

LEXINGTON PUBLIC LIBRARY
Lexington, Kentucky

Financial Statements
June 30, 2009

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lexington Public Library, a component unit of Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2009 as listed in the table of contents. The prior year comparative information has been derived from the Library's 2008 financial statements and, in our report dated November 10, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lexington Public Library as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

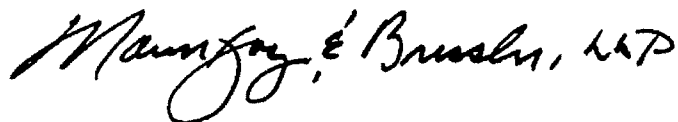
In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2009 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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The Management's Discussion and Analysis on pages 3 through 9 and the budgetary comparison on page 39 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mountjoy & Bressler, LLP". The signature is written in dark ink and is positioned above the printed name of the firm.

Mountjoy & Bressler, LLP

October 7, 2009

Management's Discussion and Analysis
June 30, 2009

FINANCIAL HIGHLIGHTS

- The Library's share of the property tax increased 5% from the previous fiscal year.
- The Library made capital investments during the fiscal year for equipment and construction in progress.
- The construction on the Northside library was completed in September 2008. The Northside Library opened to the public in September 2008.
- The Library allocated 11% of its tax revenues for library materials.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

GOVERNMENT-WIDE STATEMENTS (Continued)

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

Business-type activities - The Library reports fees for service activities in this fund and this includes videos rental, 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 fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

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

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

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

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF NET ASSETS

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

TABLE A-1 STATEMENT OF NET ASSETS

Condensed Statement of Net Assets

	Total	
	2009	2008
Assets		
Current and other assets	\$ 4,432,137	\$ 4,350,698
Long-term investments	336,690	2,447,555
Net Capital Assets	22,249,450	20,839,920
Total Assets	<u>\$27,018,277</u>	<u>\$27,638,173</u>
Liabilities		
Current Liabilities	\$ 1,734,571	\$ 1,843,993
Long-term Liabilities	8,094,618	9,595,524
Total Liabilities	<u>\$ 9,829,189</u>	<u>\$11,439,517</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 13,696,168	\$ 10,790,342
Restricted	40,524	2,501,833
Unrestricted	3,452,396	2,906,491
Total Net Assets	<u>\$17,189,088</u>	<u>\$16,198,666</u>
Total liabilities and net assets	<u>\$27,018,277</u>	<u>\$27,638,183</u>

The Library's total assets had little change over prior year.

The former Northside Branch building was sold to the University of Kentucky on September 22, 2008 for \$1,200,000. These funds were applied to long-term debt as an extra payment of principal. The Library's decrease in total liabilities was largely due to this extra principal payment.

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

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF ACTIVITIES

TABLE A-2 STATEMENT OF ACTIVITIES

Condensed Statement of Activities

	Total		Change	Percent Change	Percent of total
	2009	2008			
Revenues					
LFUCG tax revenue	\$ 13,065,890	\$ 12,408,049	\$ 657,841	5%	85%
Interest and investment earnings	66,474	235,863	(169,389)	-72%	0%
Capital grants and contributions	105,000	709,363	(604,363)	-85%	1%
Operating grants and contributions	378,240	491,241	(113,001)	-23%	3%
Charges for services	681,196	704,197	(23,001)	-3%	4%
Other revenues	1,105,339	22,978	1,082,361	4710%	7%
Total Revenue	15,402,139	14,571,691	830,448	6%	100%
Expenses					
Personnel	8,355,423	8,100,080	255,343	3%	58%
Operating expenses	2,249,425	1,960,588	288,837	15%	16%
Grant-foundation	198,413	349,107	(150,694)	-43%	1%
Books & materials	1,422,530	1,434,770	(12,240)	-1%	10%
Enterprise	500,924	586,114	(85,190)	-15%	3%
Depreciation and amortization -general fund	1,083,099	805,651	277,448	34%	8%
Carnegie Payment	65,000	100,000	(35,000)	-35%	0%
Library corporation	291,140	291,140		0%	2%
Interest expense	245,753	222,625	23,128	100%	2%
Total Expenses	14,411,707	13,850,075	561,632	4%	100%
Change In Net Assets	990,432	721,616	268,816	37%	
Net Assets - Beginning	16,198,656	15,477,040	721,616	5%	
Net Assets - Ending	\$ 17,189,088	\$ 16,198,656	\$ 990,432	6%	

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF ACTIVITIES

While the Statement of Net Assets shows the financial position of the Library, the Statement of Activities provides answers as to the nature and source of these changes. The Library's main source of revenue, property tax, is approximately 84% of the Library's total revenue. The property tax revenue source increased 5%.

The personnel expense represents approximately 57% of total expenditures and increased 3% over the previous year's personnel expense.

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 2009 budget comparison for the current month and year to date is presented to management and the Board of Trustees as interim financial statements; however, they are not reported on nor shown on the financial statements section of this report.

The Library did not budget for the Northside Branch construction costs and the extra debt payment in the amount of \$1,200,000. After considering these unbudgeted items, the Library's actual expenditures, overall, were less than the approved budget. A 2009 budget comparison and analysis is presented in Table A-3 on page 8.

BUDGET HIGHLIGHTS (Continued)

BUDGET TO ACTUAL - 2009

TABLE A-3 2009 BUDGET TO ACTUAL

Budget vs Actual

	Budget	Actual	Over (Under) Budget
SUPPORT AND REVENUES			
KY Dept. of Libraries and Archives	\$ 170,028	\$ 170,028	\$
Grants, other	25,000	117,071	92,071
LFUCG tax revenue	13,065,900	13,065,900	
Contributions	230,881	196,141	(34,740)
Enterprise fund revenue	399,200	407,813	8,613
Fines and lost books	255,000	272,667	17,667
Interest income	82,000	120,091	38,091
Sale of Northside		1,200,000	1,200,000
Miscellaneous	20,000	8,532	(11,468)
Total support and revenues	<u>14,248,009</u>	<u>15,558,243</u>	<u>1,310,234</u>
EXPENSES			
Personnel	8,509,446	8,475,384	(34,062)
Operating expenses	2,123,394	2,418,333	294,939
Library materials	1,483,611	1,422,530	(61,081)
Transfer to LPL Corporation	291,140	291,140	
Grant Expenses	25,000	6,527	(18,473)
Carnegie transfer	65,000	65,000	
Depreciation/interest- enterprise	298,500	313,730	15,230
Investment loss		53,617	53,617
Capital purchases	835,014	451,346	(383,668)
Construction		2,307,317	2,307,317
Debt service	456,435	1,659,742	1,203,307
Friends donation	100,881	89,050	(11,831)
Total expenses	<u>14,188,421</u>	<u>17,553,716</u>	<u>3,365,295</u>
SUPPORT AND REVENUES OVER EXPENSES	59,588	(1,995,473)	2,055,061
Changes in fund balances	59,588	(1,995,473)	2,055,061
Fund balances- beginning of year	<u>5,481,514</u>	<u>5,481,514</u>	
FUND BALANCES-END OF YEAR	<u>\$ 5,541,102</u>	<u>\$ 3,486,041</u>	<u>\$ 2,055,061</u>

CAPITAL ASSETS

The Library invested a total of \$2,758,663 in capital assets purchased and in construction in progress. 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. During the past fiscal year the Library transferred \$291,140 to the Public Library Corporation to pay current debt service. The Library's outstanding long-term debt held by the Public Library Corporation at June 30, 2009 amounted to \$3,232,690. This debt had an original principal balance of \$3,515,000. The debt purchased the parking garage (\$3,001,000) and provided cash (\$514,000) for renovation of the garage. This garage debt will be repaid through the operation of the parking garage.

Governmental Long-Term Debt

In September 2007, the Library closed on financing for the Northside branch with the Kentucky League of Cities. Financing consists of two notes. The first note is a twenty year loan for \$5,200,000 at a fixed rate of 3.94%. The second note is a twenty year loan for \$1,500,000 with a variable rate. The balance of both loans was \$5,157,833 at June 30, 2009. The balance in the cash account held at the Bank of New York was \$336,693 at June 30, 2009.

CONTACTING THE LIBRARY FINANCIAL MANAGER

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET ASSETS**

**June 30, 2009
(With Comparative Totals As Of June 30, 2008)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NETS ASSETS
June 30, 2009
(With Comparative Totals As Of June 30, 2008)

	Primary Government			
	Governmental Activities	Business-Type Activities	2009 Totals	2008 Totals
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,777,113	\$ 2,070	\$ 1,779,183	\$ 1,639,713
Short-term investments	2,076,305		2,076,305	2,261,567
Accounts receivable				
Due from enterprise fund	234,679		234,679	187,071
Due from general fund		127,865	127,865	107,796
Other	41,232	14,460	55,692	45,497
Prepaid expenses	132,839	25,571	158,410	109,054
Total Current Assets	4,262,168	169,966	4,432,134	4,350,698
Noncurrent Assets:				
Long-term investments	336,693		336,693	2,447,555
Unamortized bond issuance cost	111,599	51,160	162,759	170,408
Capital assets				
Nondepreciable	4,000,745		4,000,745	9,608,821
Depreciable, net	14,748,538	3,337,408	18,085,946	11,060,691
Total Noncurrent Assets	19,197,575	3,388,568	22,586,143	23,287,475
Total Assets	\$ 23,459,743	\$ 3,558,534	\$ 27,018,277	\$ 27,638,173
LIABILITIES				
Current Liabilities:				
Accounts payable	510,720		510,720	731,895
Accrued payroll	162,547		162,547	149,796
Accrued vacation	336,477		336,477	289,259
Payroll liabilities	29,363		29,363	57,598
Unearned revenue		501	501	1,025
Accrued interest payable	18,873	17,641	36,514	35,907
Due to enterprise fund	127,865		127,865	107,796
Due to general fund		234,679	234,679	187,071
Current portion of long-term debt	223,667	72,238	295,905	283,646
Total Current Liabilities	1,409,512	325,059	1,734,571	1,843,993
Noncurrent Liabilities:				
Bonds payable	4,934,166	3,160,452	8,094,618	9,595,524
Total Noncurrent Liabilities	4,934,166	3,160,452	8,094,618	9,595,524
Total Liabilities	6,343,678	3,485,511	9,829,189	11,439,517
NET ASSETS				
Invested in capital assets, net of related debt	13,591,450	104,718	13,696,168	10,790,342
Restricted For:				
Projects and programs	93,157		93,157	220,488
Construction	(52,633)		(52,633)	2,281,345
Unrestricted	3,484,091	(31,695)	3,452,396	2,906,481
Total Net Assets	\$ 17,116,065	\$ 73,023	\$ 17,189,088	\$ 16,198,656

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2009
(With Comparative Totals As Of June 30, 2008)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2009
(With Comparative Totals As Of June 30, 2008)
(Continued)

Net (Expenses) Revenues and Changes in Net Assets Primary Government			
Governmental Activities	Business-Type Activities	2009 Totals	2008 Totals
\$ (8,355,423)	\$	\$ (8,355,423)	\$ (8,100,080)
(2,248,710)		(2,248,710)	(1,959,618)
(75,730)		(75,730)	(141,050)
(6,456)		(6,456)	61,517
91,985		91,985	19,104
105,000		105,000	105,000
(979,834)		(979,834)	(985,807)
(1,083,099)		(1,083,099)	(805,651)
(245,753)		(245,753)	(222,625)
(291,140)		(291,140)	(291,140)
<u>(13,089,160)</u>		<u>(13,089,160)</u>	<u>(12,320,350)</u>
	18,575	18,575	40,931
	275,071	275,071	300,869
	(73,027)	(73,027)	(138,859)
	(151,342)	(151,342)	(163,151)
	<u>(162,388)</u>	<u>(162,388)</u>	<u>(169,077)</u>
	<u>(93,111)</u>	<u>(93,111)</u>	<u>(129,287)</u>
<u>\$ (13,089,160)</u>	<u>\$ (93,111)</u>	<u>\$ (13,182,271)</u>	<u>\$ (12,449,637)</u>
13,065,890		13,065,890	12,408,049
65,924	550	66,474	235,863
7,817		7,817	22,978
1,097,522		1,097,522	604,363
(65,000)		(65,000)	(100,000)
<u>14,172,153</u>	<u>550</u>	<u>14,172,703</u>	<u>13,171,253</u>
1,082,993	(92,561)	990,432	721,616
<u>16,033,072</u>	<u>165,584</u>	<u>16,198,656</u>	<u>15,477,040</u>
<u>\$ 17,116,065</u>	<u>\$ 73,023</u>	<u>\$ 17,189,088</u>	<u>\$ 16,198,656</u>

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

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

June 30, 2009
(With Comparative Totals As Of June 30, 2008)

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009 (With Comparative Totals As Of June 30, 2008)

	General Fund	Library Foundation	Library Collection Materials Fund	Construction Fund	2009 Total Governmental Funds	2008 Total Governmental Funds
ASSETS						
Current Assets						
Cash and cash equivalents						
Unrestricted	\$ 1,739,876	\$ 34,674	\$	\$	\$ 1,774,550	\$ 1,633,177
Restricted					2,563	2,541
Short-term investments	1,930,258	146,047		2,563	2,076,305	2,261,567
Construction bond fund				336,693	336,693	2,447,555
Accounts receivable - other	41,232				41,232	29,677
Due from other funds	374,453		199,181		573,634	414,655
Due from enterprise fund	234,679				234,679	187,071
Prepaid expenses - restricted			37,875		37,875	22,844
Other assets	94,964				94,964	85,605
Total assets	<u>\$ 4,415,462</u>	<u>\$ 180,721</u>	<u>\$ 237,056</u>	<u>\$ 339,256</u>	<u>\$ 5,172,495</u>	<u>\$ 7,084,692</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities						
Accounts payable	\$ 510,720	\$	\$	\$	\$ 510,720	\$ 727,006
Accrued payroll	162,547				162,547	149,796
Accrued vacation	336,477				336,477	289,259
Accrued interest	18,873				18,873	22,652
Payroll liabilities	29,363				29,363	57,598
Due to other funds	327,046	87,564		286,889	701,499	522,451
Total current liabilities	<u>1,385,026</u>	<u>87,564</u>		<u>286,889</u>	<u>1,759,479</u>	<u>1,768,762</u>
Fund balances:						
Unreserved						
Special Revenue Fund			237,056		237,056	175,700
General	3,030,436				3,030,436	2,638,397
Reserved		93,157		52,367	145,524	2,501,833
Total Fund Balances	<u>3,030,436</u>	<u>93,157</u>	<u>237,056</u>	<u>52,367</u>	<u>3,413,016</u>	<u>5,315,930</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,415,462</u>	<u>\$ 180,721</u>	<u>\$ 237,056</u>	<u>\$ 339,256</u>	<u>\$ 5,172,495</u>	<u>\$ 7,084,692</u>

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

Total Fund Balances	\$ 3,413,016
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Governmental Funds.	18,749,283
Unamortized Bond Issuance Cost	111,599
Short-term and Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
Bonds debt	(5,157,833)
Net Assets Of Governmental Activities	<u>\$ 17,116,065</u>

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

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

For The Year Ended June 30, 2009
(With Comparative Totals As Of June 30, 2008)

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009 (With Comparative Totals As Of June 30, 2008)

	2009 Totals	2008 Totals
	Governmental Funds	Governmental Funds
SUPPORT		
Grants		
Ky Dept of Libraries and Archives	\$ 170,028	\$ 202,254
Construction grant	105,000	105,000
Grants, other	12,071	76,458
LFUCG appropriation		
Unrestricted	11,582,289	10,924,438
Restricted	1,483,611	2,087,974
Donations		
Unrestricted		2,020
Friends (unrestricted)	99,968	90,000
Restricted	96,173	118,200
Total support	<u>13,549,140</u>	<u>13,606,344</u>
REVENUE		
Fines and lost books	272,667	246,400
Investment income		
Unrestricted	80,574	115,463
Restricted	38,967	139,906
Rental income	715	970
Miscellaneous	7,817	22,688
Donations		309
Total revenue	<u>400,740</u>	<u>525,736</u>
Total support and revenue	<u>13,949,880</u>	<u>14,132,080</u>
EXPENDITURES		
Salaries and employee benefits	8,475,384	8,216,176
Operating expenditures	2,312,206	2,103,918
Construction	2,307,317	5,108,234
Investment loss	53,617	20,206
Books and materials	1,422,530	1,434,770
Operating sublease expenditures	291,140	291,140
Friends program support	7,983	72,916
Grant expenditures	6,527	16,941
Debt services	1,659,742	472,632
Total Expenditures	<u>16,536,446</u>	<u>17,736,933</u>
Support and revenue over (under) expenditures	<u>(2,586,566)</u>	<u>(3,604,853)</u>
Other Financing Sources (Uses)		
Proceeds from Northside sale	1,200,000	
Bond Debt Proceeds		6,700,000
Payment to Carnegie Literacy Center, Inc.	(65,000)	(100,000)
Purchase of property & equipment	(451,346)	(228,951)
Interfund transfer		
Net other financing sources (uses)	<u>683,654</u>	<u>6,371,049</u>
Net Change in Fund Balances	(1,902,912)	2,766,196
Fund Balances - Beginning	<u>5,315,930</u>	<u>2,549,734</u>
Fund Balances - Ending	<u>\$ 3,413,018</u>	<u>\$ 5,315,930</u>

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

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	(1,902,912)
--------------------------------------------------------	----	-------------

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.

Construction in Progress		2,146,298
Depreciable assets		611,195
Depreciation/Amortization Expense		(1,083,099)
Sale of Northside		(1,200,000)
Net gain on sale of Northside		1,097,522
Bond Debt Principal Payments		1,413,989
		1,413,989

Change in Net Assets of Governmental Activities	\$	1,082,993
-------------------------------------------------	----	-----------

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

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

**June 30, 2009
(With Comparative Totals As Of June 30, 2008)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2009 (With Comparative Totals As of June 30, 2008)

	Enterprise Fund	Parking Fund	2009 Total Proprietary Fund	2008 Total Proprietary Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,070	\$ 1,000	\$ 2,070	\$ 3,995
Short-term investments				
Accounts receivables		14,460	14,460	15,820
Due from general fund	127,865		127,865	107,796
Prepaid expenses	752	24,820	25,572	605
Total current assets	129,687	40,280	169,967	128,216
Noncurrent assets				
Unamortized bond issuance cost		51,160	51,160	52,888
Capital assets, net of depreciation	221,878	3,115,529	3,337,407	3,498,068
TOTAL ASSETS	<u>\$ 351,565</u>	<u>\$ 3,206,969</u>	<u>\$ 3,558,534</u>	<u>\$ 3,679,172</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$	\$ -	\$ -	\$ 4,889
Accrued interest payable		17,641	17,641	13,255
Unearned revenue		501	501	1,025
Due to general fund		234,679	234,679	187,071
Current portion of long-term debt		72,238	72,238	69,657
Total current liabilities		325,059	325,059	275,897
Long-term debt		3,160,452	3,160,452	3,237,691
Net assets				
Invested in capital assets, net of related debt	221,878	(117,161)	104,717	190,720
Unrestricted	129,687	(161,381)	(31,694)	(25,136)
Total net assets	351,565	(278,542)	73,023	165,584
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 351,565</u>	<u>\$ 3,206,969</u>	<u>\$ 3,558,534</u>	<u>\$ 3,679,172</u>

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

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

For The Year Ended June 30, 2009
With Comparative Totals As Of June 30, 2008)

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

For The Year Ended June 30, 2009 (With Comparative Totals As of June 30, 2008)

	Enterprise Fund	Parking Fund	2009 Total Proprietary Fund	2008 Total Proprietary Fund
Operating revenues				
Vidéo rentals and fines	\$ 64,751	\$	\$ 64,751	\$ 95,797
Copy sales	67,991		67,991	60,161
Parking revenue		275,071	275,071	300,869
Miscellaneous expense				290
Total operating revenues	<u>132,742</u>	<u>275,071</u>	<u>407,813</u>	<u>457,117</u>
Operating expenses				
Operating expenses	113,076	74,118	187,194	253,886
Depreciation/Amortization	77,402	84,986	162,388	169,077
Total operating expenses	<u>190,478</u>	<u>159,104</u>	<u>349,582</u>	<u>422,963</u>
Total operating income (loss)	<u>(57,736)</u>	<u>115,967</u>	<u>58,231</u>	<u>34,154</u>
Nonoperating revenues and (expenses)				
Interest income	550		550	700
Interest expense		(151,342)	(151,342)	(163,151)
Total nonoperating revenues (expenses)	<u>550</u>	<u>(151,342)</u>	<u>(150,792)</u>	<u>(162,451)</u>
Change in net assets	<u>(57,186)</u>	<u>(35,375)</u>	<u>(92,561)</u>	<u>(128,297)</u>
Total net assets-beginning	<u>408,751</u>	<u>(243,167)</u>	<u>165,584</u>	<u>293,881</u>
TOTAL NET ASSETS-ENDING	<u>\$ 351,565</u>	<u>\$ (278,542)</u>	<u>\$ 73,023</u>	<u>\$ 165,584</u>

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

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2009
(With Comparative Totals As Of June 30, 2008)

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Year Ended June 30, 2009
(With Comparative Totals As Of June 30, 2008)

	Enterprise Fund	Parking Fund	2009 Total Proprietary Fund	2008 Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 132,596	\$ 250,584	\$ 383,180	\$ 441,943
Payroll payments		(15,569)	(15,569)	(22,892)
Payments to suppliers	(113,076)	(58,549)	(171,625)	(224,444)
Net cash provided by operating activities	19,520	176,466	195,986	194,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets				(2,288)
Transfer from (to) general fund	(20,070)	47,609	27,539	41,118
Bond principal debt paid		(74,658)	(74,658)	(71,541)
Interest paid on capital debt		(151,342)	(151,342)	(164,631)
Net cash (used) by capital and related financing activities	(20,070)	(178,391)	(198,461)	(197,342)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	550		550	700
Net cash provided by financing activities	550		550	700
Net (decrease) in cash and cash equivalents	-	(1,925)	(1,925)	(2,035)
Balances-beginning of year	1,070	2,925	3,995	6,030
BALANCES-END OF THE YEAR	<u>\$ 1,070</u>	<u>\$ 1,000</u>	<u>\$ 2,070</u>	<u>\$ 3,995</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ (57,736)	\$ 115,967	\$ 58,231	\$ 34,154
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	77,402	84,986	162,388	169,077
Changes in asset and liabilities				
Accounts receivable		1,360	1,360	6,665
Prepaid expenses	(146)	(24,820)	(24,966)	6,550
Accounts payable		(4,889)		
Interest payable		4,386		
Deposits		501		
Unearned revenue		(1,025)	(1,025)	(21,839)
Net cash provided by operating activities	<u>\$ 19,520</u>	<u>\$ 176,466</u>	<u>\$ 195,986</u>	<u>\$ 194,607</u>
Supplemental disclosures of cash flow information:				
Noncash capital and related financing activities:				
Amortization of bond issue cost	<u>\$</u>	<u>\$ 1,728</u>	<u>\$ 1,728</u>	<u>\$ 2,074</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

Nature of Organization

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

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

Basis of Presentation

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

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

Basic Financial Statements

Government-wide financial statements

Fund financial statements

Notes to the financial statements

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

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

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 restricted donations made to the Library. The primary source of revenue for this fund is from library patronages. The major expenditures for this fund are salaries and a portion of the Library's operating expenditures.

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

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

The primary government has no non-major funds.

Special Revenue Funds

The Library Foundation, Library Collection Materials Fund, and Construction Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

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

The primary government reports the following major proprietary fund:

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

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

Short-Term Investment

Short-term investments consist of certificates of deposit with initial maturities greater than three months. Fair value approximates carrying amounts.

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Income Taxes

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

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), Accounting for Uncertainty in Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of Interpretation 48 for the year ending June 30, 2009. The Foundation evaluates its uncertain tax positions using the provisions of FASB Statement 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probably that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Cash and Cash Equivalents

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

Estimates

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

Change in Required Disclosures

Financial Accounting Standard 165 – Subsequent Events was adopted as of June 30, 2009. The Library evaluated events occurring between the end of its most recent fiscal year and October 7, 2009 the date the financial statements were issued.

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, 2009 was \$1,779,183. The carrying amount of the Library's short-term investments at June 30, 2009 was \$2,076,305.

Note 3. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lexington-Fayette Urban County Government Agreements

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

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

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

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Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Governmental Activities				
Depreciable capital assets				
Land improvements	\$ 70,279	\$	\$	\$ 70,279
Village branch construction	556,936	151,466		708,402
Buildings and improvements	13,772,208	7,660,374	1,192,310	20,240,272
Furniture/equipment	6,807,317	459,729		7,267,046
Totals at Cost	21,206,740	8,271,569	1,192,310.0	28,285,999
Less: accumulated depreciation:	13,644,117	1,077,176	(1,183,832)	13,537,461
Depreciable capital assets, net	7,562,623	7,194,393	8,478	14,748,538
Nondepreciable capital assets				
Land	3,633,842			3,539,842
Construction-in progress	5,514,076		94,000	
Artistic clock	460,903		5,514,076	
	9,608,821		5,608,076	4,000,745
Business-Type Activities:				
Furniture/equipment	682,312			682,312
Parking garage & improvements	3,465,759			3,465,759
Totals at cost	4,148,071			4,148,071
Less: accumulated depreciation	650,003	160,660		810,663
Capital assets net	\$ 3,498,068	\$ (160,660)	\$	\$ 3,337,408

Depreciation expense was charged as follows:

Governmental Activities:

Total Depreciation Expense - Governmental Activities

\$ 1,077,176

Business-Type Activities

Total Depreciation Expense - Business-Type Activities

\$ 160,660

Note 6. Retirement Plan

The Library has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent. The Library's contribution for the year ended June 30, 2009 was \$692,007 and the employees contributed \$256,299.

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

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

Note 7. Interfund Transactions

Interfund loans on the fund statements at June 30, 2009 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 609,132	\$ 327,046
Collection Materials	199,181	
Construction		286,889
Proprietary Funds	127,865	234,679
Foundation		87,564
	<u>\$ 936,178</u>	<u>\$ 936,178</u>

Note 8. Risk Management

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

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

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Note 9. Long-Term Liabilities

A. Parking Garage Debt

The Library purchased the Park Plaza Garage on April 29, 2005 through a competitive bid process for \$3,001,000. The Library's Board of Trustees determined that in the long-term interest of the Lexington Public Library the purchase and operation of the parking garage was required. It was also determined that an additional \$514,000 would be required to repair and improve the facility. The Library borrowed \$3,515,000 from the Kentucky League of Cities for a term of 29 years. The debt was broken down into a fixed rate loan of \$2,970,000 with a rate of 4.28% and a variable rate loan of \$545,000. The final maturity of the debt is April 21, 2034. The variable rate is based on an assumed rate that is established at the beginning of each fiscal year. The effective rate at June 30, 2009 was 3.00%.

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2010	72,238	154,617	226,855
2011	75,192	151,159	226,351
2012	78,049	147,836	225,885
2013	81,717	143,666	225,383
2014	73,090	151,298	224,388
2015-2019	519,257	618,001	1,137,258
2020-2024	633,227	497,196	1,130,423
2025-2029	802,442	337,556	1,139,998
2030-2034	897,478	102,453	999,931
Totals	<u>\$ 3,232,690</u>	<u>\$ 2,303,782</u>	<u>\$ 5,536,472</u>

Bond issue costs in the amount of \$58,988 were incurred in relation to the borrowings. These costs are being amortized over the life of the bonds. Amortization for the year amounted to \$1,728.

B. Construction 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 3.94% 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, 2009 the effective rate was 1.63%.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

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Note 9. Long-Term Liabilities (Continued)

B. Construction in Progress Debt (Continued)

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2010	223,667	237,166	460,833
2011	254,285	207,820	462,105
2012	244,964	217,713	462,677
2013	257,448	206,258	463,706
2014	213,109	194,633	407,742
2015-2019	1,202,303	812,727	2,015,030
2020-2024	1,519,215	495,815	2,015,030
2025-2028	1,242,842	134,094	1,376,936
Totals	\$ 5,157,833	\$ 2,506,226	\$ 7,664,059

Bond issue costs in the amount of \$121,538 were incurred in relation to the borrowings. These costs are being amortized over the life of the bonds. Amortization for the year amounted to \$5,923.

C. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Debt Obligations	\$ 6,571,822		\$ 1,413,989	\$ 5,157,833	\$ 223,667
Governmental Activities Long-term Liabilities	\$ 6,571,822	\$ -	\$ 1,413,989	\$ 5,157,833	\$ 223,667

Long-term liability activity for the business-type activities for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
Debt Obligations	\$ 3,307,348	\$ -	\$ 74,658	\$ 3,232,690	\$ 72,238
Business-Type Activities Long-term Liabilities	\$ 3,307,348	\$ -	\$ 74,658	\$ 3,232,690	\$ 72,238

Note 10. Bond Fund Construction Account

The monies received from the new debt acquired for the construction of the Northside branch were deposited in an account with the Bank of New York. When construction in progress expenditures are incurred payment is made from the general fund; the construction fund then reimburses the general fund. The cash balance in the account at June 30, 2009 was \$336,693.

Note 11. Construction in Progress

The Library began construction of the Northside branch in fiscal year ended June 30, 2008. The estimated cost of the project was approximately \$7,800,000. Construction in progress for this project amounted to \$7,660,374. The Construction was completed in September 2008. The new Northside Branch was opened to the public in September 2008. The Construction in Progress amount was reclassified to a depreciable asset during 2009.

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 Assets and the Balance Sheet for the total amount of vacation earned, not exceeding 150 hours for each employee. The amount of accrued vacation as of June 30, 2009 was \$336,477.

Note 13. Sale of Former Northside Branch Building

The former Northside Branch building was sold to the University of Kentucky for \$1.2 million on September 22, 2008. The full amount of the proceeds was applied against governmental activities debt.

Note 14. The Lexington Public Library Foundation

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

**LEXINGTON PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION**

For The Year Ended June 30, 2009

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
For The Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Support				
Grants				
KY Dept. of Libraries and Archives	\$ 170,028	\$ 170,028	\$ 170,028	\$
Grants, other	25,000	25,000	117,071	92,071
LFUCG appropriation				
Unrestricted				
Restricted	11,582,289	11,582,289	11,582,289	
Donations	1,483,611	1,483,611	1,483,611	
Unrestricted				
Restricted	100,881	100,881	99,968	(913)
Total support	130,000	130,000	96,173	(33,827)
REVENUE	13,491,809	13,491,809	13,549,140	57,331
Fines and lost books				
Interest earned	255,000	255,000	272,667	17,667
Unrestricted				
Restricted	80,000	80,000	81,124	1,124
Rental income	2,000	2,000	38,967	36,967
Sale of Northside	1,000	1,000	715	(285)
Miscellaneous			1,200,000	1,200,000
Copy sales	20,000	20,000	7,817	(12,183)
Parking Revenue	60,161	60,161	67,991	7,830
Video sales	300,539	300,539	275,071	(25,468)
Total revenue	37,500	37,500	64,751	27,251
Total support and revenue	756,200	756,200	2,009,103	1,252,903
EXPENSES	14,248,009	14,248,009	15,558,243	1,310,234
Salaries wages and employee benefits	8,429,446	8,429,446	8,355,423	(74,023)
Foundation salaries	80,000	80,000	119,961	39,961
Operating expenses	1,869,306	1,869,306	2,167,197	297,891
Operating expenses - Foundation	90,588	90,588	63,942	(26,646)
Operating expenses-Enterprise Fund	163,500	163,500	187,194	23,694
Depreciation expense-Enterprise Fund	163,151	163,151	162,388	(763)
Interest expense - Enterprise	135,349	135,349	151,342	15,993
Books and materials	1,483,611	1,483,611	1,422,530	(61,081)
Transfer to LPL Corporation	291,140	291,140	291,140	
Grant Expenses	25,000	25,000	6,527	(18,473)
Investment loss			53,617	53,617
Friends program support	100,881	100,881	89,050	(11,831)
Total expenses	12,831,972	12,831,972	13,070,311	238,339
SUPPORT AND REVENUE OVER EXPENSES	1,416,037	1,416,037	2,487,932	1,071,895
Other changes				
Payments to Carnegie Literacy Center, Inc.	(65,000)	(65,000)	(65,000)	
Purchases of property & equipment	(835,014)	(835,014)	(2,758,663)	1,923,649
Debt services	(456,435)	(456,435)	(1,659,742)	1,203,307
Net increase (decrease) in fund balances	59,588	59,588	(1,995,473)	(2,055,061)
Fund balances-				
beginning of year	5,481,514	5,481,514	5,481,514	
FUND BALANCES-END OF YEAR	\$ 5,541,102	\$ 5,541,102	\$ 3,486,041	\$ (2,055,061)

**LEXINGTON PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2009

**LEXINGTON PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2009

SIGNIFICANT DEFICIENCY - NONE

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS NONE

PRIOR YEAR FINDINGS: CORRECTED DURING FISCAL YEAR 2009

There Is No Formal Process, Between The Foundation And Library Accounting For Transferring
Monies Between Restricted, Unrestricted, And Designated Funds.

There Was Lack Of Segregation Of Duties With Regard To Parking Garage Income.

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

To the Board of Directors
Lexington Public Library
Lexington, Kentucky

We have audited the financial statements of the Lexington Public Library as of and for the year ended June 30, 2009, and have issued our report thereon dated October 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

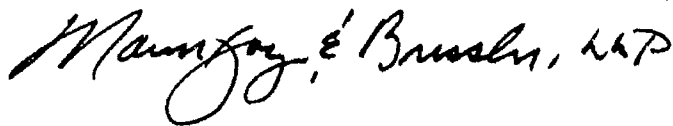
Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

Compliance And Other Matters

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mountjoy & Bressler, LLP". The signature is written in a cursive, flowing style.

Mountjoy & Bressler, LLP

October 7, 2009

Mountjoy & Bressler, LLP

CERTIFIED PUBLIC ACCOUNTANTS

AUDITOR'S COMMUNICATION

LEXINGTON PUBLIC LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2009

Firm Address:

150 Flynn Avenue
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Frankfort, KY 40602

Contact:

Mark Schmitt, Partner, CPA
502.227.9000
mschmitt@mountjoybressler.com

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Mountjoy & Bressler, LLP

CERTIFIED PUBLIC ACCOUNTANTS

October 7, 2009

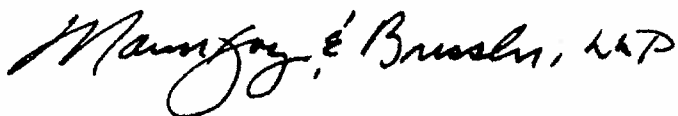
To The Board of Directors of the Lexington Public Library "Library"

We have audited the financial statements of the Library for the year ended June 30, 2009 and have prepared our report, enclosed herein, and dated October 7, 2009.

We are required by Statement of Auditing Standards (SAS) No. 114, "The Auditor's Communication With Those Charged With Governance," to communicate certain matters related to the conduct of our audit to those charged with governance. In keeping with the spirit of this standard, we have provided the attached items to communicate such matters.

This information is intended solely for the information and use of the Board of Directors and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



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REQUIRED COMMUNICATIONS

Statement of Auditing Standards (SAS) No. 114 and other professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing management's financial reporting and disclosure process. Below we summarize these required communications.

For purposes of this statement "those charged with governance" means the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, which includes overseeing the financial reporting process.

Area	Comments
<p>Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS)</p> <p>As stated in our engagement letter dated July 1, 2009, our responsibilities under generally accepted auditing standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.</p>	<p>The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS and <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States of America (GAGAS), which provides for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing and extent of testing performed. We are responsible for communicating significant matters related to the financial statement audit that is, in our professional judgment, relevant to the responsibilities of those overseeing the financial reporting process. (See our opinion provided in conjunction with the audit.)</p>
<p>Planned Scope and Timing of Audit</p> <p>We were engaged to audit the government-wide statement of net assets of the Library, balance sheet for governmental funds, and balance sheet for proprietary funds as of June 30, 2009 and the government-wide statement of activities, statement of support, revenues, and changes in fund balances, statement of activities for proprietary funds and statement of cash flows for proprietary funds for the year then ended.</p>	<p>The objective of our audit and overview of procedures are stated in our engagement letter dated July 1, 2009. We performed the audit according to the planned scope.</p>
<p>Qualitative Aspects of the Entity's Significant Accounting Practices</p> <p>The auditor should discuss with those charged with governance their view about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, financial statement disclosures and related matters.</p>	<p>Generally accepted accounting principles provide for the entity to make accounting estimates and judgments about accounting policies and financial statement disclosures.</p>

<p>Accounting Policies</p>	<p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Library are described in Note A to the financial statements. FAS 165 – Subsequent Events was adopted as of June 30, 2009. A note has been included in the financial statements. The application of existing policies was not changed during the year ended June 30, 2009 (see Appendix I.) We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p>
<p>Accounting Estimates</p>	<p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation expense, which is calculated based on estimates of useful life of capitalized property and equipment; and allowance for doubtful accounts.</p> <p>We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.</p>
<p>Financial Statement Disclosures</p>	<p>The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.</p>
<p>Significant Difficulties Encountered During the Audit</p> <p>The auditor should inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>We encountered no significant difficulties in dealing with management related to the performance of the audit.</p>
<p>Subsequent Events</p>	<p>The Company evaluated events occurring between June 30, 2009 and October 7, 2009 and noted no subsequent events that need to be reported.</p>

<p>Audit Adjustments</p> <p>SAS No. 107, <i>Audit Risk and Materiality in Conducting an Audit</i>, requires the auditor to accumulate all known and likely misstatements identified in the audit, other than those that the auditor believes are trivial.</p>	<p>Nine adjustments were made. The adjusting entries totaled \$2,065,408. Three adjustments comprised the majority of the total amount adjusted: 1) An adjusting entry was made in the amount of \$1,200,000 to record the sale of the former Northside branch building; 2) An adjusting entry in the amount of \$611,195 was made to capitalize fixed assets according to the CFO's capital asset listing; and 3) An adjusting entry in the amount of \$196,348 was made to record financial activity for the Foundation from January - June 2009. The Director of the Foundation took over the bookkeeping for the Foundation in January 2009. The adjustment was made with information obtained from the Director of the Foundation. The net effect on net income was an increase of \$484,878. There were 11 reclassification entries which had no effect on net income. Management has agreed to record all audit adjustments per management representation letter.</p> <p>Unrecorded entries totaled \$1,798. If the adjustment were made net assets would be decreased by \$39. The net effect on net assets is below materiality and tolerable misstatement. The auditor will pass adjustment due to immateriality.</p>
<p>Disagreements with Management</p> <p>The auditor should discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually, or in the aggregate could be significant to the entity's financial statements or the auditor's report.</p>	<p>There were no disagreements with management about matters that could be significant to the financial statements or our reports thereon.</p>
<p>Management's Consultations with Other Accountants</p>	<p>We are not aware of any consultations concerning any significant accounting or auditing matters with other accountants related to the 2009 audit.</p>
<p>Other Significant Issues Discussed, or Subject to Correspondence, With Management</p>	<p>None</p>
<p>Fraud and Illegal Acts</p>	<p>During the conduct of our audit, we did not become aware of any fraud or illegal acts</p>
<p>Internal Control Related Matters</p>	<p>During the course of the audit, we identified no deficiencies in internal control over financial reporting that we considered to be significant deficiencies. The Controller of Lexington Public Library has reviewed the disclosure checklist and we believe she has a sufficient understanding of the information presented in the financial statements to be able to prepare them herself, if desired..</p>

APPENDIX I

Note 1. Summary of Significant Accounting Policies

Nature of Organization

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

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

Basis of Presentation

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

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

Basic Financial Statements

Government-wide financial statements

Fund financial statements

Notes to the financial statements

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

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

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.

APPENDIX I

Note 1. Summary of Significant Accounting Policies (Continued)

Library Foundation Fund - This fund is used to account for restricted donations made to the Library. The primary source of revenue for this fund is from library patronages. The major expenditures for this fund are salaries and a portion of the Library's operating expenditures.

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

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

The primary government has no non-major funds.

Special Revenue Funds

The Library Foundation, Library Collection Materials Fund, and Construction Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

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

The primary government reports the following major proprietary fund:

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

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

Short-Term Investment

Short-term investments consist of certificates of deposit with initial maturities greater than three months. Fair value approximates carrying amounts.

Capital Assets

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

APPENDIX I

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), Accounting for Uncertainty in Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of Interpretation 48 for the year ending June 30, 2009. The Foundation evaluates its uncertain tax positions using the provisions of FASB Statement 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Cash and Cash Equivalents

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

Estimates

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

Change in Required Disclosures

Financial Accounting Standard 165 – Subsequent Events was adopted as of June 30, 2009. The Library evaluated events occurring between the end of its most recent fiscal year and October 7, 2009 the date the financial statements were issued.

APPENDIX II

MANAGEMENT REPRESENTATION LETTER

We are providing this letter in connection with your audit of the financial statements of the Lexington Public Library (the Library) as of June 30, 2009 for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Lexington Public Library and the changes in financial position and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows of the proprietary fund types in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of October 7, 2009, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and account groups of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data.
 - b. Minutes of the meetings of the Lexington Public Library or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, you have proposed adjusting journal entries that have been posted to the Library's accounts. We are in agreement with those adjustments.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Library involving—
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Library received in communications from employees, former employees, analysts, regulators, or others.
9. The Library has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:

APPENDIX II
MANAGEMENT REPRESENTATION LETTER
(Continued)

- a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Library is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Library vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
13. Except as made known to you, there are no—
- a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting and amending budgets), provisions of contracts and agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of the Library equity that was not properly authorized and approved.
14. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
15. The Library has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
16. The Library has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

APPENDIX II
MANAGEMENT REPRESENTATION LETTER
(Continued)

17. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
19. The financial statements properly classify all funds and activities.
20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
21. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
22. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
23. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
24. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
25. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
26. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
27. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
28. The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
29. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
30. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements