

**LEXINGTON PUBLIC LIBRARY**  
**Lexington, Kentucky**

**Financial Statements**  
**June 30, 2014**

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund, of the Lexington Public Library (Library), a component unit of Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library'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.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

**Independent Auditor's Report (Continued)****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, and each major fund of the Library as of June 30, 2014 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 and budgetary comparison information on pages 3 through 9 and pages 44 through 45 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 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2014 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 considering the Library's internal control over financial reporting and compliance.



Lexington, Kentucky  
September 4, 2014

**Management's Discussion and Analysis**  
**June 30, 2014**

**FINANCIAL HIGHLIGHTS**

- The Library's net position increased \$862,482 during fiscal year 2014. This is in part due to tax revenues exceeding budget and personnel savings.
- The Library made capital investments during the fiscal year for equipment and building improvements. This included a remodel and technology update to the Beaumont Branch, Eagle Creek Branch, Northside Branch, Village Branch and Central Branch.
- The Library allocated 12% of its tax revenues for library books and materials.
- The Library's Proprietary Fund had a positive change in net position of \$106,049 for fiscal year 2014.

**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 basic 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 Position 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.

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2014  
(Continued)**

**GOVERNMENT-WIDE STATEMENTS (Continued)**

These two statements report the net position of the Library and the changes in net position. One can think of the Library's net position - 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 position 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 Position and the Statement of Activities, we divide the Library into two kinds of activities.

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.

**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 the 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.

**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, 2014  
(Continued)**

**FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)**

**STATEMENT OF NET POSITION**

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

**TABLE A-1 STATEMENT OF NET POSITION**

	<b>Total</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current and other assets	\$ 11,312,065	\$ 10,909,430
Net Noncurrent Assets	20,865,465	20,957,880
Total Assets	<u>\$ 32,177,530</u>	<u>\$ 31,867,310</u>
<b>Liabilities</b>		
Current Liabilities	\$ 2,076,222	\$ 2,226,726
Long-term Liabilities	7,519,975	7,921,733
Total Liabilities	<u>9,596,197</u>	<u>10,148,459</u>
<b>Net Position</b>		
Net investment in capital assets	12,960,578	12,679,948
Restricted (Restated)	197,434	184,813
Unrestricted (Restated)	9,423,321	8,854,090
Total Net Position	<u>22,581,333</u>	<u>21,718,851</u>
Total liabilities and net position	<u>\$ 32,177,530</u>	<u>\$ 31,867,310</u>

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2014  
(Continued)**

**FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)**

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

**STATEMENT OF ACTIVITIES**

**TABLE A-2 STATEMENT OF ACTIVITIES**

**Condensed Statement of Activities**

	<u>Total</u>		<u>Change</u>	<u>Percent Change</u>	<u>Percent of Total</u>
	<u>2014</u>	<u>2013</u>			
<b>Revenues</b>					
LFUCG tax revenue	\$ 13,868,108	\$ 13,746,809	\$ 121,299	1%	92%
Interest and investment earnings	77,822	87,255	(9,433)	-11%	1%
Capital grants and contributions	105,000	105,000		0%	1%
Operating grants and contributions	248,280	277,441	(29,161)	-11%	2%
Charges for services	770,192	885,442	(115,250)	-13%	4%
Other revenues	2,545	6,699	(4,154)	-62%	0%
<b>Total Revenue</b>	<b>15,071,947</b>	<b>15,108,646</b>	<b>(36,699)</b>	<b>0%</b>	<b>100%</b>
<b>Expenses</b>					
Personnel	8,287,686	7,894,685	393,001	5%	58%
Operating expenses	2,157,811	2,118,825	38,986	2%	15%
Grant-foundation	98,384	196,703	(98,319)	-50%	1%
Books & materials	1,725,586	1,564,649	160,937	10%	12%
Enterprise	351,943	482,664	(130,721)	-27%	2%
Depreciation and amortization - general fund	1,098,918	1,152,079	(53,161)	-5%	8%
Loss on lawsuit settlement		316,253	(316,253)	-100%	0%
Library corporation	260,942	256,212	4,730	2%	2%
Interest expense	228,195	246,379	(18,184)	-7%	2%
<b>Total Expenses</b>	<b>14,209,465</b>	<b>14,228,449</b>	<b>(18,984)</b>	<b>0%</b>	<b>100%</b>
<b>Change In Net Position</b>	<b>862,482</b>	<b>880,197</b>	<b>(17,715)</b>	<b>-2%</b>	
Net Position - Beginning (Restated)	21,718,851	20,838,654	880,197	4%	
<b>Net Position - Ending</b>	<b>\$ 22,581,333</b>	<b>\$ 21,718,851</b>	<b>\$ 862,482</b>	<b>4%</b>	



**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2014  
(Continued)**

**FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)**

**STATEMENT OF ACTIVITIES**

While the Statement of Net Position 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 92% of the Library's total revenue. The property tax revenue source increased approximately 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 2014 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 under budget by \$540,863. A 2014 budget comparison and analysis is presented in Table A-3 on page 8.

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2014  
(Continued)**

**BUDGET HIGHLIGHTS (Continued)**

**BUDGET TO ACTUAL - 2014**

**TABLE A-3 2014 BUDGET TO ACTUAL**

	<b>Budget</b>	<b>Actual</b>	<b>Budget - Postive (Negative)</b>
<b>SUPPORT AND REVENUES</b>			
KY Dept. of Libraries and Archives	\$ 106,788	\$ 125,015	\$ 18,227
Grants, other	130,000	105,000	(25,000)
LFUCG tax revenue	13,868,108	13,868,108	
Contributions	183,000	123,265	(59,735)
Enterprise fund revenue	428,500	456,012	27,512
Fines and lost books	319,400	307,881	(11,519)
Interest income	53,030	77,822	24,792
Miscellaneous	5,000	8,844	3,844
Total support and revenues	<u>15,093,826</u>	<u>15,071,947</u>	<u>(21,879)</u>
<b>EXPENSES</b>			
Personnel	8,405,816	8,287,686	118,130
Operating expenses	2,324,971	2,157,811	167,160
Library materials	1,768,611	1,725,586	43,025
Foundation expenses	110,000	7,199	102,801
Grant Expenses/foundation gift	25,000	30,979	(5,979)
Depreciation/interest- enterprise	277,500	223,803	53,697
Enterprise expenses	153,800	128,140	25,660
Capital purchases	885,003	938,306	(53,303)
Other expenditures/expenses	261,372	260,942	430
Debt service	587,751	511,303	76,448
Friends donation	73,000	60,206	12,794
Total expenses	<u>14,872,824</u>	<u>14,331,961</u>	<u>540,863</u>
Changes in fund balances	221,002	739,986	518,984
Fund balances-			
beginning of year	<u>8,935,904</u>	<u>8,935,904</u>	
<b>FUND BALANCES-END OF YEAR</b>	<u><u>\$ 9,156,906</u></u>	<u><u>\$ 9,675,890</u></u>	<u><u>\$ 518,984</u></u>

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2014  
(Continued)**

## **CAPITAL ASSETS**

The Library invested a total of \$947,732 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. Also, the Library will be relocating the Eagle Creek Branch in fiscal year 2015.

## **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 debt held by the Public Library Corporation at June 30, 2014 amounted to \$2,795,557. 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 3.89%. The second note is a twenty-year loan for \$1,500,000 with a variable rate. The total balance of both loans was \$3,984,330 at June 30, 2014. During the past fiscal year the Library transferred \$260,942 to the Public Library Corporation to pay current debt service.

On March 29, 2013, the Library closed on financing for the Energy Project with the Kentucky League of Cities. Financing program revenue bonds, 2014 Series A was issued in the amount of \$1,270,000 at variable interest rates varying from 2.5% to 4.0%. Bond payments are due every February and August. The outstanding bond payable amount was \$1,125,000 at June 30, 2014.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's progress in funding its obligation to provide pension benefits to its employees.

## **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 POSITION**

**June 30, 2014**

**(With Comparative Totals As Of June 30, 2013)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**  
**(With Comparative Totals As Of June 30, 2013)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>2013 Totals</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,558,765	\$ 2,070	\$ 4,560,835	\$ 4,019,483
Short-term investments - unrestricted	6,313,569		6,313,569	6,281,820
Accounts receivable				
Due from enterprise fund	131,709		131,709	231,670
Due from general fund		142,522	142,522	254,796
Other	14,414	13,640	28,054	28,797
Prepaid expenses		7,791	7,791	7,824
Other assets	127,585		127,585	85,040
<b>Total Current Assets</b>	<b>11,146,042</b>	<b>166,023</b>	<b>11,312,065</b>	<b>10,909,430</b>
Noncurrent Assets:				
Deposit on building	150,000		150,000	
Capital assets				
Nondepreciable	4,017,023		4,017,023	4,017,023
Depreciable, net	13,847,750	2,850,692	16,698,442	16,940,857
<b>Total Noncurrent Assets</b>	<b>18,014,773</b>	<b>2,850,692</b>	<b>20,865,465</b>	<b>20,957,880</b>
<b>Total Assets</b>	<b>29,160,815</b>	<b>3,016,715</b>	<b>32,177,530</b>	<b>31,867,310</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	305,694	36,875	342,569	345,065
Accrued payroll	270,794		270,794	246,799
Accrued vacation	311,312		311,312	311,312
Payroll liabilities	154,653		154,653	142,419
Loss contingency	316,253		316,253	316,253
Unearned revenue		501	501	501
Accrued interest payable	20,997		20,997	21,712
Due to enterprise fund	142,522		142,522	254,796
Due to general fund		131,709	131,709	231,670
Current portion of long-term debt	288,512	96,400	384,912	356,199
<b>Total Current Liabilities</b>	<b>1,810,737</b>	<b>265,485</b>	<b>2,076,222</b>	<b>2,226,726</b>
Noncurrent Liabilities:				
Bonds payable	4,820,818	2,699,157	7,519,975	7,921,733
<b>Total Noncurrent Liabilities</b>	<b>4,820,818</b>	<b>2,699,157</b>	<b>7,519,975</b>	<b>7,921,733</b>
<b>Total Liabilities</b>	<b>6,631,555</b>	<b>2,964,642</b>	<b>9,596,197</b>	<b>10,148,459</b>
<b>NET POSITION</b>				
Net investment in				
Capital assets	12,905,443	55,135	12,960,578	12,679,948
Restricted For:				
Grants and bond	197,434		197,434	184,813
Unrestricted	9,426,383	(3,062)	9,423,321	8,854,090
<b>Total Net Position</b>	<b>\$ 22,529,260</b>	<b>\$ 52,073</b>	<b>\$ 22,581,333</b>	<b>\$ 21,718,851</b>

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

**LEXINGTON PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2014  
(With Comparative Totals For the Year Ended June 30, 2013)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2014**  
**(With Comparative Totals For The Year Ended June 30, 2013)**

<b>Functions/Programs</b>	<b>Program Revenues Received</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
Personnel	\$ 8,287,686	\$	\$	\$
Operating expenses	2,157,811	6,299		
Foundation	7,199		45,274	
Grant expenses	30,979			
Friends program support	60,206		77,991	
Construction				105,000
Books and materials	1,725,586	307,881	125,015	
Depreciation/Amortization	1,098,918			
Interest expense	228,195			
Loss from lawsuit settlement				
Library Corporation payments	260,942			
Total Governmental Activities	13,857,522	314,180	248,280	105,000
Business-type Activities:				
Video rentals and purchases	48,430	53		
Parking garage	79,710	362,090		
Operating expenses		93,869		
Interest expense	132,574			
Depreciation/Amortization	91,229			
Total Business-type Activities	351,943	456,012		
<b>Total Primary Government</b>	<b>\$ 14,209,465</b>	<b>\$ 770,192</b>	<b>\$ 248,280</b>	<b>\$ 105,000</b>

**General Revenues:**

Property taxes for general purposes  
Interest and investment earnings  
Miscellaneous  
Total General Revenues  
Change in Net Position  
Net Position- Beginning (Restated)  
  
Net Position - Ending

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES (Continued)**  
**For The Year Ended June 30, 2014**  
**(With Comparative Totals For The Year Ended June 30, 2013)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>2013 Totals</b>
\$ (8,287,686)	\$	\$ (8,287,686)	\$ (7,894,685)
(2,151,512)		(2,151,512)	(2,110,152)
38,075		38,075	33,200
(30,979)		(30,979)	(67,718)
17,785		17,785	(9,797)
105,000		105,000	105,000
(1,292,690)		(1,292,690)	(1,104,064)
(1,098,918)		(1,098,918)	(1,152,079)
(228,195)		(228,195)	(246,379)
			(316,253)
(260,942)		(260,942)	(256,212)
(13,190,062)		(13,190,062)	(13,019,139)
	(48,377)	(48,377)	(52,281)
	282,380	282,380	243,019
	93,869	93,869	87,312
	(132,574)	(132,574)	(136,220)
	(91,229)	(91,229)	(83,257)
	104,069	104,069	58,573
(13,190,062)	104,069	(13,085,993)	(12,960,566)
13,868,108		13,868,108	13,746,809
76,922	900	77,822	87,255
1,465	1,080	2,545	6,699
13,946,495	1,980	13,948,475	13,840,763
756,433	106,049	862,482	880,197
21,772,827	(53,976)	21,718,851	20,838,654
\$ 22,529,260	\$ 52,073	\$ 22,581,333	\$ 21,718,851

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



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

**June 30, 2014**  
**(With Comparative Totals As Of June 30, 2013)**

**LEXINGTON PUBLIC LIBRARY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2014 (With Comparative Totals As Of June 30, 2013)**

<b>ASSETS</b>	<b>General Fund</b>	<b>Library Collection Materials Fund</b>	<b>Construction Fund</b>	<b>2014 Total Governmental Funds</b>	<b>2013 Total Governmental Funds</b>
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents					
Unrestricted	\$ 4,489,129	\$	\$	\$ 4,489,129	\$ 3,962,334
Restricted	37,402		32,234	69,636	55,079
Short-term investments - Unrestricted	6,169,413			6,169,413	6,281,820
Short-term investments - Restricted	144,156			144,156	
Accounts receivable - other	14,414			14,414	12,285
Due from other funds	778,364	521,327		1,299,691	998,558
Due from business type funds	131,709			131,709	231,670
Other assets	127,585			127,585	85,040
	<u>\$ 11,892,172</u>	<u>\$ 521,327</u>	<u>\$ 32,234</u>	<u>\$ 12,445,733</u>	<u>\$ 11,626,786</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities					
Accounts payable	\$ 305,694	\$	\$	\$ 305,694	\$ 345,057
Accrued payroll	270,794			270,794	246,799
Accrued vacation	311,312			311,312	311,312
Accrued interest	20,997			20,997	21,712
Payroll liabilities	154,653			154,653	142,419
Loss contingency	316,253			316,253	316,253
Due to business type funds	142,522			142,522	254,796
Due to other funds	521,327		778,364	1,299,691	998,558
Total current liabilities	<u>2,043,552</u>		<u>778,364</u>	<u>2,821,916</u>	<u>2,636,906</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Little grant	15,876			15,876	38,092
Foundation expenditures	181,558			181,558	146,721
Committed for:					
Buildings, renewal and replacement	2,000,000			2,000,000	2,000,000
New branch	3,000,000			3,000,000	2,000,000
New ILS system					350,000
Emergency fund	300,000			300,000	300,000
Technology Enhancements and Innovation	650,000			650,000	300,000
Signage and lighting project					100,000
Assigned for:					
Book purchases		521,327		521,327	478,302
Capital construction			(746,130)	(746,130)	(488,022)
Unassigned	3,701,186			3,701,186	3,764,787
Total Fund Balances	<u>9,848,620</u>	<u>521,327</u>	<u>(746,130)</u>	<u>9,623,817</u>	<u>8,989,880</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 11,892,172</u>	<u>\$ 521,327</u>	<u>\$ 32,234</u>	<u>\$ 12,445,733</u>	<u>\$ 11,626,786</u>

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

**LEXINGTON PUBLIC LIBRARY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2014 (With Comparative Totals As Of June 30, 2013)**

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

Total Fund Balances	\$ 9,623,817
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.	17,864,773
Deposit on new library branch building	150,000
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>(5,109,330)</u>
Net Position Of Governmental Activities	<u><u>\$ 22,529,260</u></u>

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

**For The Year Ended June 30, 2014**  
**(With Comparative Totals For The Year Ended June 30, 2013)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2014 (With Comparative Totals For The Year Ended June 30, 2013)**

	<u>General Fund</u>	<u>Library Collection Materials Fund</u>	<u>Construction Fund</u>
<b>SUPPORT</b>			
Grants			
Ky Dept of Libraries and Archives	\$ 125,015	\$	\$
Construction grant			105,000
Grants, other			
LFUCG appropriation			
Unrestricted	12,099,497		
Restricted		1,768,611	
Donations			
Foundation (restricted)	45,274		
Friends (unrestricted)	77,991		
Total support	<u>12,347,777</u>	<u>1,768,611</u>	<u>105,000</u>
<b>REVENUE</b>			
Fines and lost books	307,881		
Investment income			
Unrestricted	76,922		
Rental income	6,299		
Miscellaneous	1,465		
Total revenue	<u>392,567</u>		
Total support and revenue	<u>12,740,344</u>	<u>1,768,611</u>	<u>105,000</u>
<b>EXPENDITURES</b>			
Salaries and employee benefits	8,287,686		
Operating expenditures	2,157,811		
Books and materials		1,725,586	
Operating sublease expenditures	260,942		
Friends program support	60,206		
Grant expenditures/foundation gifts	30,979		
Foundation expenditures	7,199		
Debt services	228,195		
Loss on lawsuit settlement			
Total Expenditures	<u>11,033,018</u>	<u>1,725,586</u>	
Support and revenue over expenditures	<u>1,707,326</u>	<u>43,025</u>	<u>105,000</u>
<b>Other Financing (Uses)</b>			
Principal payment on debt	(70,000)		(213,108)
Purchase of property and equipment	(788,306)		
Deposit paid on new branch building			(150,000)
Net other financing (uses)	<u>(858,306)</u>		<u>(363,108)</u>
Net change in Fund Balances	849,020	43,025	(258,108)
Fund Balances - Beginning (Restated)	<u>8,999,600</u>	<u>478,302</u>	<u>(488,022)</u>
Fund Balances - Ending	<u>\$ 9,848,620</u>	<u>\$ 521,327</u>	<u>\$ (746,130)</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, 2014 (With Comparative Totals For The Year Ended June 30, 2013)**

	<b>2014 Totals</b>	<b>2013 Totals</b>
	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>SUPPORT</b>		
Grants		
Ky Dept of Libraries and Archives	\$ 125,015	\$ 125,053
Construction grant	105,000	105,000
Grants, other		24,031
LFUCG appropriation		
Unrestricted	12,099,497	12,218,198
Restricted	1,768,611	1,528,611
Donations		
Foundation (restricted)	45,274	66,664
Friends (unrestricted)	77,991	61,693
Total support	<u>14,221,388</u>	<u>14,129,250</u>
<b>REVENUE</b>		
Fines and lost books	307,881	335,532
Investment income		
Unrestricted	76,922	86,355
Rental income	6,299	8,673
Miscellaneous	1,465	5,366
Total revenue	<u>392,567</u>	<u>435,926</u>
Total support and revenue	<u>14,613,955</u>	<u>14,565,176</u>
<b>EXPENDITURES</b>		
Salaries and employee benefits	8,287,686	7,894,685
Operating expenditures	2,157,811	2,118,825
Books and materials	1,725,586	1,564,649
Operating sublease expenditures	260,942	256,212
Friends program support	60,206	71,490
Grant expenditures/foundation gifts	30,979	91,749
Foundation expenditures	7,199	33,464
Debt services	228,195	246,379
Loss on lawsuit settlement		316,253
Total Expenditures	<u>12,758,604</u>	<u>12,593,706</u>
Support and revenue over expenditures	<u>1,855,351</u>	<u>1,971,470</u>
<b>Other Financing Sources (Uses)</b>		
Principal payment on debt	(283,108)	(332,448)
Purchase of property and equipment	(788,306)	(1,422,671)
Deposit paid on new branch building	(150,000)	
Net other financing sources (uses)	<u>(1,221,414)</u>	<u>(1,755,119)</u>
Net change in Fund Balances	633,937	216,351
Fund Balances - Beginning (Restated)	<u>8,989,880</u>	<u>8,773,529</u>
Fund Balances - Ending	<u>\$ 9,623,817</u>	<u>\$ 8,989,880</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, 2014**

**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, 2014**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	633,937
--------------------------------------------------------	----	---------

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		788,306
Depreciation expense		(1,098,918)
Deposit paid on new branch building		150,000

The issuance of long-term debt (e.g. bonds, financing obligations) provides  
 current financial resources to governmental funds, while repayment of principal  
 on long-term debt consumes the current financial resources of Governmental  
 Funds. These transactions, however, have no effect on net position.

Bond Debt Principal Payments		<u>283,108</u>
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Change in Net Position of Governmental Activities	\$	<u><u>756,433</u></u>
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**LEXINGTON PUBLIC LIBRARY  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**June 30, 2014  
(With Comparative Totals As Of June 30, 2013)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**June 30, 2014 (With Comparative Totals As of June 30, 2013)**

	Enterprise Fund	Parking Fund	2014 Total Proprietary Fund	2013 Total Proprietary Fund
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,070	\$ 1,000	\$ 2,070	\$ 2,070
Accounts receivables		13,640	13,640	16,512
Due from general fund	142,522		142,522	254,796
Prepaid expenses		7,791	7,791	7,824
Total current assets	143,592	22,431	166,023	281,202
Noncurrent assets				
Capital assets, net of depreciation	151,455	2,699,237	2,850,692	2,782,495
<b>TOTAL ASSETS</b>	<b>\$ 295,047</b>	<b>\$ 2,721,668</b>	<b>\$ 3,016,715</b>	<b>\$ 3,063,697</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	\$ 8	\$ 36,867	\$ 36,875	\$ 8
Unearned revenue		501	501	501
Due to general fund		131,709	131,709	231,670
Current portion of long-term debt		96,400	96,400	73,090
Total current liabilities	8	265,477	265,485	305,269
Long-term debt		2,699,157	2,699,157	2,812,404
Total liabilities	8	2,964,634	2,964,642	3,117,673
Net position				
Invested in capital assets, net of related debt	151,455	(96,320)	55,135	(102,999)
Unrestricted	143,584	(146,646)	(3,062)	49,023
Total net position	295,039	(242,966)	52,073	(53,976)
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 295,047</b>	<b>\$ 2,721,668</b>	<b>\$ 3,016,715</b>	<b>\$ 3,063,697</b>

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

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

**For The Year Ended June 30, 2014  
With Comparative Totals For The Year Ended June 30, 2013)**

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

**For The Year Ended June 30, 2014 (With Comparative Totals For The Year Ended June 30, 2013)**

	Enterprise Fund	Parking Fund	2014 Total Proprietary Fund	2013 Total Proprietary Fund
<b>Operating revenues</b>				
Video rentals and fines	\$ 53	\$	\$ 53	\$ 1,243
Copy sales	93,869		93,869	87,312
Parking garage		362,090	362,090	452,682
Miscellaneous revenue	1,060	20	1,080	1,333
Total operating revenues	<u>94,982</u>	<u>362,110</u>	<u>457,092</u>	<u>542,570</u>
<b>Operating expenses</b>				
Operating expenses	48,430	79,710	128,140	263,187
Depreciation	7,971	83,258	91,229	83,257
Total operating expenses	<u>56,401</u>	<u>162,968</u>	<u>219,369</u>	<u>346,444</u>
Total operating income	<u>38,581</u>	<u>199,142</u>	<u>237,723</u>	<u>196,126</u>
<b>Nonoperation revenues and (expenses)</b>				
Interest income	600	300	900	900
Interest expense		(132,574)	(132,574)	(136,220)
Total nonoperation revenues (expenses)	<u>600</u>	<u>(132,274)</u>	<u>(131,674)</u>	<u>(135,320)</u>
Change in net position	39,181	66,868	106,049	60,806
Total net position-beginning (restated)	<u>255,858</u>	<u>(309,834)</u>	<u>(53,976)</u>	<u>(114,782)</u>
<b>TOTAL NET POSITION-ENDING</b>	<u>\$ 295,039</u>	<u>\$ (242,966)</u>	<u>\$ 52,073</u>	<u>\$ (53,976)</u>

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

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

**For The Year Ended June 30, 2014  
(With Comparative Totals As Of June 30, 2013)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2014**  
**(With Comparative Totals As Of June 30, 2013)**

	Enterprise Fund	Parking Fund	2014 Total Proprietary Fund	2013 Total Proprietary Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 94,982	\$ 364,982	\$ 459,964	\$ 534,444
Payroll payments		(29,517)	(29,517)	(24,313)
Payments to suppliers	(48,430)	(50,160)	(98,590)	(238,874)
Net cash provided by operating activities	<u>46,552</u>	<u>285,305</u>	<u>331,857</u>	<u>271,257</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfer to general fund	(47,152)	(63,094)	(110,246)	(29,220)
Bond principal debt paid		(89,937)	(89,937)	(106,717)
Interest paid on capital debt		(132,574)	(132,574)	(136,220)
Net cash used by capital and related financing activities	<u>(47,152)</u>	<u>(285,605)</u>	<u>(332,757)</u>	<u>(272,157)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	600	300	900	900
Net cash provided by financing activities	<u>600</u>	<u>300</u>	<u>900</u>	<u>900</u>
Net increase in cash and cash equivalents				
Balances-beginning of year	<u>1,070</u>	<u>1,000</u>	<u>2,070</u>	<u>2,070</u>
<b>BALANCES-END OF THE YEAR</b>	<u>\$ 1,070</u>	<u>\$ 1,000</u>	<u>\$ 2,070</u>	<u>\$ 2,070</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 38,581	\$ 199,142	\$ 237,723	\$ 196,126
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	7,971	83,258	91,229	83,257
Changes in asset and liabilities				
Accounts receivable		2,872	2,872	8,774
Prepaid expenses		33		(7,824)
Interest payable				(9,076)
Net cash provided by operating activities	<u>\$ 46,552</u>	<u>\$ 285,305</u>	<u>\$ 331,857</u>	<u>\$ 271,257</u>

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

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**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies**

**Nature of Organization**

The 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"). 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. GASB 61 was implemented during fiscal year 2013 (See Note 12) which resulted in the Foundation being considered a blended component unit of the Lexington Public Library. Therefore, the Foundation is included in the governmental fund.

**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 position 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, 2014  
(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 Fund**

The Library Collection Material Fund is presented as a special revenue fund. 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 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.

**Blended Entity Component Unit**

The financial data of the Lexington Public Library Foundation, Inc., is reported on the Statement of Net Position and the Statement of Activities in the column labeled "Governmental Activities". 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 fundraising related expenses. The Foundation's financial data is also included in the Balance Sheet – Governmental Funds and the Statement of Support, Revenue, Expenditures and Changes in Fund Balances – Governmental Funds in the column labeled "General Fund".

**LEXINGTON PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(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 income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. The Foundation recognizes uncertain income tax positions using the “more-likely-than-not” approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements. The Foundation’s 2010 - 2014 tax years remain open and subject to examination.

**Cash and Cash Equivalents**

For purposes of statements of cash flows, the Library considers all highly-liquid investments with an initial maturity of three months 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**

Subsequent events for the Library have been considered through the date of the Independent Auditor’s Report which represents the date the financial statements were available to be issued. See Note 16 for a description of a subsequent event issue noted.

**LEXINGTON PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**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 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. When expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Library to consider restricted amounts to have been reduced first. When an expense is incurred for purposes for which unrestricted fund balance classification could be used, it is the policy of the Library to first use any current fiscal year budgeted amounts available, followed by committed amounts, followed by assigned amounts and then unassigned amounts.

**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, 2014 was \$4,560,835. The carrying amount of the Library's short-term investments at June 30, 2014 was \$6,313,569.

**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, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(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, 2014 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Depreciable capital assets				
Land improvements	\$ 70,279	\$	\$	\$ 70,279
Village branch construction	713,851	119,953		833,804
Buildings and improvements	22,599,880	259,228		22,859,108
Furniture/equipment	8,675,691	409,125		9,084,816
Totals at Cost	32,059,701	788,306		32,848,007
Less: accumulated depreciation:	17,901,339	1,098,918		19,000,257
Depreciable capital assets, net	<u>\$ 14,158,362</u>	<u>\$ (310,612)</u>	<u>\$</u>	<u>\$ 13,847,750</u>
Nondepreciable capital assets				
Land	\$ 3,539,842	\$	\$	\$ 3,539,842
Artistic clock	477,181			477,181
	<u>\$ 4,017,023</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,017,023</u>
<b>Business-Type Activities:</b>				
Furniture/equipment	\$ 682,312	\$ 159,426	\$ (682,312)	\$ 159,426
Parking garage & improvements	3,465,758			3,465,758
Totals at cost	4,148,070	159,426	(682,312)	3,625,184
Less: accumulated depreciation	1,365,575	91,229	(682,312)	774,492
Capital assets net	<u>\$ 2,782,495</u>	<u>\$ 68,197</u>	<u>\$</u>	<u>\$ 2,850,692</u>

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Depreciation expense was charged as follows:

Governmental Activities:

Total Depreciation Expense - Governmental Activities	<u>\$ 1,098,918</u>
------------------------------------------------------	---------------------

Business-Type Activities

Total Depreciation Expense - Business-Type Activities	<u>\$ 91,229</u>
-------------------------------------------------------	------------------

**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 or 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent. The Library's contribution for the year ended June 30, 2014 was \$952,329 and the employees contributed \$255,502.

On June 27, 2008 House Bill 1, the Pension Reform legislation, was signed into law. This legislation significantly impacts retirement benefits for employees who began participating in KERS on or after September 1, 2008. The law also has provisions that affected employees and retirees covered by KERS prior to September 1, 2008. Employees who began participation in CERS on or after September 1, 2008 are required to contribute 6% of their annual covered salary. Employers, including the Library, continue to be required to contribute at an actuarially determined rate. House Bill 1 contained a provision expressing the intent of the General Assembly to gradually increase the employer contributions to the CERS beginning July 1, 2012. If in the future the General Assembly adheres to this schedule, all participating agencies will be required to pay the full employer contribution by 2025. The financial impact to the Library in these future years is not yet known.

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.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 7. Interfund Transactions**

Interfund loans on the fund statements at June 30, 2014 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 910,073	\$ 663,849
Collection Materials	521,327	
Construction		778,364
Proprietary Funds	142,522	131,709
	<u>\$ 1,573,922</u>	<u>\$ 1,573,922</u>

**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, 2014 was 3.49%. The outstanding balance was \$2,795,557.

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 96,400	\$ 127,988	\$ 224,388
2016	125,000	83,767	208,767
2017	100,000	101,098	201,098
2018	108,585	118,881	227,466
2019	174,966	52,485	227,451
2020-2024	653,227	475,781	1,129,008
2025-2029	772,442	363,535	1,135,977
2030-2034	764,937	231,671	996,608
Totals	<u>\$ 2,795,557</u>	<u>\$ 1,555,206</u>	<u>\$ 4,350,763</u>

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 9. Long-Term Liabilities (Continued)**

**B. Northside Branch Debt (Continued)**

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, 2014 the effective rate was 3.21%. The outstanding balance was \$3,984,330.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2015	\$ 218,512	\$ 184,494	\$ 403,006
2016	248,470	174,505	422,975
2017	240,181	162,824	403,005
2018	251,433	151,572	403,005
2019	263,496	139,509	403,005
2020-2024	1,519,216	495,814	2,015,030
2025-2028	1,243,022	133,916	1,376,938
Totals	<u>\$ 3,984,330</u>	<u>\$ 1,442,634</u>	<u>\$ 5,426,964</u>

**Energy Project Debt**

On March 29, 2012, the Library closed on financing for the Energy Project with the Kentucky League of Cities. Financing program revenue bonds, 2014 Series A was issued in the amount of \$1,270,000 at variable interest rates varying from 2.5% to 4.0%. Bonds payments are due every February and August. The outstanding bond payable amount was \$1,125,000 at June 30, 2014.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2015	\$ 70,000	\$ 36,962	\$ 106,962
2016	75,000	35,212	110,212
2017	75,000	32,962	107,962
2018	80,000	30,712	110,712
2019	80,000	27,112	107,112
2020-2024	445,000	104,024	549,024
2025-2027	300,000	23,926	323,926
Totals	<u>\$ 1,125,000</u>	<u>\$ 290,910</u>	<u>\$ 1,415,910</u>

**LEXINGTON PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**Note 9. Long-Term Liabilities (Continued)**

**D. Changes in Long-Term Liabilities**

Long-term liability activity for the governmental activities for the year ended June 30, 2014, was as follows:

	Beginning Balance	Reductions	Additional principal payment	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Debt Obligations	\$ 4,197,438	\$ 213,108	\$	\$ 3,984,330	\$ 218,512
Bond	1,195,000	70,000		1,125,000	70,000
Governmental Activities Long-term Liabilities	<u>\$ 5,392,438</u>	<u>\$ 283,108</u>	<u>\$</u>	<u>\$ 5,109,330</u>	<u>\$ 288,512</u>
	Beginning Balance	Reductions	Additional principal payment	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
Debt Obligations	\$ 2,885,494	\$ 73,090	\$ 16,847	\$ 2,795,557	\$ 96,400
Business-Type Activities Long-term Liabilities	<u>\$ 2,885,494</u>	<u>\$ 73,090</u>	<u>\$ 16,847</u>	<u>\$ 2,795,557</u>	<u>\$ 96,400</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 Position 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, 2014 was \$311,312.

**Note 11. Contingencies and Commitments**

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, 2013 issued an Order on 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' 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.



**LEXINGTON PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**Note 11. Contingencies and Commitments (Continued)**

On February 21, 2014, the Fayette Circuit Court ruled that the Arbitration Panel exceeded its authority on several issues and entered an Opinion and Order reducing the award to the Plaintiff to \$256,940, representing unpaid salary for the term of the contract. The plaintiff filed an appeal with the Kentucky Court of Appeals and the Library has filed a Cross-Appeal that the award of unpaid salary for the balance of the original term of the contract is in contravention of Kentucky law. The appeal is pending in the Kentucky Court of Appeals and presently there has been no settlement conference scheduled. Because of the caseload of the Kentucky Court of Appeals it is likely that the appeal schedule will take about a year to proceed through the Court of Appeals. Counsel for the Library is unable to opine at this point as to the outcome of the appeal.

It is probable that the damages awarded for salary remaining on the contract will be upheld as well as interest damages at 8% per annum per Kentucky statute. As such, the Lexington Public Library has recorded a liability of \$316,253 for damages in the lawsuit filed by its former Director.

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 amount 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 Corporation for an annual rental equal to the annual debt service on the bonds. As of June 30, 2014 the Library is committed to fund a total of \$2,078,518 through fiscal year 2020 for this purpose.

**Note 12. Blended Component Unit – Lexington Public Library Foundation**

GASB 61: *The Financial Reporting Entity: Omnibus* was implemented during fiscal year 2013. This statement amended the criteria for blending component units. As a result of this new evaluation, the Foundation is presented as a blended entity. The financial data of the Lexington Public Library Foundation, Inc., is reported on the Statement of Net Position and the Statement of Activities in the column labeled “Governmental Activities”. 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 fundraising related expenses. The Foundation’s financial data is also included in the Balance Sheet – Governmental Funds and the Statement of Support, Revenue, Expenditures and Changes in Fund Balances – Governmental Funds in the column labeled “General Fund”.

**Note 13. Implementation of GASB 63 Related to Fiscal Year 2013**

In June 2012, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance relative to deferred outflows of resources, a consumption of net assets by the entity that is applicable to a future reporting period, and deferred inflows of resources, an acquisition of net assets by the entity that is applicable to a future reporting period. GASB Statement No. 63 incorporates deferred outflows and inflows of resources into the definitions of the required components of the residual measure, renaming such measure as net position, rather than net assets. The provisions of GASB Statement No. 63 are effective for fiscal periods beginning after December 15, 2012 (the fiscal year ended June 30, 2013 for the Library). The Library adopted GASB 63 for the year ended June 30, 2013, the adoption of this standard did not have an impact on the Library’s financial position, results of operations, and/or cash flows.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 14. Early Adoption of GASB 65 Related to Fiscal Year 2013**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation of this statement required the restatement of the June 30, 2011 financial position to properly account for bond issuance costs incurred prior to fiscal year 2012. Additionally, the 2012 financial statements were restated to expense bond issuance costs incurred during fiscal year 2012. Note 15 provides a detail of the restatements required for both governmental activities and business-type activities.

**Note 15. Restatement of Beginning Net Position Related to Fiscal Year 2013**

Beginning net position for fiscal year 2013 related to Governmental Activities and beginning fund balance for the General Fund were restated to properly include \$184,615 of net position related to the Foundation. Under GASB 61, the Foundation was reported as a blended component unit; however, in prior year the Foundation was discretely presented.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 15. Restatement of Beginning Net Position (Continued)**

GASB 65 was also implemented, which resulted in a restatement of fiscal year 2013 beginning balance.

The restatement of the net position for the general government on the Statement of Net Position included the following.

Statement of Net Position

Net position, July 1, 2011 prior to restatement	\$ 19,350,251
Eliminate bond costs	(146,618)
Net position, July 1, 2011 (Restated)	<u>\$ 19,203,633</u>
Net position, June 30, 2012, prior to restatement	\$ 21,008,004
Expense bond costs related to new debt	(30,817)
Eliminate bond costs	(146,618)
Add back amortization expense for bond costs	8,085
Net position, June 30, 2012 (Restated)	<u>\$ 20,838,654</u>

The restatement of the net position for the proprietary and parking fund on the Statement of Net Position included the following.

Statement of Net Position - Proprietary funds

Net position, July 1, 2011 prior to restatement	\$ (83,073)
Eliminate bond costs	(47,040)
Net position, July 1, 2011 (Restated)	<u>\$ (130,113)</u>
Net position, June 30, 2012, prior to restatement	\$ (69,816)
Eliminate bond costs	(47,040)
Add back amortization expense for bond costs	2,074
	<u>\$ (114,782)</u>

Statement of Net Position - Parking fund

Net position, July 1, 2011 prior to restatement	\$ (339,054)
Eliminate bond costs	(47,040)
Net position, July 1, 2011 (Restated)	<u>\$ (386,094)</u>
Net position, June 30, 2012, prior to restatement	\$ (289,000)
Eliminate bond costs	(47,040)
Add back amortization expense for bond costs	2,074
Net position, June 30, 2012 (Restated)	<u>\$ (333,966)</u>

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 16. Subsequent Event – Purchase and Financing of New Branch**

On June 11, 2014, the Board of Trustees voted to purchase a building for approximately \$4 million that will be renovated and placed in service to replace the existing Eagle Creek Branch. As such, the Library paid a refundable \$150,000 deposit on the property. The Eagle Creek Branch building will be sold, and the proceeds will be used to pay down the debt associated with the new branch. The new branch is expected to open by May 2015.

The purchase will be completed upon the Library obtaining appropriate financing.

**Note 17. Future Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. GASB Statement No. 68 addresses accounting and financial reporting for pensions that are provided to the employees through trusts that have defined characteristics.

This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to the periods of employ services. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined pension plan. The Library is currently evaluating the impact that will result from adopting GASB No. 68 and is therefore unable to disclose the impact that adopting the Standard will have on the Library's financial position and the results of its operations when the Statement is adopted.

**Note 18. Deficit Fund Balance – Construction Fund**

The deficit balance in the Construction Fund is primarily the result of insufficient revenues to fund the yearly debt service requirements. The Library's general fund operating cash account pays the debt service requirements and the disbursements are recorded as expenditures of the Construction Fund with a corresponding liability for funds due to the General Fund.

**LEXINGTON PUBLIC LIBRARY  
SUPPLEMENTARY INFORMATION**

**For The Year Ended June 30, 2014**

**LEXINGTON PUBLIC LIBRARY**  
**REQUIRED SUPPLEMENTARY INFORMATION – GENERAL FUND**  
**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b>Support</b>				
Grants				
KY Dept. of Libraries and Archives	\$ 106,788	\$ 106,788	\$ 125,015	\$ 18,227
Grants, other	25,000	25,000	-	(25,000)
LFUCG appropriation				
Unrestricted	11,975,639	12,099,497	12,099,497	-
Donations				
Unrestricted	73,000	73,000	77,991	4,991
Restricted	110,000	110,000	45,274	(64,726)
Total support	<u>12,290,427</u>	<u>12,414,285</u>	<u>12,347,777</u>	<u>(66,508)</u>
<b>REVENUE</b>				
Fines and lost books	319,400	319,400	307,881	(11,519)
Interest earned				
Unrestricted	53,030	53,030	76,922	23,892
Miscellaneous	5,000	5,000	7,764	2,764
Total revenue	<u>377,430</u>	<u>377,430</u>	<u>392,567</u>	<u>15,137</u>
Total support and revenue	<u>12,667,857</u>	<u>12,791,715</u>	<u>12,740,344</u>	<u>(51,371)</u>
<b>EXPENDITURES</b>				
Salaries wages and employee benefits	8,405,816	8,405,816	8,287,686	118,130
Operating expenses	2,324,971	2,324,971	2,157,811	167,160
Construction				
Transfer to LPL Corporation	261,372	261,372	260,942	430
Grant expense/foundation gifts	25,000	25,000	30,979	(5,979)
Foundation	110,000	110,000	7,199	102,801
Debt Service	482,751	482,751	228,195	254,556
Friends program support	73,000	73,000	60,206	12,794
Total expenses	<u>11,682,910</u>	<u>11,682,910</u>	<u>11,033,018</u>	<u>649,892</u>
Support and revenue over expenses	984,947	1,108,805	1,707,326	598,521
Other changes				
Principal payment on debt			(70,000)	(70,000)
Purchases of property & equipment	(761,145)	(885,003)	(788,306)	96,697
Net increase in fund balances	223,802	223,802	849,020	625,218
Fund balances-				
beginning of year	<u>8,999,600</u>	<u>8,999,600</u>	<u>8,999,600</u>	
<b>FUND BALANCES-END OF YEAR</b>	<u>\$ 9,223,402</u>	<u>\$ 9,223,402</u>	<u>\$ 9,848,620</u>	<u>\$ 625,218</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b>Support</b>				
LFUCG appropriations	\$ 1,768,611	\$ 1,768,611	\$ 1,768,611	\$
Total support	<u>1,768,611</u>	<u>1,768,611</u>	<u>1,768,611</u>	
<b>REVENUE</b>				
Interest earned				
Restricted				
Total revenue				
Total support and revenue	<u>1,768,611</u>	<u>1,768,611</u>	<u>1,768,611</u>	
<b>EXPENSES</b>				
Books and materials	<u>1,768,611</u>	<u>1,768,611</u>	<u>1,725,586</u>	<u>43,025</u>
Total expenses	<u>1,768,611</u>	<u>1,768,611</u>	<u>1,725,586</u>	<u>43,025</u>
Net increase in fund balances			43,025	43,025
Fund balances-				
beginning of year	<u>478,302</u>	<u>478,302</u>	<u>478,302</u>	
<b>FUND BALANCES-END OF YEAR</b>	<u>\$ 478,302</u>	<u>\$ 478,302</u>	<u>\$ 521,327</u>	<u>\$ 43,025</u>

Independent Auditor's 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 of  
Lexington Public Library

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Lexington Public Library ("the Library") as of and for the year ended June 30, 2014 and the related notes to the financial statements which collectively comprise the Library's basic financial statement and have issued our report thereon dated September 4, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Independent Auditor's 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* (Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mungoy Chilton Madley, LLP". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
September 4, 2014