
Interest income	70,000	98,783	28,783
Miscellaneous	20,000	2,081	(17,919)
Total support and revenues	<u>13,978,622</u>	<u>15,121,096</u>	<u>1,142,474</u>
EXPENSES			
Personnel	8,078,291	7,656,145	(422,146)
Operating expenses	2,162,958	1,832,107	(330,851)
Library materials	1,378,611	1,355,352	(23,259)
Foundation donation/expense	169,209	272,548	103,339
Grant Expenses	45,000	91,154	46,154
Carnegie transfer	45,000	45,000	
Depreciation/interest- enterprise	317,500	306,400	(11,100)
Enterprise expenses	150,800	211,445	60,645
Capital purchases	757,046	544,823	(212,223)
Other expenditures/expenses	291,264	261,372	(29,892)
Debt service	457,458	450,475	(6,983)
Friends donation	90,195	95,399	5,204
Total expenses	<u>13,943,332</u>	<u>13,122,220</u>	<u>(821,112)</u>
Changes in fund balances	35,290	1,998,876	1,963,586
Fund balances- beginning of year	<u>4,244,578</u>	<u>4,244,578</u>	
FUND BALANCES-END OF YEAR	<u>\$ 4,279,868</u>	<u>\$ 6,243,454</u>	<u>\$ 1,963,586</u>

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2011
(Continued)**

CAPITAL ASSETS

The Library invested a total of \$544,822 in capital assets purchased and in building improvements. The Library will continue to invest in new technology and replace capital assets and study expansion plans in accordance with the Library's strategic plan.

DEBT ADMINISTRATION

Business-Type Long-Term Debt

The Library maintains cash and investments in the Public Library Corporation in order to retire its long-term debt in a timely manner. The Library's outstanding long-term debt held by the Public Library Corporation at June 30, 2011 amounted to \$3,075,260. This debt had an original principal balance of \$3,515,000. The debt was used to purchase the parking garage (\$3,001,000) and provide cash (\$514,000) for the renovation of the garage. This garage debt will be repaid through the operation of the parking garage.

Governmental Long-Term Debt

In September 2007, the Library closed on financing for the Northside branch with the Kentucky League of Cities. Financing consists of two notes. The first note is a twenty-year loan for \$5,200,000 at a fixed rate of 3.94%. The second note is a twenty-year loan for \$1,500,000 with a variable rate. The total balance of both loans was \$4,699,850 at June 30, 2011. During the past fiscal year the Library transferred \$261,372 to the Public Library Corporation to pay current debt service.

CONTACTING THE LIBRARY FINANCIAL MANAGER

The financial report is designed to provide the citizens of Lexington-Fayette County and its creditors with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions concerning any of the information provided in this report or requests for additional information, contact The Lexington Public Library, 140 East Main Street, Lexington, Kentucky 40507.

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET ASSETS**

June 30, 2011

(With Comparative Totals As Of June 30, 2010)

LEXINGTON PUBLIC LIBRARY
 STATEMENT OF NET ASSETS
 June 30, 2011
 (With Comparative Totals As Of June 30, 2010) (Continued)

Component Unit - Foundation	2011 Totals	2010 Totals
\$ 5,946	\$ 2,468,427	\$ 2,487,312
200,766	4,567,941	2,349,097
	312,012	298,918
	35,304	18,311
	182,895	169,189
	67,668	65,029
	78,684	
	135,297	219,816
206,712	7,848,228	5,607,672
	146,619	154,703
	4,017,023	4,000,745
	16,601,129	17,287,664
	20,764,771	21,443,112
\$ 206,712	\$ 28,612,999	\$ 27,050,784
	395,545	293,881
	193,961	177,305
	318,287	325,033
	39,694	35,711
	501	501
	9,439	9,651
	182,895	169,189
35,304	347,316	317,229
	323,013	329,477
35,304	1,810,651	1,657,977
	7,452,097	7,760,141
	7,452,097	7,760,141
35,304	9,262,748	9,418,118
	12,843,042	13,198,791
171,408	171,408	246,526
	6,335,801	4,187,349
\$ 171,408	\$ 19,350,251	\$ 17,632,666

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2011
(With Comparative Totals For the Year Ended June 30, 2010)**

LEXINGTON PUBLIC LIBRARY
 STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2011
 (With Comparative Totals For The Year Ended June 30, 2010)
 (Continued)

Net (Expenses) Revenues and Changes in Net Assets					
Primary Government					
Governmental Activities	Business-Type Activities	Total	Component Unit	2011 Totals	2010 Totals
\$ (7,656,145)	\$	\$ (7,656,145)	\$	\$ (7,656,145)	\$ (8,350,789)
(1,831,757)		(1,831,757)		(1,831,757)	(2,076,537)
63,186		63,186		63,186	
(33,737)		(33,737)		(33,737)	69,044
15,625		15,625		15,625	(28,106)
105,000		105,000		105,000	105,000
(901,322)		(901,322)		(901,322)	(913,492)
(1,060,430)		(1,060,430)		(1,060,430)	(1,034,563)
(216,159)		(216,159)		(216,159)	(224,505)
(261,372)		(261,372)		(261,372)	(288,660)
<u>(11,777,111)</u>		<u>(11,777,111)</u>		<u>(11,777,111)</u>	<u>(12,742,608)</u>
	(62,220)	(62,220)		(62,220)	(43,129)
	329,950	329,950		329,950	271,987
	(30,964)	(30,964)		(30,964)	(21,422)
	(143,666)	(143,666)		(143,666)	(142,537)
	(162,734)	(162,734)		(162,734)	(162,706)
	<u>(69,634)</u>	<u>(69,634)</u>		<u>(69,634)</u>	<u>(97,807)</u>
<u>(11,777,111)</u>	<u>(69,634)</u>	<u>(11,846,745)</u>			
			314,444	314,444	(78,689)
			<u>314,444</u>	<u>(11,532,301)</u>	<u>(12,919,104)</u>
13,287,501		13,287,501		13,287,501	13,324,095
94,068	900	94,968	4,715	99,683	83,863
1,731	5,971	7,702		7,702	9,724
			(100,000)	(100,000)	
			(438,486)	(438,486)	
294,277		294,277	144,209	438,486	
(45,000)		(45,000)		(45,000)	(55,000)
<u>13,632,577</u>	<u>6,871</u>	<u>13,639,448</u>	<u>(389,562)</u>	<u>13,249,886</u>	<u>13,362,682</u>
1,855,466	(62,763)	1,792,703	(75,118)	1,717,585	443,578
<u>17,406,450</u>	<u>(20,310)</u>	<u>17,386,140</u>	<u>246,526</u>	<u>17,632,666</u>	<u>17,189,088</u>
<u>\$ 19,261,916</u>	<u>\$ (83,073)</u>	<u>\$ 19,178,843</u>	<u>\$ 171,408</u>	<u>\$ 19,350,251</u>	<u>\$ 17,632,666</u>

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

**LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011
(With Comparative Totals As Of June 30, 2010)**

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011 (With Comparative Totals As Of June 30, 2010)

	Library			2011 Total Governmental Funds	2010 Total Governmental Funds
	General Fund	Collection Materials Fund	Construction Fund		
ASSETS					
Current Assets					
Cash and cash equivalents					
Unrestricted	\$ 2,390,417	\$	\$	\$ 2,390,417	\$ 2,379,886
Restricted			69,994	69,994	2,570
Short-term investments	4,367,175			4,367,175	2,187,046
Accounts receivable - other	43,653			43,653	55,082
Due from other funds	265,604	398,244		663,848	357,576
Due from parking fund	312,012			312,012	298,918
Due from foundation fund	35,304			35,304	
Prepaid payroll liabilities	78,684			78,684	
Other assets	93,378			93,378	182,776
Total assets	<u>\$ 7,586,227</u>	<u>\$ 398,244</u>	<u>\$ 69,994</u>	<u>\$ 8,054,465</u>	<u>\$ 5,463,854</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Accounts payable	395,545			395,545	293,873
Accrued payroll	193,961			193,961	177,305
Accrued vacation	318,287			318,287	325,033
Accrued interest	116			116	116
Payroll liabilities	39,694			39,694	35,711
Due to enterprise fund	182,895			182,895	
Due to other funds	398,244		265,604	663,848	508,454
Total current liabilities	<u>1,528,742</u>		<u>265,604</u>	<u>1,794,346</u>	<u>1,340,492</u>
FUND BALANCES:					
Restricted for:					
Little grant	438,000			438,000	
Committed for:					
Buildings, renewal and replacement	1,750,000			1,750,000	
New branch	500,000			500,000	
New ILS system	350,000			350,000	
Emergency fund	200,000			200,000	
Public use computer replacement	200,000			200,000	270,401
Assigned for:					
Book purchases		398,244		398,244	
Capital construction			(195,610)	(195,610)	(171,294)
Unassigned	2,619,485			2,619,485	4,024,255
Total Fund Balances	<u>6,057,485</u>	<u>398,244</u>	<u>(195,610)</u>	<u>6,260,119</u>	<u>4,123,362</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,586,227</u>	<u>\$ 398,244</u>	<u>\$ 69,994</u>	<u>\$ 8,054,465</u>	<u>\$ 5,463,854</u>

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

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011 (With Comparative Totals As Of June 30, 2010)

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 6,260,119
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Governmental Funds.	17,602,068
Unamortized Bond Issuance Cost	99,579
Short-term and Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
Bonds debt	<u>(4,699,850)</u>
Net Assets Of Governmental Activities	<u>\$ 19,261,916</u>

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011
(With Comparative Totals For The Year Ended June 30, 2010)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011 (With Comparative Totals For The Year Ended June 30, 2010)

	<u>2011 Totals</u>	<u>2010 Totals</u>
	<u>Governmental Funds</u>	<u>Governmental Funds</u>
SUPPORT		
Grants		
Ky Dept of Libraries and Archives	\$ 132,411	\$ 150,484
Construction grant	105,000	105,000
Grants, other	57,417	92,730
LFUCG appropriation		
Unrestricted	11,908,890	11,940,484
Restricted	1,378,611	1,383,611
Donations		
Foundation (restricted)	63,186	
Friends (unrestricted)	111,024	39,372
Total support	<u>13,756,539</u>	<u>13,711,681</u>
REVENUE		
Fines and lost books	321,619	286,463
Investment income		
Unrestricted	89,484	70,213
Restricted	4,584	336
Rental income	350	50
Miscellaneous	1,731	5,975
Donations		
Total revenue	<u>417,768</u>	<u>363,037</u>
Total support and revenue	<u>14,174,307</u>	<u>14,074,718</u>
EXPENDITURES		
Salaries and employee benefits	7,656,145	8,350,789
Operating expenditures	1,832,107	2,076,587
Construction		118,908
Books and materials	1,355,352	1,350,596
Operating sublease expenditures	261,372	288,660
Friends program support	95,399	67,477
Grant expenditures	91,154	23,686
Debt services	450,475	448,172
Total Expenditures	<u>11,742,004</u>	<u>12,724,875</u>
Support and revenue over expenditures	<u>2,432,303</u>	<u>1,349,843</u>
Other Financing Sources (Uses)		
Payment to Carnegie Literacy Center, Inc.	(45,000)	(55,000)
Purchase of property and equipment	(544,823)	(272,027)
Interfund transfer	294,277	(219,315)
Net other financing sources (uses)	<u>(295,546)</u>	<u>(546,342)</u>
Net change in Fund Balances	2,136,757	803,501
Fund Balances - Beginning	<u>4,123,362</u>	<u>3,319,861</u>
Fund Balances - Ending	<u>\$ 6,260,119</u>	<u>\$ 4,123,362</u>

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

LEXINGTON PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -

For The Year Ended June 30, 2011

LEXINGTON PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES -

For The Year Ended June 30, 2011

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds \$ 2,136,757

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 Allocated Over
 Their Estimated Useful Lives and Reported as Depreciation Expense.

Depreciable assets	544,823
Depreciation Expense	(1,054,419)
Amortization Expense	(6,011)
Bond Debt Principal Payments	<u>234,316</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 1,855,466</u></u>
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The accompanying notes are an integral part of the financial statements.

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET ASSETS - PROPRIETARY FUND**

**June 30, 2011
(With Comparative Totals As Of June 30, 2010)**

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET ASSETS - PROPRIETARY FUND**

June 30, 2011 (With Comparative Totals As of June 30, 2010)

	Enterprise Fund	Parking Fund	2011 Total Proprietary Fund	2010 Total Proprietary Fund
ASSETS				
Current assests				
Cash and cash equivalents	\$ 1,070	\$ 1,000	\$ 2,070	\$ 2,070
Accounts receivables		24,015	24,015	9,947
Due from general fund	182,895		182,895	169,189
Prepaid expenses	4,942	36,977	41,919	37,040
Total current assets	188,907	61,992	250,899	218,246
Noncurrent assets				
Unamortized bond issuance cost		47,040	47,040	49,114
Capital assets, net of depreciation	67,074	2,949,010	3,016,084	3,176,744
Total noncurrent assets	67,074	2,996,050	3,063,124	3,225,858
TOTAL ASSETS	<u>\$ 255,981</u>	<u>\$ 3,058,042</u>	<u>\$ 3,314,023</u>	<u>\$ 3,444,104</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$	\$	\$	\$ 8
Accrued interest payable		9,323	9,323	9,535
Unearned revenue		501	501	501
Due to general fund		312,012	312,012	298,918
Current portion of long-term debt		78,049	78,049	75,192
Total current liabilities		399,885	399,885	384,154
Long-term debt		2,997,211	2,997,211	3,080,260
Total liabilities		3,397,096	3,397,096	3,464,414
Net assets				
Invested in capital assets, net of related debt	67,074	(126,250)	(59,176)	21,292
Unrestricted	188,907	(212,804)	(23,897)	(41,602)
Total net assets	255,981	(339,054)	(83,073)	(20,310)
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 255,981</u>	<u>\$ 3,058,042</u>	<u>\$ 3,314,023</u>	<u>\$ 3,444,104</u>

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND**

**For The Year Ended June 30, 2011
With Comparative Totals For The Year Ended June 30, 2010)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND

For The Year Ended June 30, 2011 (With Comparative Totals For The Year Ended June 30, 2010)

	Enterprise Fund	Parking Fund	2011 Total Proprietary Fund	2010 Total Proprietary Fund
Operating revenues				
Video rentals and fines	\$ 43,736	\$	\$ 43,736	\$ 40,774
Copy sales	74,525		74,525	79,352
Parking garage		329,950	329,950	271,987
Miscellaneous revenue	5,751	220	5,971	3,749
Total operating revenues	<u>124,012</u>	<u>330,170</u>	<u>454,182</u>	<u>395,862</u>
Operating expenses				
Operating expenses	105,956	105,489	211,445	184,677
Depreciation/Amortization	77,402	85,332	162,734	162,706
Total operating expenses	<u>183,358</u>	<u>190,821</u>	<u>374,179</u>	<u>347,383</u>
Total operating income (loss)	<u>(59,346)</u>	<u>139,349</u>	<u>80,003</u>	<u>48,479</u>
Nonoperating revenues and (expenses)				
Interest income	600	300	900	725
Interest expense		(143,666)	(143,666)	(142,537)
Total nonoperating revenues (expenses)	<u>600</u>	<u>(143,366)</u>	<u>(142,766)</u>	<u>(141,812)</u>
Change in net assets	<u>(58,746)</u>	<u>(4,017)</u>	<u>(62,763)</u>	<u>(93,333)</u>
Total net assets-beginning	<u>314,727</u>	<u>(335,037)</u>	<u>(20,310)</u>	<u>73,023</u>
TOTAL NET ASSETS-ENDING	<u>\$ 255,981</u>	<u>\$ (339,054)</u>	<u>\$ (83,073)</u>	<u>\$ (20,310)</u>

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**For The Year Ended June 30, 2011
(With Comparative Totals As Of June 30, 2010)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Year Ended June 30, 2011
(With Comparative Totals As Of June 30, 2010)

	Enterprise Fund	Parking Fund	2011 Total Proprietary Fund	2010 Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 119,062	\$ 316,377	\$ 435,439	\$ 380,809
Payroll payments		(29,241)	(29,241)	(29,241)
Payments to suppliers	(105,956)	(76,248)	(182,204)	(155,436)
Net cash provided by operating activities	13,106	210,888	223,994	196,132
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Transfer from (to) general fund	(13,706)	7,669	(6,037)	22,918
Bond principal debt paid		(75,192)	(75,192)	(77,238)
Interest paid on capital debt		(143,666)	(143,666)	(142,537)
Net cash (used) by capital and related financing activities	(13,706)	(211,189)	(224,895)	(196,857)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	600	300	900	725
Net cash provided by financing activities	600	300	900	725
Net (decrease) in cash and cash equivalents				
Balances-beginning of year	1,070	1,000	2,070	2,070
BALANCES-END OF THE YEAR	\$ 1,070	\$ 1,000	\$ 2,070	\$ 2,070
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (59,346)	\$ 139,349	\$ 80,003	\$ 48,479
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	77,402	85,332	162,734	162,706
Changes in asset and liabilities				
Accounts receivable		(14,068)	(14,068)	4,513
Prepaid expenses	(4,942)	63	(4,879)	(11,468)
Accounts payable	(8)		(8)	8
Interest payable		212	212	(8,106)
Net cash provided by operating activities	\$ 13,106	\$ 210,888	\$ 223,994	\$ 196,132
Supplemental disclosures of cash flow information:				
Noncash capital and related financing activities:				
Amortization of bond issue cost		2,074	2,074	2,046

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Nature of Organization

Lexington Public Library (the Library) is a governmental entity established as a tax-supported library in 1898. The Library is a component unit of the Lexington-Fayette Urban County Government. The Library is governed by a seven-member Board of Trustees that is empowered by Chapter 173 of the Kentucky Revised Statutes. The primary mission of the Library is to maintain a free public library in Lexington-Fayette County, Kentucky with financial support provided by the Lexington-Fayette Urban County Government (LFUCG). The LFUCG support is provided in the form of annual appropriations based upon property assessments.

The Library's financial statements include the assets and liabilities of the Lexington Public Library Foundation, Inc. The Foundation was formed in May 1997 for the purpose of benefiting, promoting, supporting, encouraging, and enhancing the program and facilities of the Lexington Public Library. The purpose of the Foundation is twofold; one, to provide financial support for specific projects of any type it considers appropriate; and two, to assist the Board of Trustees of the Library and its Advisory Board in making the Library more valuable to the entire community. The Foundation is considered a discretely presented component unit of the Lexington Public Library.

Basis of Presentation

The Library's financial statements are presented in accordance with the provisions of Governmental Accounting Standards, Board Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis-for State and Local Government.*" Statement No. 34 established financial reporting requirements for all state and local governments and consists of the following:

Management's discussion and analysis (required supplementary information);

Basic Financial Statements

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The government-wide financial statements include a statement of net assets and the statement of activities. These statements display information about the Library as a whole. The statements distinguish between governmental and business-type activities. The government-wide statements are prepared using the economic measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund financial statements report detailed information about the Library. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Library. It accounts for all financial resources of the general government, except where the management requires that a separate fund be used for some function.

Library Collection Materials Fund - This fund is used to account for library materials purchased and collections from late fees and fines. The primary source of revenue for this fund is transfers from the general fund for property taxes. The major expenditures for this fund are books and materials for the Library.

Construction Fund - This fund is for library construction. The primary source of income for this fund is debt incurred. The major expenditures for this fund are construction costs and interest costs from debt.

The primary government has no non-major governmental funds.

Special Revenue Funds

The Library Collection Material Fund and Construction Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are raised for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary funds:

Enterprise Fund - This fund is used to account for revenues and expenses related to video rentals and copiers.

Parking Fund - This fund is used to account for revenues and expenses related to the parking garage that the Library owns.

Discretely Presented Component Unit

The financial data of the Lexington Public Library Foundation, Inc., is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Library's primary government. The Foundation collects restricted donations made to the Library. The primary source of revenue for the Foundation is from library patronages. The major expense for the Foundation is salaries.

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

Short-Term Investment

Short-term investments consist of certificates of deposit with initial maturities of twelve months or less. Fair value approximates carrying amounts.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are stated at cost. Donated assets are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible capital assets is charged as an expense against their operations. The costs of books are expensed when purchased. Depreciation is computed using the straight-line method over the estimated useful life of each asset, which varies from five to twenty years.

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), Accounting for Uncertainty in Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation evaluates its uncertain tax positions using the provisions of FASB Statement 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probably that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Cash and Cash Equivalents

For purposes of statements of cash flows, the Library considers all highly-liquid investments with an initial maturity of three month or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Library evaluated events occurring between the end of its most recent fiscal year and September 15, 2011, the date the financial statements were issued. No subsequent events were noted.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

The Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 168, entitled The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("GAAP"). In substance, SFAS No. 168 makes the FASB Accounting Standards Codification ("ASC") the sole source of authoritative accounting technical literature for nongovernmental entities. All accounting guidance that is not included in the ASC now is considered to be non-authoritative. The ASC is effective for interim and annual reporting periods ending after September 15, 2009. The Foundation adopted the ASC upon issuance, with no material impact to the financial statements.

Note 2. Cash and Investments

Kentucky Revised Statutes authorize governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

The carrying amount of the Library's cash and cash equivalents deposits at June 30, 2011 was \$2,468,427. The carrying amount of the Library's short-term investments at June 30, 2011 was \$4,567,941.

Note 3. Deposits

The Library maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Library and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 4. Lexington-Fayette Urban County Government Agreements

The Library is funded by a dedicated property tax assessment collected by the LFUCG, equivalent to \$.015 per \$100 valuation of tobacco in storage and \$.05 per each \$100 valuation of all other property assessed for local taxation in Lexington, Fayette County, Kentucky under Kentucky Revised Statutes 173.360.

The Library and the Lexington Public Library Corporation (the Corporation), which was established in 1985 for the purpose of providing a means to finance the construction of a new central library, entered into a Memorandum of Agreement (the Agreement) in March 1986, to facilitate this construction process and to facilitate the expansion of library materials and other future capital projects. The Agreement specified that the Library provide the Corporation with 24% of its appropriations from the LFUCG for fiscal year 1989 and each fiscal year thereafter until the debt obligations approved by the Library and incurred by the Corporation have been paid or until such other time as the Library and Corporation determine by mutual agreement. This agreement was amended in 2006 for the current fiscal and future fiscal years reducing the transfer to current debt service until all debts are paid.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Depreciable capital assets				
Land improvements	\$ 70,279	\$	\$	\$ 70,279
Village branch construction	708,402			708,402
Buildings and improvements	20,315,272	156,528		20,471,800
Furniture/equipment	7,582,980	372,016		7,954,996
Totals at Cost	28,676,933	528,544		29,205,477
Less: accumulated depreciation:	14,566,013	1,054,419		15,620,432
Depreciable capital assets, net	\$ 14,110,920	\$ (525,875)	\$	\$ 13,585,045
Nondepreciable capital assets				
Land	3,539,842			3,539,842
Artistic clock	460,903	16,278		477,181
	\$ 4,000,745	\$ 16,278	\$	\$ 4,017,023
Business-Type Activities:				
Furniture/equipment	\$ 682,312	\$	\$	\$ 682,312
Parking garage & improvements	3,465,758			3,465,758
Totals at cost	4,148,070			4,148,070
Less: accumulated depreciation	971,326	160,660		1,131,986
Capital assets net	\$ 3,176,744	\$ (160,660)	\$	\$ 3,016,084

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged as follows:

Governmental Activities:

Total Depreciation Expense - Governmental Activities	<u>\$ 1,054,419</u>
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Business-Type Activities

Total Depreciation Expense - Business-Type Activities	<u>\$ 160,660</u>
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Note 6. Retirement Plan

The Library has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent. The Library's contribution for the year ended June 30, 2011 was \$820,190 and the employees contributed \$245,805.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Interfund Transactions

Interfund loans on the fund statements at June 30, 2011 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 612,920	\$ 581,139
Collection Materials	398,244	
Construction		265,604
Proprietary Funds	182,895	312,012
Foundation		35,304
	<u>\$ 1,194,059</u>	<u>\$1,194,059</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 8. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. In addition to its general liability insurance, the Library also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accidental insurance.

Note 9. Long-Term Liabilities

A. Parking Garage Debt

The Library purchased the Park Plaza Garage on April 29, 2005 through a competitive bid process for \$3,001,000. The Library's Board of Trustees determined that in the long-term interest of the Lexington Public Library the purchase and operation of the parking garage was required. It was also determined that an additional \$514,000 would be required to repair and improve the facility. The Library borrowed \$3,515,000 from the Kentucky League of Cities for a term of 29 years. The debt was broken down into a fixed rate loan of \$2,970,000 with a rate of 4.28% and a variable rate loan of \$545,000. The final maturity of the debt is April 21, 2034. The variable rate is based on an assumed rate that is established at the beginning of each fiscal year. The effective rate at June 30, 2011 was 3.49%.

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2012	78,049	147,836	225,885
2013	81,717	143,666	225,383
2014	73,090	151,298	224,388
2015	96,400	127,988	224,388
2016	125,000	83,767	208,767
2017-2021	637,148	478,672	1,115,820
2022-2026	698,512	433,819	1,132,331
2027-2031	757,639	386,319	1,143,958
2032-2034	527,705	44,641	572,346
Totals	\$ 3,075,260	\$ 1,998,006	\$ 5,073,266

Bond issue costs in the amount of \$58,988 were incurred in relation to the borrowings. These costs are being amortized over the life of the bonds. Amortization for the year amounted to \$2,046.

B. Northside Branch Debt

The Library obtained financing for the construction of the Northside branch on September 21, 2008. The Library borrowed \$6,700,000 from the Kentucky League of Cities for a term of 20 years. The debt was broken down into a fixed rate loan of \$5,200,000 with a rate of 3.89% and a variable rate loan of \$1,500,000. The final maturity of the debt is November 1, 2027. The variable rate is based on a weekly rate that is reported to the Kentucky League of Cities by the remarketing agent. At June 30, 2011 the effective rate was 3.21%.

LEXINGTON PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011
 (Continued)

Note 9. Long-Term Liabilities (Continued)

B. Northside Branch Debt (Continued)

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2012	244,964	217,713	462,677
2013	257,448	206,258	463,706
2014	213,109	194,633	407,742
2015	218,512	184,494	403,006
2016	248,470	174,505	422,975
2017-2021	1,300,736	714,294	2,015,030
2022-2026	1,668,434	346,596	2,015,030
2027-2028	548,177	22,747	570,924
Totals	\$ 4,699,850	\$ 2,061,240	\$ 6,761,090

Bond issue costs in the amount of \$121,538 were incurred in relation to the borrowings. These costs are being amortized over the life of the bonds. Amortization for the year amounted to \$6,011.

C. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2011, was as follows:

	Beginning Balance	Reductions	Additional principal payment	Ending Balance	Due Within One Year
Governmental Activities:					
Debt Obligations	\$ 4,934,166	\$ 234,316	\$	\$ 4,699,850	\$ 244,964
Governmental Activities Long-term Liabilities	\$ 4,934,166	\$ 234,316	\$	\$ 4,699,850	\$ 244,964

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

C. Changes in Long-Term Liabilities (continued)

Long-term liability activity for the business-type activities for the year ended June 30, 2011, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Additional principal payment</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Debt Obligations	\$ 3,155,452	\$ 75,192	\$ 5,000	\$ 3,075,260	\$ 78,049
Business-Type Activities Long-term Liabilities	<u>\$ 3,155,452</u>	<u>\$ 75,192</u>	<u>\$ 5,000</u>	<u>\$ 3,075,260</u>	<u>\$ 78,049</u>

Note 10. Accrued Vacation

When an employee terminates employment with the Library they are paid for their vacation time remaining, up to 150 hours. A current liability is recorded on the Statement of Net Assets and the Balance Sheet for the total amount of vacation earned, not exceeding 150 hours for each employee. The amount of accrued vacation as of June 30, 2011 was \$318,287.

Note 11. The Lexington Public Library Foundation

The Lexington Public Library and the Lexington Public Library Foundation entered into an agreement on 12/09/2008 in which the Foundation agreed to be responsible for their own cash management, accounting and financial reporting. The Foundation Board and its Executive Director agreed to manage the proceeds of the Foundation, ensuring that all funds not needed for operating expenses and budgeted appropriations are used to further the mission of the Library. The Foundation must make a request in writing for any financial support from the Library as part of the Library's annual budget planning and any said contributions must be approved by the Board of Trustees of the Lexington Public Library. The Foundation will present a monthly report, including a financial statement, at the Library's Board meeting. Furthermore, the Foundation Executive Director will serve under the direction of the Foundation Board of Directors.

Note 12. Fund Balance Classification Policies and Procedures

The Board of Trustees is the Library's highest level of decision-making authority. Commitments of fund balance must be approved by the Budget/Finance Committee and brought forward to the entire Board in an open meeting where the Board approves commitments by formal vote. The Board has retained the authority to assign amounts to a specific purpose utilizing the same policy established for committing funds to a specific purpose. The Library has not adopted a policy to govern the order of priority on use of fund balance when (1) either restricted or unrestricted amounts are both available and (2) when committed, assigned, or unassigned fund balance classifications could be used.

Note 13. Contingency

The former executive director has filed a suit against the Lexington Public Library seeking in excess of \$5,000,000 for damages. Due to the fact that the case is still in a preliminary stage, no evaluation of outcome or estimate of loss could be reasonably estimated.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 14. Bluegrass Community Foundation Endowment

The Lexington Public Library Foundation established a designated endowment fund, The Lexington Public Library Clock, Pendulum and Rotunda Preservation Fund, at the Blue Grass Community Foundation in the amount of \$100,000. The Library will receive an approximate payout from the endowment of \$5,000 annually in March. At the Library's option the funds may be added back to the principal rather than being expended in a given year in order to enlarge the principal. The Library also has the option to carry one year's allotment over to the following year so that a larger sum is available at one time.

As a designated endowment fund, the Lexington Public Library Clock, Pendulum and Rotunda Preservation Fund is considered to be an asset of the Blue Grass Community Foundation and is presented in the financial statements of that organization.

**LEXINGTON PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION**

For The Year Ended June 30, 2011

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION – GENERAL FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
Support				
Grants				
KY Dept. of Libraries and Archives	\$ 137,725	\$ 137,725	\$ 132,411	\$ (5,314)
Grants, other	25,000	25,000	57,417	32,417
LFUCG appropriation				
Unrestricted	11,360,641	11,360,641	11,908,890	548,249
Donations				
Unrestricted	90,195	90,195	111,024	20,829
Restricted	45,000	45,000	63,186	18,186
Total support	<u>11,658,561</u>	<u>11,658,561</u>	<u>12,272,928</u>	<u>614,367</u>
REVENUE				
Fines and lost books	372,000	372,000	321,619	(50,381)
Interest earned				
Unrestricted	70,000	70,000	89,484	19,484
Miscellaneous	20,000	20,000	2,081	(17,919)
Total revenue	<u>462,000</u>	<u>462,000</u>	<u>413,184</u>	<u>(48,816)</u>
Total support and revenue	<u>12,120,561</u>	<u>12,120,561</u>	<u>12,686,112</u>	<u>565,551</u>
EXPENDITURES				
Salaries wages and employee benefits	8,078,291	8,078,291	7,656,145	422,146
Operating expenses	2,262,958	2,262,958	1,832,107	430,851
Transfer to LPL Corporation	291,264	291,264	261,372	29,892
Grant Expenses	25,000	25,000	91,154	(66,154)
Debt Service	352,458	352,458	216,159	136,299
Friends program support	90,195	90,195	95,399	(5,204)
Total expenses	<u>11,100,166</u>	<u>11,100,166</u>	<u>10,152,336</u>	<u>947,830</u>
SUPPORT AND REVENUE OVER EXPENSES	1,020,395	1,020,395	2,533,776	1,513,381
Other changes				
Payments to Carnegie Literacy Center, Inc.	(45,000)	(45,000)	(45,000)	
Purchases of property & equipment	(757,046)	(757,046)	(544,823)	(212,223)
Transfer to Collection fund	(100,000)	(100,000)	(100,000)	
Interfund Transfers	(189,209)	(189,209)	294,277	(483,486)
Net increase in fund balances	<u>(70,860)</u>	<u>(70,860)</u>	<u>2,138,230</u>	<u>2,209,090</u>
Fund balances-				
beginning of year	<u>3,919,255</u>	<u>3,919,255</u>	<u>3,919,255</u>	
FUND BALANCES-END OF YEAR	<u>\$ 3,848,395</u>	<u>\$ 3,848,395</u>	<u>\$ 6,057,485</u>	<u>\$ 2,209,090</u>

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION – LIBRARY COLLECTION MATERIALS FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
Support				
LFUCG appropriations	\$ 1,378,611	\$ 1,378,611	\$ 1,378,611	\$
Total support	<u>1,378,611</u>	<u>1,378,611</u>	<u>1,378,611</u>	
REVENUE				
Interest earned				
Restricted			4,584	4,584
Total revenue			<u>4,584</u>	<u>4,584</u>
Total support and revenue	<u>1,378,611</u>	<u>1,378,611</u>	<u>1,383,195</u>	<u>4,584</u>
EXPENSES				
Books and materials	1,478,611	1,478,611	1,355,352	123,259
Total expenses	<u>1,478,611</u>	<u>1,478,611</u>	<u>1,355,352</u>	<u>123,259</u>
SUPPORT AND REVENUE OVER EXPENSES	(100,000)	(100,000)	27,843	127,843
Other changes				
Transfer for general fund	100,000	100,000	100,000	
Net increase in fund balances			<u>127,843</u>	
Fund balances-				
beginning of year	<u>270,401</u>	<u>270,401</u>	<u>270,401</u>	
FUND BALANCES-END OF YEAR	<u>\$ 370,401</u>	<u>\$ 270,401</u>	<u>\$ 398,244</u>	<u>\$ 127,843</u>



Mountjoy
Chilton
Medley

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

To the Board of Directors
Lexington Public Library
Lexington, Kentucky

We have audited the financial statements of the Lexington Public Library as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

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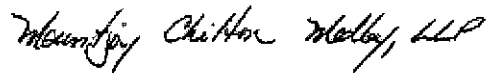
Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the Lexington Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mountjoy Chilton Medley, LLP".

Mountjoy Chilton Medley, LLP

September 15, 2011