

Lexington Public Library
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June 30, 2019

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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, the business-type activities and each major fund of the Lexington Public Library, a component unit of the Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Lexington Public Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Lexington Public Library's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Independent Auditor's Report (Continued)**Opinions**

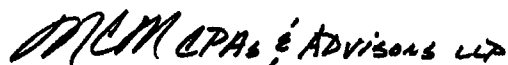
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Lexington Public Library, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, budgetary comparison schedules on pages 52 through 54, the Schedule of Lexington Public Library's Net Pension Liability and Related Ratios Based on Participation in the County Employees Retirement System on page 55, the Schedule of Lexington Public Library's Contributions Based on Participation in the County Employees Retirement System on page 56, the Schedule of Lexington Public Library's Proportionate Share of the Collective Net OPEB Liability in the County Employees Retirement System Insurance Fund on page 58, and the Schedule of Lexington Public Library's Contributions in the County Employees Retirement System Insurance Fund on page 59, 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 9, 2019 on our consideration of the Lexington Public 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lexington Public Library's internal control over financial reporting and compliance.



Lexington, Kentucky
September 9, 2019

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2019**

FINANCIAL HIGHLIGHTS

- The Lexington Public Library's (the Library) net position increased \$251,189 during fiscal year 2019. Current Assets increased by \$1,944,252 and Bonds Payable decreased \$599,992 both improving the Library's net position. The net value of Capital Assets decreased \$621,646 and the pension obligation net of deferred outflows and pension contributions increased \$475,183.
- The Library made capital investments during the fiscal year for equipment and building improvements and construction. The most significant investments were made in computer and technology improvements including a new library system and software that improves customer printing capabilities.
- The Library allocated 13% of its tax revenues for library books and materials, with spending on both children's materials and e-books increasing.
- The Lexington Public Library Foundation raised \$472,126 in fiscal year 2019, transferring \$66,726 in grants and other designated gifts to further Library programming and services as well as \$145,000 in gifts toward the Eastside Branch debt.
- The Library's business-type activities had a decrease in net position of \$9,628 for fiscal year 2019. This was due to investments made toward safety in the garage.
- The Friends of the Lexington Public Library contributed \$75,000 to the Library. This included gifts for a new outreach van and awning for Northside's outdoor patio.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis, the independent auditor's report and the basic financial statements, and certain required supplementary information 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 viewpoint 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 (Continued)
June 30, 2019**

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources - 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, the Library is displayed as 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 two 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 less 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.

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2019**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

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

STATEMENT OF NET POSITION

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

Condensed Statement of Net Position

	Total			Percent
	2019	2018	Change	Change
Assets				
Current assets	\$ 14,150,137	\$ 12,205,885	\$ 1,944,252	16%
Net noncurrent assets	24,733,760	25,355,406	(621,646)	-2%
Total Assets	38,883,897	37,561,291	1,322,606	4%
Deferred Outflows of Resources	4,426,470	5,677,972	(1,251,502)	-22%
Total Assets and Deferred Outflows of Resources	\$ 43,310,367	\$ 43,239,263	\$ 71,104	0%
Liabilities				
Current liabilities	\$ 1,677,010	\$ 1,664,744	\$ 12,266	1%
Long-term liabilities	25,644,954	26,053,931	(408,977)	-2%
Total Liabilities	27,321,964	27,718,675	(396,711)	-1%
Deferred Inflows of Resources	1,966,005	1,749,379	216,626	12%
Total Liabilities and Deferred Inflows of Resources	29,287,969	29,468,054	(180,085)	-1%
Net Position				
Net investment in capital assets	16,085,502	16,107,156	(21,654)	0%
Restricted	497,037	390,932	106,105	27%
Unrestricted	(2,560,141)	(2,726,879)	166,738	-6%
Total Net Position	14,022,398	13,771,209	251,189	2%
Total Liabilities and Deferred Inflows of Resources and Net Position	\$ 43,310,367	\$ 43,239,263	\$ 71,104	0%

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2019**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

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

<u>Condensed Statement of Activities</u>					
	<u>Total</u>		<u>Change</u>	<u>Percent Change</u>	<u>Percent of Total</u>
	<u>2019</u>	<u>2018</u>			
Revenues					
LFUCG tax revenue	\$ 16,577,574	\$ 15,786,567	\$ 791,007	5%	91%
Interest and investment earnings	183,074	97,436	85,638	88%	1%
Capital grants and contributions	105,000	105,000	-	0%	1%
Operating grants and contributions	656,169	701,880	(45,711)	-7%	4%
Charges for services	553,367	623,663	(70,296)	-11%	3%
(Loss) gain on disposal of equipment	(26,236)	3,238	(29,474)	-910%	0%
E-rate revenue	65,417	57,200	8,217	14%	0%
Other revenues	30,445	16,090	14,355	89%	0%
Total Revenue	18,144,810	17,391,074	753,736	4%	100%
Expenses					
Personnel	10,601,258	10,818,596	(217,338)	-2%	59%
Operating expenses	2,586,163	2,343,938	242,225	10%	14%
Grant and foundation	169,339	386,775	(217,436)	-56%	1%
Books and materials	2,145,172	2,067,328	77,844	4%	12%
Enterprise	456,989	429,803	27,186	6%	3%
Depreciation and amortization	1,429,213	1,468,393	(39,180)	-3%	8%
Library corporation	259,273	253,580	5,693	2%	1%
Interest expense	246,214	238,681	7,533	3%	1%
Total Expenses	17,893,621	18,007,094	(113,473)	-1%	100%
Change In Net Position	251,189	(616,020)	867,209	-141%	
Net Position - Beginning	13,771,209	14,387,229	(616,020)	-4%	
Net Position - Ending	\$ 14,022,398	\$ 13,771,209	\$ 251,189	2%	

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2019**

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 91% of the Library's total revenue. The property tax revenue source increased approximately 5% due to increased property values and growth in Fayette County.

The personnel expense represents approximately 59% of total expenses. Personnel expenses reflect pension and other postemployment benefits expense in excess of contributions of \$2,101,300.

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 2019 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 net change in the Library's fund balance was \$1,976,683, which was \$2,057,430 better than budget. The Library's actual expenses, overall, were under budget by \$1,245,503. A 2019 budget comparison and analysis is presented in Table A-3 on page 8. Personnel expenditures were under budget due to turnover in key positions as well as general turnover leading to longer than anticipated vacancies. Branch related capital purchases were delayed while the Library was undertaking a Facilities Master Planning process. Additionally, both tax revenue and contributions were higher than anticipated. From these funds, the Library set aside \$1,276,630 for Central parking garage refurbishment, including brick repair and elevator upgrades. These repairs started in April 2019 after being delayed.

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2019**

BUDGET HIGHLIGHTS (Continued)

BUDGET TO ACTUAL - 2018

TABLE A-3 2018 BUDGET TO ACTUAL

	<u>Budget</u>	<u>Actual</u>	<u>Budget - Positive (Negative)</u>
SUPPORT AND REVENUES			
KY Dept. of Libraries and Archives	\$ 110,544	\$ 109,043	\$ (1,501)
Grants, other	105,000	105,000	-
LFUCG tax revenue	16,092,960	16,577,574	484,614
Contributions	265,000	507,403	242,403
Enterprise fund revenue	492,600	465,482	(27,118)
Fines and lost books	145,600	87,885	(57,715)
Interest income	60,000	183,074	123,074
Miscellaneous	73,700	71,522	(2,178)
Total support and revenues	<u>17,345,404</u>	<u>18,106,983</u>	<u>761,579</u>
EXPENSES			
Personnel	9,685,025	9,192,260	492,765
Operating expenses	2,801,276	2,596,594	204,682
Library materials	2,108,178	2,145,187	(37,009)
Foundation expenses	145,000	89,277	55,723
Grant Expenses/foundation gift	-	31,668	(31,668)
Depreciation/interest- enterprise	295,286	232,016	63,270
Enterprise expenses	366,600	224,973	141,627
Capital purchases	872,068	624,476	247,592
Library corporation	259,273	259,273	-
Debt service	848,445	736,352	112,093
Friends donation	45,000	48,572	(3,572)
Total expenses	<u>17,426,151</u>	<u>16,180,648</u>	<u>1,245,503</u>
Expenditures Over Support and Revenues	(80,747)	1,926,335	2,007,082
Other Financing/Capital			
Proceeds from sale of fixed assets	-	10,625	10,625
Other Financing/Capital	-	10,625	10,625
Changes in fund balances	(80,747)	1,936,960	2,017,707
Fund balances- beginning of year	<u>11,267,908</u>	<u>11,267,908</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 11,187,161</u>	<u>\$ 13,204,868</u>	<u>\$ 2,017,707</u>

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2019**

CAPITAL ASSETS

The Library invested a total of \$635,101 in capital assets purchased. 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 debt held by the Public Library Corporation at June 30, 2019 amounted to \$2,308,147. 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 2008, 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 \$2,782,027 at June 30, 2019.

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 were 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 \$709,583 at June 30, 2019.

On December 30, 2014, the Library closed on financing for the relocation project related to the Eagle Creek Branch with Kentucky Bank. The construction lease has a borrowing capacity of \$5,500,000. As of June 30, 2015, \$2,145,929 was drawn on the construction lease. During fiscal year 2017, the remaining amount of \$3,354,071 was drawn on the lease to total \$5,500,000. The construction lease has a fixed rate of 2.78%. The principal balance as of June 30, 2019, was \$2,848,496.

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, 2019
(With Comparative Totals as of June 30, 2018)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION
June 30, 2019
(With Comparative Totals as of June 30, 2018)

	Governmental Activities	Business-Type Activities	Total	2018 Totals
ASSETS				
Current Assets:				
Cash and cash equivalents - unrestricted	\$ 8,436,478	\$ 4,032	\$ 8,440,510	\$ 6,550,207
Cash and cash equivalents - restricted	161,472	-	161,472	245,427
Short-term investments - unrestricted	5,031,034	-	5,031,034	5,087,321
Short-term investments - restricted	368,722	-	368,722	178,094
Accounts receivable				
Other	13,469	11,437	24,906	17,532
Interfund balances	(65,709)	65,709	-	-
Prepaid expenses	123,493	-	123,493	127,304
Total Current Assets	14,068,959	81,178	14,150,137	12,205,885
Noncurrent Assets:				
Capital assets				
Nondepreciable	4,786,335	265,422	5,051,757	4,844,615
Depreciable, net	17,226,208	2,455,795	19,682,003	20,510,791
Total Noncurrent Assets	22,012,543	2,721,217	24,733,760	25,355,406
Total Assets	36,081,502	2,802,395	38,883,897	37,561,291
Deferred Outflows of Resources				
Actuarially determined outflow - pension	2,425,795	-	2,425,795	3,607,236
Actuarially determined outflow - OPEB	781,867	-	781,867	968,124
Contributions - pension	872,657	-	872,657	791,368
Contributions - OPEB	346,151	-	346,151	311,244
Total Deferred Outflows of Resources	4,426,470	-	4,426,470	5,677,972
Total Assets and Deferred Outflows of Resources	40,507,972	2,802,395	43,310,367	43,239,263
LIABILITIES				
Current Liabilities:				
Accounts payable	267,151	129,983	397,134	259,578
Accrued payroll	153,450	-	153,450	138,899
Accrued vacation	316,411	-	316,411	311,312
Payroll liabilities	145,355	-	145,355	40,288
Loss contingency	316,253	-	316,253	316,253
Unearned revenue	-	501	501	501
Accrued interest payable	138	-	138	-
Current portion of long-term debt	233,477	114,291	347,768	597,913
Total Current Liabilities	1,432,235	244,775	1,677,010	1,664,744
Noncurrent Liabilities:				
Net pension obligation	13,429,548	-	13,429,548	12,954,365
Net OPEB liability	3,914,916	-	3,914,916	4,449,229
Bonds payable	6,106,634	2,193,856	8,300,490	8,650,337
Total Noncurrent Liabilities	23,451,098	2,193,856	25,644,954	26,053,931
Total Liabilities	24,883,333	2,438,631	27,321,964	27,718,675
Deferred Inflows of Resources				
Deferred inflows - pension	1,196,111	-	1,196,111	1,516,429
Deferred inflows - OPEB	769,894	-	769,894	232,950
Total Deferred Inflows of Resources	1,966,005	-	1,966,005	1,749,379
Total Liabilities and Deferred Inflows of Resources	26,849,338	2,438,631	29,287,969	29,468,054
NET POSITION				
Net investment in				
Capital assets	15,672,432	413,070	16,085,502	16,107,156
Restricted For:				
Grants and bond	497,037	-	497,037	390,932
Unrestricted	(2,510,835)	(49,306)	(2,560,141)	(2,726,879)
Total Net Position	\$ 13,658,634	\$ 363,764	\$ 14,022,398	\$ 13,771,209

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Personnel	\$ 10,601,258	\$ -	\$ -	\$ -
Operating expenses	2,586,163	-	109,043	-
Foundation	89,099	-	472,126	-
Grant expenses	31,668	-	-	-
Friends program support	48,572	-	75,000	-
Books and materials	2,145,172	87,885	-	-
Depreciation/Amortization	1,429,213	-	-	-
Interest expense	246,214	-	-	105,000
Library Corporation payments	259,273	-	-	-
Total Governmental Activities	<u>17,436,632</u>	<u>87,885</u>	<u>656,169</u>	<u>105,000</u>
Business-type Activities:				
Printing charges and purchases	45,740	106,474	-	-
Parking charges	179,233	359,008	-	-
Interest expense	115,013	-	-	-
Depreciation/Amortization	117,003	-	-	-
Total Business-type Activities	<u>456,989</u>	<u>465,482</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 17,893,621</u>	<u>\$ 553,367</u>	<u>\$ 656,169</u>	<u>\$ 105,000</u>

General Revenues:

Property taxes for general purposes
Interest and investment earnings
Gain (loss) on disposal of equipment
E-rate revenue
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

See accompanying notes.

LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES (Continued)
Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

**Net (Expenses) Revenues
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total	2018 Totals
\$ (10,601,258)	\$ -	\$ (10,601,258)	\$ (10,818,596)
(2,477,120)	-	(2,477,120)	(2,343,938)
383,027	-	383,027	217,947
(31,668)	-	(31,668)	(59,681)
26,428	-	26,428	46,293
(2,057,287)	-	(2,057,287)	(1,700,255)
(1,429,213)	-	(1,429,213)	(1,468,393)
(141,214)	-	(141,214)	(238,681)
(259,273)	-	(259,273)	(253,580)
<u>(16,587,578)</u>	<u>-</u>	<u>(16,587,578)</u>	<u>(16,618,884)</u>
-	60,734	60,734	52,658
-	179,775	179,775	232,418
-	(115,013)	(115,013)	(118,738)
-	(117,003)	(117,003)	(124,005)
<u>-</u>	<u>8,493</u>	<u>8,493</u>	<u>42,333</u>
(16,587,578)	8,493	(16,579,085)	(16,576,551)
16,577,574	-	16,577,574	15,786,567
182,174	900	183,074	97,436
8,729	(34,965)	(26,236)	3,238
65,417	-	65,417	57,200
14,501	15,944	30,445	16,090
<u>16,848,395</u>	<u>(18,121)</u>	<u>16,830,274</u>	<u>15,960,531</u>
260,817	(9,628)	251,189	(616,020)
<u>13,397,817</u>	<u>373,392</u>	<u>13,771,209</u>	<u>14,387,229</u>
<u>\$ 13,658,634</u>	<u>\$ 363,764</u>	<u>\$ 14,022,398</u>	<u>\$ 13,771,209</u>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2019
(With Comparative Totals as of June 30, 2018)**

**LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2019

(With Comparative Totals as of June 30, 2018)

	General Fund	Library Foundation	Library Collection Materials Fund	Construction Fund	2019 Total Governmental Funds	2018 Total Governmental Funds
ASSETS						
Current Assets						
Cash and cash equivalents						
Unrestricted	\$ 8,356,478	\$ 80,000	\$ -	\$ -	\$ 8,436,478	\$ 6,548,137
Restricted	355	128,479	-	32,638	161,472	245,427
Short-term investments - Unrestricted	5,031,034	-	-	-	5,031,034	5,087,321
Short-term investments - Restricted	-	368,722	-	-	368,722	178,094
Accounts receivable - other	13,416	51	88	-	13,555	4,773
Due from other funds	(465,971)	(215)	466,186	-	-	-
Due from proprietary funds	430,589	-	-	-	430,589	189,810
Prepaid expenses	91,753	-	31,740	-	123,493	127,304
Total assets	<u>\$ 13,457,654</u>	<u>\$ 577,037</u>	<u>\$ 498,014</u>	<u>\$ 32,638</u>	<u>\$ 14,565,343</u>	<u>\$ 12,380,866</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities						
Accounts payable	\$ 267,148	\$ -	\$ -	\$ -	\$ 267,148	\$ 259,578
Accrued payroll	153,450	-	-	-	153,450	138,899
Accrued vacation	316,411	-	-	-	316,411	311,312
Accrued interest	138	-	-	-	138	-
Payroll liabilities	145,443	-	-	-	145,443	40,376
Loss contingency	316,253	-	-	-	316,253	316,253
Due to proprietary funds	496,298	-	-	-	496,298	419,932
Total current liabilities	<u>\$ 1,695,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,695,141</u>	<u>\$ 1,486,350</u>
FUND BALANCES:						
Restricted for:						
Foundation expenditures	\$ -	\$ 497,037	\$ -	\$ -	\$ 497,037	\$ 390,932
Committed for:						
Buildings, renewal, and replacement	4,000,000	-	-	-	4,000,000	3,000,000
New branch	3,000,000	-	-	-	3,000,000	3,000,000
Emergency fund	500,000	-	-	-	500,000	500,000
Garage refurbishment fund	1,077,000	-	-	-	1,077,000	866,000
Assigned for:						
Book purchases	-	-	498,014	-	498,014	484,021
Capital construction	-	-	-	32,638	32,638	32,589
Unassigned	3,185,513	80,000	-	-	3,265,513	2,620,974
Total Fund Balances	<u>11,762,513</u>	<u>577,037</u>	<u>498,014</u>	<u>32,638</u>	<u>12,870,202</u>	<u>10,894,516</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,457,654</u>	<u>\$ 577,037</u>	<u>\$ 498,014</u>	<u>\$ 32,638</u>	<u>\$ 14,565,343</u>	<u>\$ 12,380,866</u>

See accompanying notes.

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
June 30, 2019
(With Comparative Totals as of June 30, 2018)

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

Total Fund Balances	\$ 12,870,202
Amounts Reported For Governmental Activities In The Statement	
Of Net Position Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Governmental Funds.	22,012,543
Deferred Outflows of Resources Are Amortized Over Time and,	
Therefore, Are Not Reported in the Governmental Funds.	4,426,470
Net Pension Obligation Is Not Due and Payable in the Current Period and,	
Therefore, Is Not Reported in the Governmental Funds.	(13,429,548)
Net OPEB Liability Is Not Due and Payable in the Current Period and,	
Therefore, Is Not Reported in the Governmental Funds.	(3,914,917)
Deferred Inflows of Resources Are Not Due and Payable in the Current Period and,	
Therefore, Are Not Reported in the Governmental Funds.	(1,966,005)
Short-term and Long-term Debt Is Not Due and Payable in the Current Period and,	
Therefore, Is Not Reported in the Governmental Funds.	(6,340,111)
Net Position Of Governmental Activities	<u>\$ 13,658,634</u>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

	General Fund	Library Foundation	Library Collection Materials Fund	Construction Fund	2019 Totals Governmental Funds	2018 Totals Governmental Funds
SUPPORT						
Grants						
Ky Dept. of Libraries and Archives	\$ 109,043	\$ -	\$ -	\$ -	\$ 109,043	\$ 110,546
State Aid Grant	105,000	-	-	-	105,000	105,000
LFUCG appropriation						
Unrestricted	14,405,912	-	-	-	14,405,912	13,711,409
Restricted	-	-	2,171,662	-	2,171,662	2,075,158
Donations						
Foundation (restricted)	-	432,403	-	-	432,403	324,208
Foundation (unrestricted)	-	39,723	-	-	39,723	-
Friends (unrestricted)	75,000	-	-	-	75,000	50,000
Total support	14,694,955	472,126	2,171,662	-	17,338,743	16,376,321
REVENUE						
Fines and lost books	87,885	-	-	-	87,885	141,702
Investment income						
Unrestricted	165,980	16,145	-	-	182,125	96,536
Restricted	-	-	-	49	49	-
Rental income	-	-	-	-	-	9,825
Miscellaneous	90,543	-	-	-	90,543	59,266
Total revenue	344,408	16,145	-	49	360,602	307,329
Total support and revenue	15,039,363	488,271	2,171,662	49	17,699,345	16,683,650
EXPENDITURES						
Salaries and employee benefits	9,192,260	-	-	-	9,192,260	9,227,503
Operating expenditures	2,584,112	-	12,482	-	2,596,594	2,337,689
Books and materials	-	-	2,145,187	-	2,145,187	2,067,348
Library Corporation payments	259,273	-	-	-	259,273	253,580
Friends program support	48,572	-	-	-	48,572	3,715
Grant expenditures/foundation gifts	31,668	-	-	-	31,668	58,487
Foundation expenditures	-	89,277	-	-	89,277	106,788
Debt service	246,213	-	-	-	246,213	256,865
Total Expenditures	12,362,098	89,277	2,157,669	-	14,609,044	14,311,975
Support and revenue over expenditures	2,677,265	398,994	13,993	49	3,090,301	2,371,675
OTHER FINANCING SOURCES (USES)						
Transfers	212,726	(212,726)	-	-	-	-
Principal payments on debt	(490,139)	-	-	-	(490,139)	(472,034)
Purchase of property and equipment	(635,101)	-	-	-	(635,101)	(479,295)
Proceeds from the sale of fixed assets	10,625	-	-	-	10,625	31,895
Net other financing uses	(901,889)	(212,726)	-	-	(1,114,615)	(919,434)
Net change in Fund Balances	1,775,376	186,268	13,993	49	1,975,686	1,452,241
Fund Balances - Beginning	9,987,137	390,769	484,021	32,589	10,894,516	9,442,275
Fund Balances - Ending	\$ 11,762,513	\$ 577,037	\$ 498,014	\$ 32,638	\$ 12,870,202	\$ 10,894,516

See accompanying notes.

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

Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

LEXINGTON PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds \$ 1,975,686

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.

Purchase of capital assets 635,101

Depreciation expense (1,429,214)

Difference between proceeds and accounting gain (1,896)

Deferred Outflows of Resources Are Amortized Over Time and,
Therefore, Are Not Reported in the Governmental Funds. (1,251,502)

Pension expense related to long-term Net Pension Obligations that is
not included in the Governmental Funds (475,183)

Deferred Inflows of Resources Are Not Due and Payable in the Current Period and,
Therefore, Are Not Reported in the Governmental Funds. (216,626)

OPEB expense related to long-term Net OPEB Liability that is
not included in the Governmental Funds 534,312

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 Proceeds Less Bond Issuance Costs

Bond principal payments 490,139

Change in Net Position of Governmental Activities \$ 260,817

See accompanying notes.

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

**June 30, 2019
(With Comparative Totals as of June 30, 2018)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2019

(With Comparative Totals as of June 30, 2018)

	Enterprise Fund	Parking Fund	2019 Total Proprietary Fund	2018 Total Proprietary Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,070	\$ 2,962	\$ 4,032	\$ 2,070
Accounts receivable	-	11,437	11,437	12,847
Due from general fund	496,298	-	496,298	419,932
Total current assets	497,368	14,399	511,767	434,849
Noncurrent assets				
Capital assets, net of depreciation	-	2,721,217	2,721,217	2,546,854
TOTAL ASSETS	<u>\$ 497,368</u>	<u>\$ 2,735,616</u>	<u>\$ 3,232,984</u>	<u>\$ 2,981,703</u>
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	\$ -	\$ 129,983	\$ 129,983	\$ 70
Unearned revenue	-	501	501	501
Due to general fund	-	430,589	430,589	189,810
Current portion of long-term debt	-	114,291	114,291	109,853
Total current liabilities	-	675,364	675,364	300,164
Long-term debt	-	2,193,856	2,193,856	2,308,147
Total liabilities	-	2,869,220	2,869,220	2,608,311
Net position				
Invested in capital assets, net of related debt	-	413,070	413,070	128,854
Unrestricted	497,368	(546,674)	(49,306)	244,538
Total net position	497,368	(133,604)	363,764	373,392
TOTAL LIABILITIES AND NET POSITION	<u>\$ 497,368</u>	<u>\$ 2,735,616</u>	<u>\$ 3,232,984</u>	<u>\$ 2,981,703</u>

See accompanying notes.

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

Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

LEXINGTON PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

	Enterprise Fund	Parking Fund	2019 Total Proprietary Fund	2018 Total Proprietary Fund
Operating revenues				
Copy sales	\$ 106,474	\$ -	\$ 106,474	\$ 100,179
Parking garage	-	359,008	359,008	371,957
Miscellaneous revenue	15,032	912	15,944	14,024
Total operating revenues	121,506	359,920	481,426	486,160
Operating expenses				
Operating expenses	45,740	179,233	224,973	187,060
Depreciation	23,914	93,089	117,003	124,005
Total operating expenses	69,654	272,322	341,976	311,065
Total operating income	51,852	87,598	139,450	175,095
Nonoperation revenues and (expenses)				
Loss on disposal of capital assets	-	(34,965)	(34,965)	-
Interest income	600	300	900	900
Interest expense	-	(115,013)	(115,013)	(118,738)
Total nonoperation revenues (expenses)	600	(149,678)	(149,078)	(117,838)
Change in net position	52,452	(62,080)	(9,628)	57,257
Total net position-beginning	444,916	(71,524)	373,392	316,135
TOTAL NET POSITION-ENDING	\$ 497,368	\$ (133,604)	\$ 363,764	\$ 373,392

See accompanying notes.

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2019
(With Comparative Totals for the year ended June 30, 2018)

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2019

	Enterprise Fund	Parking Fund	2019 Total Proprietary Fund	2018 Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 121,506	\$ 361,330	\$ 482,836	\$ 485,480
Payments to employees	-	(31,560)	(31,560)	(31,540)
Payments to suppliers	(45,740)	(147,673)	(193,413)	(155,541)
Net cash provided by operating activities	75,766	182,097	257,863	298,399
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(195,803)	(195,803)	(58,280)
Repayment of interfund liabilities	(76,366)	240,234	163,868	(16,828)
Bond principal debt paid	-	(109,853)	(109,853)	(105,453)
Interest paid on capital debt	-	(115,013)	(115,013)	(118,738)
Net cash used by capital and related financing activities	(76,366)	(180,435)	(256,801)	(299,299)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	600	300	900	900
Net cash provided by financing activities	600	300	900	900
Net increase in cash and cash equivalents	-	1,962	1,962	-
Balances-beginning of year	1,070	1,000	2,070	2,070
BALANCES-END OF THE YEAR	<u>\$ 1,070</u>	<u>\$ 2,962</u>	<u>\$ 4,032</u>	<u>\$ 2,070</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 51,852	\$ 87,598	\$ 139,450	\$ 239,631
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	23,914	93,089	117,003	123,536
Changes in asset and liabilities				
Accounts receivable	-	1,410	1,410	16,337
Net cash provided by operating activities	<u>\$ 75,766</u>	<u>\$ 182,097</u>	<u>\$ 257,863</u>	<u>\$ 379,504</u>
Supplemental schedule of noncash transactions				
Construction in progress included in accounts payable	<u>\$ -</u>	<u>\$ 129,983</u>		

See accompanying notes.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. The Foundation is included as a blended component unit and is classified as a special revenue 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, which 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 resources 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 the 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 (Continued)
June 30, 2019

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 Foundation Fund - This fund is used to account for the activities of the Library Foundation. The primary source of revenue for this fund is donations. The major expenditures for this fund are related to fundraising activities. Additional disbursements of this fund are transfers to the general fund to support the operations of the Library. This fund is presented as a special revenue fund.
- 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. This fund is presented as a special revenue fund.
- 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. This fund is presented as a debt service fund.

The government has no non-major governmental funds.

Proprietary Funds

Proprietary funds distinguish between 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 owned and operated by the Library.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Short-Term Investments

Short-term investments consist of certificates of deposit with initial maturities of twelve months or less in the amount of \$5,031,034. Fair value approximates carrying amounts for certificates of deposit. In addition, the Foundation has investments of \$368,722, which consist of equities and mutual funds, which are carried at market value.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the Library's participation in the County Employees Retirement System (CERS) of the Kentucky Retirement Systems (KRS) has been determined on the same basis as reported by the KRS for the CERS plan. For this purpose, benefits, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2018.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the Library's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms. The liability was measured at June 30, 2018.

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.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 an 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, 2019 was \$8,601,982. The carrying amount of the Library's short-term investments at June 30, 2019 was \$5,399,756.

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.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 3. Deposits (Continued)

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). On June 30, 2019, the Library's bank balance was not fully collateralized by \$132,131.

Note 4. Fair Value and Measurement - Investments

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

- Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Library has the following recurring fair value measurements as of June 30, 2019:

- Certificate of deposits of \$5,368,772 and money market funds of \$30,984 are valued at face value plus interest accrued to the certificate (Level 1 inputs).
- The Library has no Level 2 inputs.
- The Library has no Level 3 inputs.

Note 5. Lexington-Fayette Urban County Government Agreements

The Library is funded by a dedicated property tax assessment collected by the LFUCG, equivalent to \$.05 per each \$100 valuation of all 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.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 6. Capital Assets

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

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Depreciable capital assets				
Land improvements	\$ 70,279	\$ -	\$ -	\$ 70,279
Buildings & improvements	29,397,581	128,150	-	29,525,731
Furniture/equipment	10,300,718	506,951	(421,560)	10,386,109
Totals at Cost	39,768,578	635,101	(421,560)	39,982,119
Less: accumulated depreciation:	21,746,361	1,429,213	(419,663)	22,755,911
Depreciable capital assets, net	<u>\$ 18,022,217</u>	<u>\$ (794,112)</u>	<u>\$ (1,897)</u>	<u>\$ 17,226,208</u>
Nondepreciable capital assets				
Land	\$ 4,295,424	\$ -	\$ -	\$ 4,295,424
Artistic clock	490,911	-	-	490,911
	<u>\$ 4,786,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,786,335</u>
Business-Type Activities:				
Furniture/equipment	\$ 159,426	\$ -	\$ -	\$ 159,426
Parking garage & improvements	3,598,680	118,644	(99,355)	3,617,969
Totals at cost	3,758,106	118,644	(99,355)	3,777,395
Less: accumulated depreciation	1,269,532	117,003	(64,935)	1,321,600
Depreciable capital assets, net	<u>\$ 2,488,574</u>	<u>\$ 1,641</u>	<u>\$ (34,420)</u>	<u>\$ 2,455,795</u>
Nondepreciable capital assets				
Construction in progress	<u>\$ 58,280</u>	<u>\$ 265,422</u>	<u>\$ (58,280)</u>	<u>\$ 265,422</u>
Capital assets net	<u>\$ 2,546,854</u>	<u>\$ 267,063</u>	<u>\$ (92,700)</u>	<u>\$ 2,721,217</u>

Depreciation expense was charged as follows:

<u>Governmental Activities:</u>		
Total Depreciation Expense - Governmental Activities		<u>\$ 1,429,213</u>
<u>Business-Type Activities</u>		
Total Depreciation Expense - Business-Type Activities		<u>\$ 117,003</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 7. Retirement Plan

General Information about the Pension Plan

Plan description. Employees of the Library are provided a defined benefit pension plan through the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined pension plan administered by the Kentucky Retirement Systems (KRS). The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. KRS Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age + earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. Employees that entered the plan after September 1, 2008 are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The Library makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, employer contributions for the Library were \$1,155,652 (\$872,657 pension and \$282,995 insurance) based on a rate of 21.48% (16.22% pension and 5.26% insurance) of covered payroll. By law, employer contributions are required to be paid. The KRS may intercept the Library's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 7. Retirement Plan (Continued)

Net Pension Liability

The Library's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.05 percent, average
Investment rate of return	6.25 percent

The mortality for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 7. Retirement Plan (Continued)

Net Pension Liability (Continued)

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity		
US Large Cap	4.50%	5.00%
US Mid Cap	4.50%	6.00%
US Small Cap	5.50%	6.50%
International Equity		
International Developed	6.50%	12.50%
Emerging Markets	7.25%	5.00%
Global Bonds	3.00%	4.00%
Credit Fixed		
Global IG Credit	3.75%	2.00%
High Yield	5.50%	7.00%
EMD	6.00%	5.00%
Illiquid Private	8.50%	10.00%
Private Equity	6.50%	10.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Cash	1.50%	2.00%
	<u>6.09%</u>	<u>100.00%</u>

Discount rate. The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major class are summarized in the Kentucky Retirement Systems' Comprehensive Annual Financial Report (CAFR).

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Library calculated using the discount rate of 6.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Lexington Library's net pension liability	\$ 16,906,411	\$ 13,429,548	\$ 10,516,548

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 7. Retirement Plan (Continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2019, the Library recognized pension expense of \$2,127,674.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 438,034	\$ 196,580
Investment experience	624,484	785,512
Change of assumptions	1,312,458	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	50,819	214,019
Contributions subsequent to the measurement date of June 30, 2018	<u>872,657</u>	<u>-</u>
Total	<u>\$ 3,298,452</u>	<u>\$ 1,196,111</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 7. Retirement Plan (Continued)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30,
2019	\$ 996,941
2020	465,683
2021	(160,862)
2022	(72,078)
	<hr/>
	\$ 1,229,684

In the table shown above, deferred inflows of resources amounts will decrease pension expense while deferred outflows of resources amounts will increase pension expense.

Payable to the Pension Plan

At June 30, 2019, the Library reported a payable of \$58,712 (included in payroll liabilities amount on the Statement of Net Position and on the Balance Sheet - Governmental Funds) and for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

Note 8. Postemployment Benefits Other Than Pensions (OPEB)

General Information about the Pension Plan

Plan description. Employees of the Library are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The Library's contractually required contribution rate for the year ended June 30, 2019 was 5.26% of covered payroll. Contributions to the Insurance Fund from the Library were \$282,995 for the year ended June 30, 2019. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

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

At June 30, 2019, the Library reported a liability of \$3,914,916 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The Library's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2018. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2018, the Library's proportion was .220499%.

For the year ended June 30, 2019, the Library recognized OPEB expense of \$500,132. At June 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ -	\$ 456,231
Investment experience	-	269,661
Change of assumptions	781,867	9,045
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	34,957
Contributions subsequent to the measurement date of June 30, 2018	<u>346,151</u>	<u>-</u>
Total	<u>\$ 1,128,018</u>	<u>\$ 769,894</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$346,151 resulting from Library contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Library's OPEB expense as follows:

	<u>Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30,</u>
2019	\$ 6,962
2020	6,962
2021	6,962
2022	59,335
2023	(40,972)
Thereafter	<u>(27,276)</u>
	<u>\$ 11,973</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.30 percent
Salary increases	2.0 percent, average
Investment rate of return	6.25 percent
Healthcare cost trend rates (Pre-65)	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (multiplied by 50% for males and 30% for females for active members and set back 1 year for females for healthy retired members). The mortality rates for disabled members were based on the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) for the period after disability retirement.

For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. Equity		
US Large Cap	4.50%	5.00%
US Mid Cap	4.50%	6.00%
US Small Cap	5.50%	6.50%
International Equity		
International Developed	6.50%	12.50%
Emerging Markets	7.25%	5.00%
Global Bonds	3.00%	4.00%
Credit Fixed		
Global IG Credit	3.75%	2.00%
High Yield	5.50%	7.00%
EMD	6.00%	5.00%
Illiquid Private	8.50%	10.00%
Private Equity	6.50%	10.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Cash	1.50%	2.00%
	<u>6.09%</u>	<u>100.00%</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Discount rate. The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity of the Library's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the Library's proportionate share of the collective net OPEB liability as well as what the Library's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.85%) or 1 percentage point higher (6.85%) than the current discount rate:

	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
Lexington Library's net OPEB liability	\$ 5,084,848	\$ 3,914,916	\$ 2,918,347

Sensitivity of the Library's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the Library's proportionate share of the collective net OPEB liability, as well as what the Library's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Lexington Library's net OPEB liability	\$ 2,914,694	\$ 3,914,916	\$ 5,093,890

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

Payables to the OPEB Plan. At June 30, 2019, the Library reported a payable of \$26,277 (included in payroll liabilities amount on the Statement of Net Position and on the Balance Sheet Governmental Funds) and for the outstanding amount of contributions to the OPEB plan required at the year ended June 30, 2019.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 9. Interfund Transactions

Interfund loans on the fund statements at June 30, 2019 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 430,589	\$ 962,269
Library Foundation	-	215
Collection Materials	466,186	-
Enterprise Fund	496,298	-
Parking Fund	-	430,589
	<u>\$ 1,393,073</u>	<u>\$ 1,393,073</u>

Transfers were used to move Library Foundation contributions to be used for general fund purposes. Interfund transfers on the fund statements at June 30, 2019 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 212,726	\$ -
Library Foundation	-	212,726
	<u>\$ 212,726</u>	<u>\$ 212,726</u>

Note 10. 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 11. 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 May 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, 2019 was 2.82%. The outstanding balance was \$2,308,147.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 11. Long-Term Liabilities (Continued)

A. Parking Garage Debt (Continued)

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 114,291	\$ 88,537	\$ 202,828
2021	119,458	83,877	203,335
2022	124,411	79,460	203,871
2023	129,784	78,679	208,463
2024	135,283	73,345	208,628
2025-2029	771,341	306,485	1,077,826
2030-2034	913,579	96,929	1,010,508
Totals	<u>\$ 2,308,147</u>	<u>\$ 807,312</u>	<u>\$ 3,115,459</u>

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, 2019, the effective rate was 3.89%. The outstanding balance was \$2,782,027.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 275,905	\$ 99,814	\$ 375,719
2021	289,511	88,890	378,401
2022	303,204	77,968	381,172
2023	317,743	66,350	384,093
2024	332,853	54,173	387,026
2025-2028	1,262,811	85,082	1,347,893
Totals	<u>\$ 2,782,027</u>	<u>\$ 472,277</u>	<u>\$ 3,254,304</u>

C. 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%. The final maturity of the debt is October 1, 2026. Bonds payments are due every February and August. The outstanding bond payable amount was \$709,583 at June 30, 2019.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 11. Long-Term Liabilities (Continued)

C. Energy Project Debt (Continued)

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 85,000	\$ 25,913	\$ 110,913
2021	85,000	23,363	108,363
2022	90,000	20,813	110,813
2023	90,000	17,888	107,888
2024	95,000	14,850	109,850
2025-2027	264,583	23,923	288,506
Totals	<u>\$ 709,583</u>	<u>\$ 126,750</u>	<u>\$ 836,333</u>

D. Relocation of Eagle Creek Branch Debt

On December 30, 2014, the Library closed on financing for the relocation project related to the Eagle Creek Branch with Kentucky Bank. The construction lease has a borrowing capacity of \$5,500,000. As of June 30, 2015, \$2,145,929 was drawn on the construction lease. During fiscal year 2016, the remaining amount of \$3,354,071 was drawn on the lease to total \$5,500,000. The final maturity of the debt is December 30, 2024. The construction lease has a fixed rate of 2.78%. The outstanding note payable amount was \$2,848,501 at June 30, 2019.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 148,477	\$ 78,604	\$ 227,081
2021	152,932	74,149	227,081
2022	157,298	69,783	227,081
2023	161,790	65,291	227,081
2024	166,243	60,838	227,081
2025	2,061,762	28,796	2,090,558
Totals	<u>\$ 2,848,501</u>	<u>\$ 377,461</u>	<u>\$ 3,225,963</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 11. Long-Term Liabilities (Continued)

E. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Debt Obligations	\$ 6,038,583	\$ -	\$ 408,055	\$ 5,630,528	\$ 148,477
Bond	791,667	-	82,084	709,583	85,000
Governmental Activities Long-term Liabilities	<u>\$ 6,830,250</u>	<u>\$ -</u>	<u>\$ 490,139</u>	<u>\$ 6,340,111</u>	<u>\$ 233,477</u>
<u>Business-Type Activities</u>					
Debt Obligations	\$ 2,418,000	\$ -	\$ 109,853	\$ 2,308,147	\$ 114,291
Business-Type Activities Long-term Liabilities	<u>\$ 2,523,453</u>	<u>\$ -</u>	<u>\$ 109,853</u>	<u>\$ 2,308,147</u>	<u>\$ 114,291</u>

Note 12. 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, 2019 was \$316,411.

Note 13. 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, 2014, 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 (Continued)
June 30, 2019

Note 13. 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 had 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. On January 15, 2016, the Court of Appeals found that the Plaintiff waived her right to arbitrate when she initiated the lawsuit in Fayette Circuit Court. The Court of Appeals vacated the \$256,940 judgment and remanded to the Circuit Court for further proceedings. The Plaintiff then filed a Motion for Discretionary Review with the Kentucky Supreme Court. On August 18, 2016, the Kentucky Supreme Court denied the Motion for Discretionary Review. The case was remanded to the Fayette Circuit Court. Since remand, the Library filed two motions for summary judgement. On August 9, 2017, the Fayette Circuit Court granted both motions for summary judgement and held that the Plaintiff was not entitled to recover damages. The deadline for appeal has not passed. On September 5, 2017, the Plaintiff filed a Notice of Appeal. On March 29, 2019, the Court of Appeals affirmed the trial court's judgment. On March 29, 2019, the Plaintiff filed a Motion to Discretionary Review which is still pending.

In November 1999 the Public Library Corporation (the Corporation), a component unit of the Lexington-Fayette Urban County Government, issued \$3,570,000 in tax-exempt bonds for the construction of the Tates Creek Branch. As security for the bonds, the Library has pledged to transfer 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. During the fiscal year, the Library transferred \$259,273 to the Public Library Corporation to pay current debt service. As of June 30, 2019, the Library is committed to fund a total of \$260,359 through fiscal year 2020 for this purpose.

Note 14. Future Accounting Pronouncements

In January 2017, the GASB issued statement No. 84, *Fiduciary Activities*. The provisions of this statement are effective for fiscal years beginning after December 15, 2018. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 14. Future Accounting Pronouncements (Continued)

In June 2017, the GASB issued statement No. 87, *Leases*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The provisions of this statement are effective for fiscal years beginning after June 15, 2018.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

In June 2018, the GASB issued statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Note 14. Future Accounting Pronouncements (Continued)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - A Amendment of GASB Statements No. 14 and 61*. The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should generally be measured using the equity method, unless certain specifications are met. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.

The Lexington Public Library is currently evaluating the impact that will result from adopting these Standards and is therefore unable to disclose the impact that these Standards will have on the Lexington Public Library's financial position and the results of its operations when the Statements are adopted.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2019

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION - GENERAL FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
Grants				
KY Dept. of Libraries and Archives	\$ 110,544	\$ 110,544	\$ 109,043	\$ (1,501)
Grants, other	105,000	105,000	105,000	-
LFUCG appropriation				
Unrestricted	13,984,782	13,984,782	14,405,912	421,130
Donations				
Unrestricted	-	-	-	-
Restricted	50,000	50,000	75,000	25,000
Total support	<u>14,250,326</u>	<u>14,250,326</u>	<u>14,694,955</u>	<u>444,629</u>
REVENUE				
Fines and lost books	145,600	145,600	87,885	(57,715)
Interest earned				
Unrestricted	60,000	60,000	165,980	105,980
Rental income	10,100	10,100	-	(10,100)
Miscellaneous	22,200	22,200	90,543	68,343
Total revenue	<u>237,900</u>	<u>237,900</u>	<u>344,408</u>	<u>106,508</u>
Total support and revenue	<u>14,488,226</u>	<u>14,488,226</u>	<u>15,039,363</u>	<u>551,137</u>
EXPENDITURES				
Salaries wages and employee benefits	9,685,025	9,705,670	9,192,260	513,410
Operating expenses	2,801,276	2,801,276	2,584,112	217,164
Transfer to LPL Corporation	253,580	253,580	259,273	(5,693)
Friends program support	-	-	48,572	(48,572)
Grant expense	15,000	15,000	31,668	(16,668)
Debt Service	246,213	246,213	246,213	-
Total expenses	<u>13,001,094</u>	<u>13,021,739</u>	<u>12,362,098</u>	<u>659,641</u>
Support and revenue over expenses	1,487,132	1,466,487	2,677,265	1,210,778
OTHER FINANCING SOURCES(USES)				
Principal payment on debt	(348,652)	(348,652)	(490,139)	(141,487)
Purchases of property & equipment	(1,017,068)	(1,017,068)	(635,101)	381,967
Proceeds on sale of fixed assets	-	-	10,625	10,625
Transfers	215,000	215,000	212,726	(2,274)
Net increase in fund balances	<u>336,412</u>	<u>315,767</u>	<u>1,775,376</u>	<u>1,459,609</u>
Fund balances-				
beginning of year	<u>9,987,137</u>	<u>9,987,137</u>	<u>9,987,137</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 10,323,549</u>	<u>\$ 10,302,904</u>	<u>\$ 11,762,513</u>	<u>\$ 1,459,609</u>

See independent auditor's report.

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION - LIBRARY FOUNDATION
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (Continued)
YEAR ENDED June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
Donations				
Restricted	\$ 264,000	\$ 264,000	\$ 432,403	\$ 168,403
Unrestricted	30,000	30,000	39,723	9,723
Total support	<u>294,000</u>	<u>294,000</u>	<u>472,126</u>	<u>178,126</u>
REVENUE				
Unrestricted				
Total revenue	<u>41,400</u>	<u>41,400</u>	<u>16,145</u>	<u>(25,255)</u>
Total support and revenue	<u>335,400</u>	<u>335,400</u>	<u>488,271</u>	<u>152,871</u>
EXPENDITURES				
Foundation	<u>114,200</u>	<u>114,200</u>	<u>89,277</u>	<u>24,923</u>
Total expenses	<u>114,200</u>	<u>114,200</u>	<u>89,277</u>	<u>24,923</u>
Support and revenue over expenses	221,200	221,200	398,994	177,794
OTHER FINANCING SOURCES				
Transfers	<u>215,700</u>	<u>215,700</u>	<u>(212,726)</u>	<u>(428,426)</u>
Net (decrease) increase in fund balances	<u>5,500</u>	<u>5,500</u>	<u>186,268</u>	<u>180,768</u>
Fund balances- beginning of year	<u>390,769</u>	<u>390,769</u>	<u>390,769</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 396,269</u>	<u>\$ 396,269</u>	<u>\$ 577,037</u>	<u>\$ 180,768</u>

See independent auditor's report.

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION - LIBRARY COLLECTION MATERIALS FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (Continued)
YEAR ENDED June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
LFUCG appropriations	\$ 2,108,178	\$ 2,108,178	\$ 2,171,662	\$ 63,484
Total support	<u>2,108,178</u>	<u>2,108,178</u>	<u>2,171,662</u>	<u>63,484</u>
Total support and revenue	<u>2,108,178</u>	<u>2,108,178</u>	<u>2,171,662</u>	<u>(11)</u>
EXPENSES				
Operating expenses	-	-	12,482	(12,482)
Books and materials	<u>2,108,178</u>	<u>2,108,178</u>	<u>2,145,187</u>	<u>(37,009)</u>
Total expenses	<u>2,108,178</u>	<u>2,108,178</u>	<u>2,157,669</u>	<u>(49,491)</u>
Net increase in fund balances	-	-	13,993	13,993
Fund balances-				
beginning of year	<u>484,021</u>	<u>484,021</u>	<u>484,021</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 484,021</u>	<u>\$ 484,021</u>	<u>\$ 498,014</u>	<u>\$ 13,993</u>

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF LEXINGTON PUBLIC LIBRARY'S NET PENSION
LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN
THE COUNTY EMPLOYEES RETIREMENT SYSTEM
FISCAL YEAR ENDING JUNE 30**

	2015	2016	2017	2018	2019
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,244,377,000	\$ 4,299,525,000	\$ 4,923,618,237	\$ 5,853,307,463	\$ 6,090,305,000
Employer's Proportion (Percentage) of Net Pension Liability	0.22275%	0.22096%	0.00232%	0.22132%	0.22051%
Employer's Proportion (Amount) of Net Pension Liability	\$ 7,227,000	\$ 9,500,354	\$ 11,428,207	\$ 12,954,365	\$ 13,429,548
Employer's Covered-Employer payroll	\$ 5,110,035	\$ 5,528,083	\$ 5,381,520	\$ 5,465,250	\$ 5,380,130
Employer's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	141.43%	171.86%	212.36%	237.03%	249.61%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146	\$ 6,440,800	\$ 6,141,394,419	\$ 6,687,237,000	\$ 7,018,963,000
Total Pension's Plan Pension Liability	\$ 9,772,523	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,545,000	\$ 13,109,268,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.50%	53.30%	53.54%

Note: The above schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF LEXINGTON PUBLIC LIBRARY'S CONTRIBUTIONS
BASED ON PARTICIPATION IN THE COUNTY EMPLOYEES RETIREMENT SYSTEM
FISCAL YEAR ENDING JUNE 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 653,251	\$ 667,068	\$ 750,722	\$ 791,368	\$ 872,657
Contributions in relation to the actuarially determined contribution	653,251	667,068	750,722	791,368	872,657
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	5,110,035	5,528,083	5,381,520	5,465,250	5,380,130
Contributions as a percentage covered- employee payroll	12.78%	12.07%	13.95%	14.48%	16.22%

The above schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY
NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES
RETIREMENT SYSTEM
FISCAL YEAR ENDED JUNE 30, 2019**

Valuation date: Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Remaining amortization period	27 years, Closed
Asset valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary increases	4.00 percent, average
Investment Rate of Return	7.50 percent
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF LEXINGTON PUBLIC LIBRARY'S
PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY
IN THE COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND
FISCAL YEAR ENDING JUNE 30**

	2018	2019
Total Net OPEB Liability for County Employees Retirement Systems	\$ 2,010,342,058	\$ 1,775,480,122
Employer's Proportion (Percentage) of Net OPEB Liability	0.22132%	0.220499%
Employer's Proportion (Amount) of Net OPEB Liability	\$ 4,449,229	\$ 3,914,916
Employer's Covered-Employer payroll	\$ 5,465,250	\$ 5,380,130
Employer's Proportionate Share (Amount) of the Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	81.41%	72.77%
Total Pension Plan's Fiduciary Net Position	\$ 2,212,536	\$ 2,414,126
Total Pension's Plan OPEB Liability	\$ 4,222,878	\$ 4,189,606
Total Pension Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	52.40%	57.62%

The above schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF LEXINGTON PUBLIC LIBRARY'S CONTRIBUTIONS
IN THE COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND
FISCAL YEAR ENDING JUNE 30**

	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 256,867	\$ 282,995
Contributions in relation to the actuarially determined contribution	<u>256,867</u>	<u>282,995</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,465,250	\$ 5,380,130
Contributions as a percentage covered- employee payroll	4.70%	5.26%

The above schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY
 NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES
 RETIREMENT SYSTEM INSURANCE FUND
 FISCAL YEAR ENDED JUNE 30, 2019**

Valuation date: Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Remaining amortization period	27 years, closed
	20% of the difference between the market value of assets
and the expected actuarial value of assets is recognized.	
Inflation	3.25 percent
	4.00 percent, average
Investment Rate of Return	7.50 percent
RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)	
Healthcare cost trend rates	Initial trend starting at 7.50% and gradually decreasing to
(Pre-65)	an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare cost trend rates	Initial trend starting at 5.50% and gradually decreasing to
(Post-65)	an ultimate trend rate of 5.00% over a period of 2 years.

See independent auditor's report.

**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 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 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lexington Public Library's basic financial statements, and have issued our report thereon dated September 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lexington Public 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lexington Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lexington Public 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**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 Lexington Public 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 that is 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.

MCM CPA & Advisors LLP

Lexington, Kentucky
September 9, 2019