

**Lexington Public Library**  
**Table of Contents**  
**June 30, 2017**

	<b><u>PAGE</u></b>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
<b>Basic Financial Statements</b>	
Government - Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	13-14
Fund Financial Statements	
Balance Sheet - Governmental Funds	16-17
Statement of Support, Revenue, Expenses and Changes in Fund Balances	
Governmental Funds	19-20
Reconciliation of the Statement of Support, Revenue, Expenses and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Change in Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	28
Notes to Financial Statements	30-45
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedules	
Required Supplemental Information - General Fund	
Schedule of Revenue and Expenditures - Budget and Actual	47
Required Supplemental Information - Library Collections Materials Fund	
Schedule of Revenue and Expenditures - Budget and Actual	48
Schedule of Lexington Public Library's Net Pension	
Liability and Related Ratios Based on Participation in the County Employees	
Retirement Systems of KRS	49
Schedule of Lexington Public Library's Contributions	
Based on Participation in the County Employees Retirement Systems of KRS	50
Notes to Schedules Related to County Employees Retirement System of KRS	51
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 <i>Auditing Standards</i>	52-53

**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, as of and for the year ended June 30, 2017, 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.

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

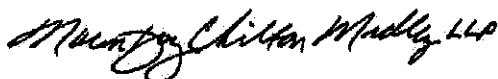
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Lexington Public Library, as of June 30, 2017, and the respective changes in financial 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 47 and 48, and the Schedule of Lexington Public Library's Net Pension Liability and Related Ratios Based on Participation in the County Employees' Retirement System of KRS on page 49 and the Schedule of Lexington Public Library's Contributions Based on participation in the County Employees' Retirement System of KRS on page 50 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 6, 2017 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 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 Lexington Public Library's internal control over financial reporting and compliance.



Lexington, Kentucky  
August 31, 2017

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2017**

**FINANCIAL HIGHLIGHTS**

- The Lexington Public Library's (the Library) net position decreased \$229,324 during fiscal year 2017. Current Assets increased by \$1,322,802 and Bonds Payable decreased \$649,818 both improving the Library's net position. The net value of Capital Assets decreased \$1,022,633 and the pension obligation net of deferred outflows and pension contributions increased \$941,483.
- 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 and the replacement of the Central Library chiller. The Library allocated 12% of its tax revenues for library books and materials.
- The Eastside Branch had its first full year of operations in fiscal year 2017.
- The Lexington Public Library Foundation raised \$495,793 in fiscal year 2017, including a \$151,600 grant for programming from the Knight Foundation.
- The Library's business-type activities had an increase in net position of \$59,560 for fiscal year 2017.
- At the midpoint of the fiscal year, the Friends of the Lexington Public Library assumed complete responsibility for management and compensation of the personnel of the Friends organization.

**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  
June 30, 2017  
(Continued)**

**GOVERNMENT-WIDE STATEMENTS (Continued)**

These two statements report the net position of the Library and the changes in net position. One can think of the Library's net position - the difference between assets 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  
June 30, 2017  
(Continued)**

**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.

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

**Condensed Statement of Net Position**

	<b>Total</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets	\$ 10,816,518	\$ 9,493,716
Net noncurrent assets	26,438,886	27,472,519
<b>Total Assets</b>	<b>37,255,404</b>	<b>36,966,235</b>
<b>Deferred Outflows of Resources</b>	<b>2,779,103</b>	<b>1,792,733</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 40,034,507</b>	<b>\$ 38,758,968</b>
<b>Liabilities</b>		
Current liabilities	\$ 1,735,981	\$ 1,490,797
Long-term liabilities	20,676,530	19,398,495
<b>Total Liabilities</b>	<b>22,412,511</b>	<b>20,889,292</b>
<b>Deferred Inflows of Resources</b>	<b>27,719</b>	<b>46,075</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>22,440,230</b>	<b>20,935,367</b>
<b>Net Position</b>		
Net investment in capital assets	16,601,816	17,159,197
Restricted	425,267	226,918
Unrestricted	567,194	437,486
<b>Total Net Position</b>	<b>17,594,277</b>	<b>17,823,601</b>
<b>Total Liabilities and Deferred Inflows of Resources and Net Position</b>	<b>\$ 40,034,507</b>	<b>\$ 38,758,968</b>

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2017  
(Continued)**

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

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

**STATEMENT OF ACTIVITIES**

**TABLE A-2 STATEMENT OF ACTIVITIES**

**Condensed Statement of Activities**

	<b>Total</b>				
	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>Percent Change</b>	<b>Percent of Total</b>
<b>Revenues</b>					
LFUCG tax revenue	\$ 15,051,980	\$ 14,528,966	\$ 523,014	4%	90%
Interest and investment earnings	74,432	55,895	18,537	33%	1%
Capital grants and contributions	105,000	105,000	-	0%	1%
Operating grants and contributions	785,709	341,931	443,778	130%	5%
Charges for services	784,675	727,906	56,769	8%	4%
Gain on sale of Eagle Creek branch	-	1,688,649	(1,717,804)	100%	0%
Loss on disposal of equipment	(29,155)	-	10,826	100%	-1%
Other revenues	10,826	140,230	(129,404)	-92%	0%
<b>Total Revenue</b>	<b>16,783,467</b>	<b>17,588,577</b>	<b>(805,110)</b>	<b>-5%</b>	<b>100%</b>
<b>Expenses</b>					
Personnel	9,977,308	9,103,958	873,350	10%	59%
Operating expenses	2,313,442	2,392,153	(78,711)	-3%	14%
Grant and foundation	363,687	121,521	242,166	199%	2%
Books and materials	1,941,309	1,879,980	61,329	3%	11%
Enterprise	421,413	369,852	51,561	14%	2%
Depreciation and amortization -general fund	1,440,231	1,302,261	137,970	11%	8%
Library corporation	256,427	256,641	(214)	0%	2%
Interest expense	298,974	283,750	15,224	5%	2%
<b>Total Expenses</b>	<b>17,012,791</b>	<b>15,710,116</b>	<b>1,302,675</b>	<b>8%</b>	<b>100%</b>
<b>Change In Net Position</b>	<b>(229,324)</b>	<b>1,878,461</b>	<b>(2,107,785)</b>	<b>-112%</b>	
<b>Net Position - Beginning</b>	<b>17,823,601</b>	<b>15,945,140</b>	<b>1,878,461</b>	<b>12%</b>	
<b>Net Position - Ending</b>	<b>\$ 17,594,277</b>	<b>\$ 17,823,601</b>	<b>\$ (229,324)</b>	<b>-1%</b>	

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2017  
(Continued)**

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

**STATEMENT OF ACTIVITIES**

While the Statement of Net Position shows the financial position of the Library, the Statement of Activities provides answers as to the nature and source of these changes. The Library's main source of revenue, property tax, is approximately 90% of the Library's total revenue. The property tax revenue source increased approximately 4%.

The personnel expense represents approximately 59% of total expenses. Personnel expenses reflect a pension expense in excess of contributions of \$923,127.

**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 2017 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 \$1,228,631, which was \$720,889 better than budget. The Library's actual expenses, overall, were under budget by \$600,547. A 2017 budget comparison and analysis is presented in Table A-3 on page 8. Personnel expenditures were under budget due to retirements and turnover in key positions as well as general turnover. Operating expenses were under budget due to maintenance savings, lower than anticipated utility costs at the new Eastside branch, and lower than planned marketing expenditures. Capital purchases were under budget due to a delay in certain projects at the Central Branch.



**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2017  
(Continued)**

**BUDGET HIGHLIGHTS (Continued)**

**BUDGET TO ACTUAL - 2017**

**TABLE A-3 2017 BUDGET TO ACTUAL**

<b>SUPPORT AND REVENUES</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget - Positive (Negative)</b>
KY Dept. of Libraries and Archives	\$ 110,791	\$ 110,544	\$ (247)
Grants, other	155,000	105,000	(50,000)
LFUCG tax revenue	15,051,980	15,051,980	-
Contributions	399,546	560,415	160,869
Enterprise fund revenue	459,013	470,392	11,379
Fines and lost books	269,800	247,013	(22,787)
Interest income	40,000	74,432	34,432
Rental income	-	10,700	10,700
Miscellaneous	95,000	70,996	(24,004)
<b>Total support and revenues</b>	<b>16,581,130</b>	<b>16,701,472</b>	<b>120,342</b>
<b>EXPENSES</b>			
Personnel	9,288,694	9,076,446	212,248
Operating expenses	2,453,008	2,290,641	162,367
Library materials	1,979,111	1,941,142	37,969
Foundation expenses	236,000	93,860	142,140
Grant Expenses/foundation gift	50,000	109,408	(59,408)
Depreciation/interest- enterprise	252,794	245,888	6,906
Enterprise expenses	158,659	175,525	(16,866)
Capital purchases	655,962	559,758	96,204
Library corporation	256,427	256,427	-
Debt service	596,253	674,675	(78,422)
Friends donation	163,546	49,071	114,475
<b>Total expenses</b>	<b>16,090,454</b>	<b>15,472,841</b>	<b>617,613</b>
Changes in fund balances	490,676	1,228,631	737,955
Fund balances- beginning of year	8,529,779	8,529,779	-
<b>FUND BALANCES-END OF YEAR</b>	<b>\$ 9,020,455</b>	<b>\$ 9,758,410</b>	<b>\$ 737,955</b>

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2017  
(Continued)**

**CAPITAL ASSETS**

The Library invested a total of \$559,758 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, 2017 amounted to \$2,523,453. 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 \$3,296,956 at June 30, 2017.

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 \$861,667 at June 30, 2017.

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, 2017, was \$3,144,994.

**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, 2017  
(With Comparative Totals As Of June 30, 2016)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION**  
**For The Year Ended June 30, 2017**  
**(With Comparative Totals as of June 30, 2016)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>2016 Totals</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 5,436,367	\$ 2,070	\$ 5,438,437	\$ 4,599,576
Short-term investments - unrestricted	5,237,846	-	5,237,846	4,752,208
Accounts receivable				
Other	3,426	12,167	15,593	16,920
Interfund balances	(213,294)	213,294	-	-
Prepaid expenses	124,642	-	124,642	125,012
<b>Total Current Assets</b>	<b>10,588,987</b>	<b>227,531</b>	<b>10,816,518</b>	<b>9,493,716</b>
Noncurrent Assets:				
Capital assets				
Nondepreciable	4,786,335	-	4,786,335	4,786,335
Depreciable, net	19,039,972	2,612,579	21,652,551	22,686,184
<b>Total Noncurrent Assets</b>	<b>23,826,307</b>	<b>2,612,579</b>	<b>26,438,886</b>	<b>27,472,519</b>
<b>Total Assets</b>	<b>34,415,294</b>	<b>2,840,110</b>	<b>37,255,404</b>	<b>36,966,235</b>
<b>Deferred Outflows of Resources</b>				
Actuarially determined outflow	2,028,381	-	2,028,381	1,122,121
Pension contributions	750,722	-	750,722	670,612
<b>Total Deferred Outflows of Resources</b>	<b>2,779,103</b>	<b>-</b>	<b>2,779,103</b>	<b>1,792,733</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>37,194,397</b>	<b>2,840,110</b>	<b>40,034,507</b>	<b>38,758,968</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	307,817	21	307,838	282,789
Accrued payroll	118,220	-	118,220	91,391
Accrued vacation	311,312	-	311,312	311,312
Payroll liabilities	85,581	-	85,581	73,254
Loss contingency	316,253	-	316,253	316,253
Unearned revenue	-	501	501	501
Accrued interest payable	7,529	-	7,529	116
Current portion of long-term debt	483,295	105,452	588,747	415,181
<b>Total Current Liabilities</b>	<b>1,630,007</b>	<b>105,974</b>	<b>1,735,981</b>	<b>1,490,797</b>
Noncurrent Liabilities:				
Net pension obligation	11,428,207	-	11,428,207	9,500,354
Bonds payable	6,830,322	2,418,001	9,248,323	9,898,141
<b>Total Noncurrent Liabilities</b>	<b>18,258,529</b>	<b>2,418,001</b>	<b>20,676,530</b>	<b>19,398,495</b>
<b>Total Liabilities</b>	<b>19,888,536</b>	<b>2,523,975</b>	<b>22,412,511</b>	<b>20,889,292</b>
<b>Deferred Inflows of Resources</b>	<b>27,719</b>	<b>-</b>	<b>27,719</b>	<b>46,075</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>19,916,255</b>	<b>2,523,975</b>	<b>22,440,230</b>	<b>20,935,367</b>
<b>NET POSITION</b>				
Net investment in				
Capital assets	16,512,690	89,126	16,601,816	17,159,197
Restricted For:				
Grants and bond	425,267	-	425,267	226,918
Unrestricted	340,185	227,009	567,194	437,486
<b>Total Net Position</b>	<b>\$ 17,278,142</b>	<b>\$ 316,135</b>	<b>\$ 17,594,277</b>	<b>\$ 17,823,601</b>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2017  
(With Comparative Totals For the Year Ended June 30, 2016)**



**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES (Continued)**  
**For The Year Ended June 30, 2017**  
**(With Comparative Totals For The Year Ended June 30, 2016)**

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>2016 Totals</b>
\$ (9,977,308)	\$ -	\$ (9,977,308)	\$ (9,103,958)
(2,313,442)	-	(2,313,442)	(2,392,153)
402,693	-	402,693	67,466
(110,362)	-	(110,362)	(12,269)
15,550	-	15,550	43,734
-	-	-	105,000
(1,407,885)	-	(1,407,885)	(1,500,163)
(1,440,231)	-	(1,440,231)	(1,302,261)
(298,974)	-	(298,974)	(283,750)
(256,427)	-	(256,427)	(256,641)
<u>(15,386,386)</u>	<u>-</u>	<u>(15,386,386)</u>	<u>(14,634,995)</u>
-	56,957	56,957	65,702
-	237,910	237,910	282,526
-	(121,883)	(121,883)	(124,976)
-	(124,005)	(124,005)	(123,536)
<u>-</u>	<u>48,979</u>	<u>48,979</u>	<u>99,716</u>
<u>(15,386,386)</u>	<u>48,979</u>	<u>(15,337,407)</u>	<u>(14,535,279)</u>
15,051,980	-	15,051,980	14,528,966
73,532	900	74,432	55,895
-	-	-	1,688,649
(29,155)	-	(29,155)	-
1,145	9,681	10,826	140,230
<u>15,097,502</u>	<u>10,581</u>	<u>15,108,083</u>	<u>16,413,740</u>
(288,884)	59,560	(229,324)	1,878,461
<u>17,567,026</u>	<u>256,575</u>	<u>17,823,601</u>	<u>15,945,140</u>
<u>\$ 17,278,142</u>	<u>\$ 316,135</u>	<u>\$ 17,594,277</u>	<u>\$ 17,823,601</u>

See accompanying notes.

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

**June 30, 2017  
(With Comparative Totals As Of June 30, 2016)**



**LEXINGTON PUBLIC LIBRARY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2017**  
**(With Comparative Totals As Of June 30, 2016)**

	General Fund	Library Collection Materials Fund	Construction Fund	2017 Total Governmental Funds	2016 Total Governmental Funds
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents					
Unrestricted	\$ 5,142,311	\$ -	\$ -	\$ 5,142,311	\$ 4,485,740
Restricted	261,822	-	32,234	294,056	111,766
Short-term investments - Unrestricted	5,074,401	-	-	5,074,401	4,604,822
Short-term investments - Restricted	163,445	-	-	163,445	147,386
Accounts receivable - other	3,426	-	-	3,426	3,293
Due from other funds	1,855,136	459,719	-	2,314,855	2,321,441
Due from proprietary funds	139,436	-	-	139,436	155,985
Prepaid expenses	84,641	40,001	-	124,642	125,012
	<u>\$ 12,724,618</u>	<u>\$ 499,720</u>	<u>\$ 32,234</u>	<u>\$ 13,256,572</u>	<u>\$ 11,955,445</u>
Total assets					
	<u>\$ 12,724,618</u>	<u>\$ 499,720</u>	<u>\$ 32,234</u>	<u>\$ 13,256,572</u>	<u>\$ 11,955,445</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities					
Accounts payable	\$ 307,817	\$ -	\$ -	\$ 307,817	\$ 282,719
Accrued payroll	118,220	-	-	118,220	91,391
Accrued vacation	311,312	-	-	311,312	311,312
Accrued interest	7,529	-	-	7,529	116
Payroll liabilities	85,669	(88)	-	85,581	73,254
Loss contingency	316,253	-	-	316,253	316,253
Due to proprietary funds	352,730	-	-	352,730	285,755
Due to other funds	459,719	-	1,855,136	2,314,855	2,321,441
Total current liabilities	<u>\$ 1,959,249</u>	<u>\$ (88)</u>	<u>\$ 1,855,136</u>	<u>\$ 3,814,297</u>	<u>\$ 3,682,241</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Foundation expenditures	\$ 425,267	\$ -	\$ -	\$ 425,267	\$ 226,918
Committed for:					
Buildings, renewal and replacement	2,000,000	-	-	2,000,000	2,000,000
New branch	2,000,000	-	-	2,000,000	1,000,000
Emergency fund	300,000	-	-	300,000	300,000
Technology Enhancements and Innovation	500,000	-	-	500,000	100,000
Assigned for:					
Book purchases	-	499,808	-	499,808	503,778
Capital construction	-	-	(1,822,902)	(1,822,902)	(1,826,500)
Unassigned	5,540,102	-	-	5,540,102	5,969,008
Total Fund Balances	<u>10,765,369</u>	<u>499,808</u>	<u>(1,822,902)</u>	<u>9,442,275</u>	<u>8,273,204</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 12,724,618</u>	<u>\$ 499,720</u>	<u>\$ 32,234</u>	<u>\$ 13,256,572</u>	<u>\$ 11,955,445</u>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)**  
**June 30, 2017 (With Comparative Totals As Of June 30, 2016)**

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

Total Fund Balances	\$ 9,442,275
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.	23,826,307
Deferred Outflows of Resources Are Expensed in the Current Period and,	
Therefore, Are Not Reported in the Governmental Funds.	2,779,103
Net Pension Obligation Is Not Due and Payable in the Current Period and,	
Therefore, Is Not Reported in the Governmental Funds.	(11,428,207)
Deferred Inflows of Resources Are Not Due and Payable in the Current Period and,	
Therefore, Are Not Reported in the Governmental Funds.	(27,719)
Short-term and Long-term Debt Is Not Due and Payable in the Current Period and,	
Therefore, Is Not Reported in the Governmental Funds.	<u>(7,313,617)</u>
Net Position Of Governmental Activities	<u>\$ 17,278,142</u>

See accompanying notes.

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

**For The Year Ended June 30, 2017  
(With Comparative Totals For The Year Ended June 30, 2016)**



**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (Continued)**  
**For The Year Ended June 30, 2017 (With Comparative Totals For The Year Ended June 30, 2016)**

	<b>2017 Totals</b>	<b>2016 Totals</b>
	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>SUPPORT</b>		
Grants		
Ky Dept. of Libraries and Archives	\$ 110,544	\$ 121,479
Construction grant		105,000
Grants, other	105,000	
LFUCG appropriation		
Unrestricted	13,072,854	12,611,142
Restricted	1,979,126	1,917,824
Donations		
Foundation (restricted)	495,794	135,409
Friends (unrestricted)	64,621	85,043
Total support	<u>15,827,939</u>	<u>14,975,897</u>
<b>REVENUE</b>		
Fines and lost books	247,013	258,338
Investment income		
Unrestricted	73,532	54,995
Rental income	10,700	11,944
Miscellaneous	61,315	113,347
Total revenue	<u>392,560</u>	<u>438,624</u>
Total support and revenue	<u>16,220,499</u>	<u>15,414,521</u>
<b>EXPENDITURES</b>		
Salaries and employee benefits	\$ 9,076,446	\$ 8,731,011
Operating expenditures	2,290,641	2,392,153
Books and materials	1,941,142	1,879,980
Operating sublease expenditures	256,427	256,641
Friends program support	49,071	41,309
Grant expenditures/foundation gifts	109,408	12,269
Foundation expenditures	93,860	67,943
Debt services	299,875	283,750
Total Expenditures	<u>14,116,870</u>	<u>13,665,056</u>
Support and revenue over expenditures	<u>2,103,629</u>	<u>1,749,465</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Principal payment on debt	(374,800)	(2,601,151)
Purchase of property and equipment	(559,758)	(4,599,456)
Proceeds from the sale of Eagle Creek branch		2,297,471
Issuance of long-term debt		3,354,071
Net other financing (uses)	<u>(934,558)</u>	<u>(1,549,065)</u>
Net change in Fund Balances	1,169,071	200,400
Fund Balances - Beginning	<u>8,273,204</u>	<u>8,072,804</u>
Fund Balances - Ending	<u>\$ 9,442,275</u>	<u>\$ 8,273,204</u>

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**

**For The Year Ended June 30, 2017**

**LEXINGTON PUBLIC LIBRARY**  
**RECONCILIATION OF THE STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2017**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	1,169,071
--	----	-----------

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		559,758
Depreciation expense		(1,440,231)
Loss on disposal		(29,155)

Pension expense related to long-term Net Pension Obligations that is not included in the Governmental Funds		(923,127)
--	--	-----------

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 principal payments		374,800
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Change in Net Position of Governmental Activities	\$	(288,884)
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**LEXINGTON PUBLIC LIBRARY  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**June 30, 2017  
(With Comparative Totals As Of June 30, 2016)**



**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2017 (With Comparative Totals As Of June 30, 2016)**

	Enterprise Fund	Parking Fund	2017 Total Proprietary Fund	2016 Total Proprietary Fund
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,070	\$ 1,000	\$ 2,070	\$ 2,070
Accounts receivables	-	12,167	12,167	13,627
Due from general fund	352,730	-	352,730	285,755
Total current assets	353,800	13,167	366,967	301,452
Noncurrent assets				
Capital assets, net of depreciation	55,799	2,556,780	2,612,579	2,736,584
TOTAL ASSETS	<u>\$ 409,599</u>	<u>\$ 2,569,947</u>	<u>\$ 2,979,546</u>	<u>\$ 3,038,036</u>
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities				
Accounts payable	\$ -	\$ 21	\$ 21	\$ 70
Unearned revenue	-	501	501	501
Due to general fund	-	139,436	139,436	155,985
Current portion of long-term debt	-	105,452	105,452	100,000
Total current liabilities	-	245,410	245,410	256,556
Long-term debt	-	2,418,001	2,418,001	2,524,905
Total liabilities	-	2,663,411	2,663,411	2,781,461
Net position				
Invested in capital assets, net of related debt	55,799	33,327	89,126	111,679
Unrestricted	353,800	(126,791)	227,009	144,896
Total net position	409,599	(93,464)	316,135	256,575
TOTAL LIABILITIES AND NET POSITION	<u>\$ 409,599</u>	<u>\$ 2,569,947</u>	<u>\$ 2,979,546</u>	<u>\$ 3,038,036</u>

See accompanying notes.

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

**For The Year Ended June 30, 2017  
(With Comparative Totals For The Year Ended June 30, 2016)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2017 (With Comparative Totals For The Year Ended June 30,**  
**2016)**

	Enterprise Fund	Parking Fund	2017 Total Proprietary Fund	2016 Total Proprietary Fund
<b>Operating revenues</b>				
Video rentals and fines	\$ -	\$ -	\$ -	\$ -
Copy sales	98,193	-	98,193	98,852
Parking garage	-	372,199	372,199	370,702
Miscellaneous revenue	9,426	255	9,681	14,953
<b>Total operating revenues</b>	<b>107,619</b>	<b>372,454</b>	<b>480,073</b>	<b>484,507</b>
<b>Operating expenses</b>				
Operating expenses	41,236	134,289	175,525	121,340
Depreciation	31,885	92,120	124,005	123,536
<b>Total operating expenses</b>	<b>73,121</b>	<b>226,409</b>	<b>299,530</b>	<b>244,876</b>
<b>Total operating income</b>	<b>34,498</b>	<b>146,045</b>	<b>180,543</b>	<b>239,631</b>
<b>Nonoperation revenues and (expenses)</b>				
Interest income	600	300	900	900
Interest expense	-	(121,883)	(121,883)	(124,976)
<b>Total nonoperation revenues (expenses)</b>	<b>600</b>	<b>(121,583)</b>	<b>(120,983)</b>	<b>(124,076)</b>
<b>Change in net position</b>	<b>35,098</b>	<b>24,462</b>	<b>59,560</b>	<b>115,555</b>
<b>Total net position-beginning</b>	<b>374,501</b>	<b>(117,926)</b>	<b>256,575</b>	<b>141,020</b>
<b>TOTAL NET POSITION-ENDING</b>	<b>\$ 409,599</b>	<b>\$ (93,464)</b>	<b>\$ 316,135</b>	<b>\$ 256,575</b>

See accompanying notes.

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

**For The Year Ended June 30, 2017  
(With Comparative Totals As Of June 30, 2016)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2017 (With Comparative Totals As Of June 30, 2016)**

	Enterprise Fund	Parking Fund	2017 Total Proprietary Fund	2016 Total Proprietary Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 107,619	\$ 373,914	\$ 481,533	\$ 500,844
Payments to employees	-	(29,517)	(29,517)	(29,517)
Payments to suppliers	(41,244)	(104,813)	(146,057)	(91,823)
Net cash provided by operating activities	66,375	239,584	305,959	379,504
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Repayment of interfund liabilities	(66,975)	(16,548)	(83,523)	(178,317)
Bond principal debt paid	-	(101,452)	(101,452)	(77,111)
Interest paid on capital debt	-	(121,883)	(121,883)	(124,976)
Net cash used by capital and related financing activities	(66,975)	(239,883)	(306,858)	(380,404)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	600	300	900	900
Net cash provided by financing activities	600	300	900	900
Net increase in cash and cash equivalents	-	-	-	-
Balances-beginning of year	1,070	1,000	2,070	2,070
<b>BALANCES-END OF THE YEAR</b>	<b>\$ 1,070</b>	<b>\$ 1,000</b>	<b>\$ 2,070</b>	<b>\$ 2,070</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 34,498	\$ 146,045	\$ 180,543	\$ 239,631
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	31,885	92,120	124,005	123,536
Changes in asset and liabilities				
Accounts receivable	-	1,460	1,460	16,337
Accounts payable	(8)	(41)	(49)	-
Net cash provided by operating activities	\$ 66,375	\$ 239,584	\$ 305,959	\$ 379,504

See accompanying notes.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies	30
Note 2. Cash and Investments	33
Note 3. Deposits	33
Note 4. Fair Value and Measurement – Investments	34
Note 5. Lexington-Fayette Urban County Government Agreements	34
Note 6. Capital Assets	35
Note 7. Retirement Plan	36
Note 8. Interfund Transactions	41
Note 9. Risk Management	41
Note 10. Long-Term Liabilities	41
Note 11. Accrued Vacation	44
Note 12. Contingencies and Commitments	44
Note 13. Deficit Fund Balance – Construction Fund	44
Note 14. Future Accounting Pronouncements	45

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

**June 30, 2017**

**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 in the general fund.

**Basis of Presentation**

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

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

**Basic Financial Statements**

Government-wide financial statements

Fund financial statements

Notes to the financial statements

The government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the Library as a whole. The statements distinguish between governmental and business-type activities. The government-wide statements are prepared using the economic 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.

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

**Governmental Funds**

The primary government reports the following major governmental funds:

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

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

**Blended Entity Component Unit**

The financial data of the Lexington Public Library Foundation, Inc., is reported on the Statement of Net Position and the Statement of Activities in the column labeled "Governmental Activities". The Foundation collects restricted donations made to the Library. The primary source of revenue for the Foundation is from library patronages. The major expense for the Foundation is fundraising related expenses. The Foundation's financial data is also included in the Balance Sheet - Governmental Funds and the Statement of Support, Revenue, Expenditures and Changes in Fund Balances - Governmental Funds in the column labeled "General Fund".



**Note 1. Summary of Significant Accounting Policies (Continued)****Short-Term Investment**

Short-term investments consist of certificates of deposit with initial maturities of twelve months or less in the amount of \$5,074,401. Fair value approximates carrying amounts for certificates of deposit. In addition, the Foundation has investments of \$163,445, 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 District'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, 2016.

**Cash and Cash Equivalents**

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

**Estimates**

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

**Subsequent Events**

Subsequent events for the Library have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

**Note 1. Summary of Significant Accounting Policies (Continued)****Fund Balance Classification Policies and Procedures**

The Board of Trustees is the Library's highest level of decision-making authority. Commitments of fund balance must be approved by the Budget/Finance Committee and brought forward to the entire Board in an open meeting where the Board approves commitments by formal vote. The Board has retained the authority to assign amounts to a specific purpose utilizing the same policy established for committing funds to a specific purpose.

The Library adopted a policy to govern the order of priority on use of fund balance when (1) either restricted or unrestricted amounts are both available and (2) when committed, assigned, or unassigned fund balance classifications could be used. When 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.

**Reclassification**

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. These reclassifications had no impact on change in net position or net position.

**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, 2017 was \$5,438,437. The carrying amount of the Library's short-term investments at June 30, 2017 was \$5,237,846.

**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). On June 30, 2017, the library's bank balance was fully collateralized.

**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, 2017:

Certificate of deposits of \$5,074,401 and money market funds of \$75,823 are valued at face value plus interest accrued to the certificate (Level 1 inputs).

Equities and mutual funds valued at \$10,029 and \$77,593 respectively are valued using quoted prices for similar assets in active markets (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 \$.015 per \$100 valuation of tobacco in storage and \$.05 per each \$100 valuation of all other property assessed for local taxation in Lexington, Fayette County, Kentucky under Kentucky Revised Statutes 173.360.

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

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Reporting Entity				
	Beginning Balance	Increases	Decreases	Reclasss from Other Noncurrent Asset	Ending Balance
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Depreciable capital assets					
Land improvements	\$ 70,279	\$ -	\$ -	\$ -	\$ 70,279
Village branch construction	841,291	-	-	(841,291)	-
Buildings and improvements	28,237,167	340,056	(170,356)	841,291	29,248,158
Furniture/equipment	10,235,150	219,702	(181,021)	-	10,273,831
Totals at Cost	39,383,887	559,758	(351,377)	-	39,592,268
Less: accumulated depreciation:	19,434,287	1,440,231	(322,222)	-	20,552,296
Depreciable capital assets, net	\$ 19,949,600	\$ (880,473)	\$ (29,155)	\$ -	\$ 19,039,972
Nondepreciable capital assets					
Land	\$ 4,295,424	\$ -	\$ -	\$ -	\$ 4,295,424
Artistic clock	490,911	-	-	-	490,911
	\$ 4,786,335	\$ -	\$ -	\$ -	\$ 4,786,335
<b>Business-Type Activities:</b>					
Furniture/equipment	\$ 159,426	\$ -	\$ -	\$ -	\$ 159,426
Parking garage & improvements	3,598,680	-	-	-	3,598,680
Totals at cost	3,758,106	-	-	-	3,758,106
Less: accumulated depreciation	1,021,522	124,005	-	-	1,145,527
Capital assets net	\$ 2,736,584	\$ (124,005)	\$ -	\$ -	\$ 2,612,579

Depreciation expense was charged as follows:

Governmental Activities:

Total Depreciation Expense - Governmental Activities

\$ 1,440,231Business-Type Activities

Total Depreciation Expense - Business-Type Activities

\$ 124,005

## 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 CERS, a cost-sharing multiple-employer defined pension plan administered by the KRS. 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.

*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, 2017, employer contributions for the Library were \$1,005,268 (\$750,722 pension and \$254,546 insurance) based on a rate of 18.68% (13.95% pension and 4.73% 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.

## Note 7. Retirement Plan (Continued)

### Net Pension Liability

The Library's net pension liability was measured as of June 30, 2016, 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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active and healthy retired members, and beneficiaries is RP-2000 Combined Mortality Table projected with Scale BB to 2013. For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2013. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below.). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumptions are intended to be long-term assumptions and are not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**Note 7. Retirement Plan (Continued)****Net Pension Liability (Continued)**

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
Combined Equity	5.40%	44.00%
Combined Fixed Income	1.50%	19.00%
Real Estate (Diversified Inflation Strategies)	3.50%	10.00%
Real Estate	4.50%	5.00%
Absolute Return (Diversified Hedge Funds)	4.25%	10.00%
Private Equity	8.50%	10.00%
Cash equivalent	-0.25%	2.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.50 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Library will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Lexington Library's net pension liability	\$ 14,241,401	\$ 11,428,207	\$ 9,016,746

**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, 2017, the Library recognized pension expense of \$1,673,848.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The amount shown below for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 49,893	\$ -
Difference between projected and actual investment earnings on plan investments	1,074,368	-
Change of assumptions	605,405	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	298,715	27,719
Contributions subsequent to the measurement date of June 30, 2016	<u>750,722</u>	<u>-</u>
Total	<u><u>\$ 2,779,103</u></u>	<u><u>\$ 27,719</u></u>



**Note 7. Retirement Plan (Continued)****Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)****Deferred Inflows of Resources**

Original Deferral Year	Original Deferral Amount	2016	2017	2018	2019	2020	2021
2014	\$ 807,000	\$ (201,750)	\$ (201,750)	\$ (201,750)	\$ (201,750)	\$	\$
2015	(559,175)		139,794	139,794	139,794	139,793	
2016	43,600			10,900	10,900	10,900	10,900
	<u>\$ 291,425</u>	<u>\$ (201,750)</u>	<u>\$ (61,956)</u>	<u>\$ (51,056)</u>	<u>\$ (51,056)</u>	<u>\$ 150,693</u>	<u>\$ 10,900</u>
Amortization - 2017							<u>\$ (61,956)</u>
Unamortized Amount 2017							<u>\$ 27,719</u>

**Deferred Outflows of Resources**

Original Deferral Year	Original Deferral Amount	2017	2018	2019	2020	2021
2015	\$ (1,122,121)	\$ 280,530	\$ 280,530	\$ 280,530	\$ 280,531	\$
2016	(1,186,790)		296,697	296,698	296,698	296,698
	<u>\$ (2,308,911)</u>	<u>\$ 280,530</u>	<u>\$ 577,228</u>	<u>\$ 577,228</u>	<u>\$ 577,229</u>	<u>\$ 296,698</u>
Amortization - 2017						<u>\$ 280,530</u>
Unamortized Amount 2017						<u>\$ (2,028,381)</u>

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, 2017, the Library reported a payable of \$145,977 (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, 2017.

**Note 8. Interfund Transactions**

Interfund loans on the fund statements at June 30, 2017 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 1,994,572	\$ 812,449
Collection Materials	459,719	-
Construction	-	1,855,136
Proprietary Funds	352,730	139,436
	<u>\$ 2,807,021</u>	<u>\$ 2,807,021</u>

**Note 9. 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 10. 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 (In prior year the final maturity date April 21, 2034; however, in fiscal year 2016 the loan was restructured and the final maturity was pushed by one month.). 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, 2017 was 3.49%. The outstanding balance was \$2,523,453.

<u>Fiscal Year Ended June 30</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	105,452	117,623	223,075
2019	109,852	115,108	224,960
2020	114,590	109,722	224,312
2021	119,458	104,196	223,654
2022	124,411	98,593	223,004
2023-2027	708,235	396,995	1,105,230
2028-2032	886,317	207,523	1,093,840
2033-2034	355,138	160,478	515,616
Totals	<u>\$ 2,523,453</u>	<u>\$ 1,310,238</u>	<u>\$ 3,833,691</u>

**Note 10. Long-Term Liabilities (Continued)****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, 2017, the effective rate was 3.21%. The outstanding balance was \$3,296,956.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 251,433	\$ 145,525	\$ 396,958
2019	263,496	133,950	397,446
2020	275,905	122,043	397,948
2021	289,511	108,991	398,502
2022	303,204	95,851	399,055
2023-2027	1,748,389	256,300	2,004,689
2028	165,018	2,822	167,840
Totals	<u>\$ 3,296,956</u>	<u>\$ 865,482</u>	<u>\$ 4,162,438</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 \$861,667 at June 30, 2017.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 80,000	\$ 30,713	\$ 110,713
2019	80,000	28,313	108,313
2020	85,000	25,913	110,913
2021	85,000	23,363	108,363
2022	90,000	20,813	110,813
2023-2027	451,667	56,663	508,330
Totals	<u>\$ 871,667</u>	<u>\$ 185,775</u>	<u>\$ 1,057,442</u>

**Note 10. Long-Term Liabilities (Continued)****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 principal balance as of June 30, 2017 was \$3,202,530, which was due to an additional principal payment of \$2,077,513 paid in fiscal year 2017 from the proceeds of the sale of the Eagle Creek Branch. The outstanding note payable amount was \$3,144,994 at June 30, 2017.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2018	151,862	75,219	227,081
2019	144,575	82,506	227,081
2020	148,488	78,593	227,081
2021	152,943	74,138	227,081
2022	157,410	69,671	227,081
2023-2025	2,389,716	154,742	2,544,458
Totals	<u>\$ 3,144,994</u>	<u>\$ 534,869</u>	<u>\$ 3,679,863</u>

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

Long-term liability activity for the governmental activities for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Debt Obligations	\$ 6,739,667	\$	\$ 297,717	\$ 6,441,950	\$ 403,295
Bond	948,750		77,083	871,667	80,000
Governmental Activities Long-term Liabilities	<u>\$ 7,688,417</u>	<u>\$</u>	<u>\$ 374,800</u>	<u>\$ 7,313,617</u>	<u>\$ 483,295</u>
 <u>Business-Type Activities</u>					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt Obligations	\$ 2,624,905	\$	\$ 101,452	\$ 2,523,453	\$ 105,452
Business-Type Activities Long-term Liabilities	<u>\$ 2,624,905</u>	<u>\$</u>	<u>\$ 101,452</u>	<u>\$ 2,523,453</u>	<u>\$ 105,452</u>

**Note 11. 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, 2017 was \$311,312.

**Note 12. 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's 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.

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.

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 past fiscal year, the Library transferred \$256,427 to the Public Library Corporation to pay current debt service. As of June 30, 2017, the Library is committed to fund a total of \$2,078,518 through fiscal year 2020 for this purpose.

**Note 13. Deficit Fund Balance - Construction Fund**

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

#### **Note 14. Future Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Other Than Pensions (OPEB)*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

This statement establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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.

The Library is currently evaluating the impact that will result from adopting GASB No. 75 and No. 87 and is therefore unable to disclose the impact that adopting these Standards will have on the Library's financial position and the results of its operations when the Statements are adopted.

**LEXINGTON PUBLIC LIBRARY  
REQUIRED SUPPLEMENTAL INFORMATION**

**For The Year Ended June 30, 2017**

**LEXINGTON PUBLIC LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION - GENERAL FUND**  
**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL**  
**For The Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	(Unfavorable) Favorable Budget
<b>SUPPORT</b>				
Grants				
KY Dept. of Libraries and Archives	\$ 110,791	\$ 110,791	\$ 110,544	\$ (247)
Grants, other	50,000	50,000	-	(50,000)
LFUCG appropriation				
Unrestricted	12,708,489	13,072,869	13,072,854	(15)
Donations				
Restricted	163,546	163,546	64,621	(98,925)
Unrestricted	236,000	236,000	495,794	259,794
Total support	<u>13,268,826</u>	<u>13,633,206</u>	<u>13,743,813</u>	<u>110,607</u>
<b>REVENUE</b>				
Fines and lost books	269,800	269,800	247,013	(22,787)
Interest earned				
Unrestricted	40,000	40,000	73,532	33,532
Rental income	8,200	8,200	10,700	2,500
Miscellaneous	95,000	95,000	57,632	(37,368)
Total revenue	<u>413,000</u>	<u>413,000</u>	<u>388,877</u>	<u>(24,123)</u>
Total support and revenue	<u>13,681,826</u>	<u>14,046,206</u>	<u>14,132,690</u>	<u>86,484</u>
<b>EXPENDITURES</b>				
Salaries wages and employee benefits	9,288,694	9,288,694	9,076,446	212,248
Operating expenses	2,453,008	2,453,008	2,236,603	216,405
Transfer to LPL Corporation	256,427	256,427	256,427	-
Grant expense	50,000	50,000	109,408	(59,408)
Foundation	236,000	236,000	93,860	142,140
Debt Service	416,253	416,253	299,875	116,378
Friends program support	163,546	163,546	49,071	114,475
Total expenses	<u>12,863,928</u>	<u>12,863,928</u>	<u>12,121,690</u>	<u>742,238</u>
Support and revenue over expenses	817,898	1,182,278	2,011,000	828,722
Other changes				
Principal payment on debt	(75,000)	(75,000)	(77,083)	(2,083)
Purchases of property & equipment	(502,596)	(502,596)	(559,758)	(57,162)
Transfers	-	-	(297,717)	(297,717)
Net increase in fund balances	<u>240,302</u>	<u>604,682</u>	<u>1,076,442</u>	<u>471,760</u>
Fund balances-				
beginning of year	<u>9,595,926</u>	<u>9,595,926</u>	<u>9,595,926</u>	<u>-</u>
<b>FUND BALANCES-END OF YEAR</b>	<u>\$ 9,836,228</u>	<u>\$ 10,200,608</u>	<u>\$ 10,672,368</u>	<u>\$ 471,760</u>



**LEXINGTON PUBLIC LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION - LIBRARY COLLECTION MATERIALS FUND**  
**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For The Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
<b>SUPPORT</b>				
LFUCG appropriations	\$ 1,924,181	\$ 1,979,111	\$ 1,979,126	\$ 15
Fines and lost books	-	-	85	85
Total support	<u>1,924,181</u>	<u>1,979,111</u>	<u>1,979,211</u>	<u>100</u>
Total support and revenue	<u>1,924,181</u>	<u>1,979,111</u>	<u>1,979,211</u>	<u>100</u>
<b>EXPENSES</b>				
Books and materials	<u>1,924,181</u>	<u>1,979,111</u>	<u>1,983,181</u>	<u>(4,070)</u>
Total expenses	<u>1,924,181</u>	<u>1,979,111</u>	<u>1,983,181</u>	<u>(4,070)</u>
Net decrease in fund balances	-	-	(3,970)	(3,970)
Fund balances-				
beginning of year	<u>503,778</u>	<u>503,778</u>	<u>503,778</u>	
<b>FUND BALANCES-END OF YEAR</b>	<u>\$ 503,778</u>	<u>\$ 503,778</u>	<u>\$ 499,808</u>	<u>\$ (3,970)</u>

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

	2015	2016	2017
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,244,377,000	\$ 4,299,525,000	\$ 4,923,618,237
Employer's Proportion (Percentage) of Net Pension Liability	0.22275%	0.22096%	0.23211%
Employer's Proportion (Amount) of Net Pension Liability	\$ 7,227,000	\$ 9,500,354	\$ 11,428,207
Employer's Covered-Employer payroll	\$ 5,110,035	\$ 5,528,083	\$ 5,381,520
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%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146	\$ 6,440,800	\$ 6,141,394,419
Total Pension's Plan Pension Liability	\$ 9,772,523	\$ 10,740,325	\$ 11,065,012,656
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.50%

**LEXINGTON PUBLIC LIBRARY  
NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES  
RETIREMENT SYSTEM OF KRS  
FISCAL YEAR ENDED JUNE 30, 2017**

*Valuation date:* Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2016 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation	5-year smoothed market
Inflation	3.25 percent
Salary increases	4.00 percent average, including inflation
Investment Rate of Return inflation	7.50 percent, net of investment expense, including inflation
Retirement age	65 years or 27 years of service regardless of age

**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 Lexington Public Library as of and for the year ended June 30, 2017, 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 6, 2017.

***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 Lexington Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

**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 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.



Lexington, Kentucky  
August 31, 2017