

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

**Financial Statements**  
**June 30, 2020**

# Lexington Public Library

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June 30, 2020

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Lexington Public Library, a component unit of the Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Lexington Public Library's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Lexington Public Library's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Lexington Public Library, as of June 30, 2020, 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 50 through 52, the Schedule of Lexington Public Library's Net Pension Liability and Related Ratios Based on Participation in the County Employees Retirement System on page 53, the Schedule of Lexington Public Library's Contributions Based on Participation in the County Employees Retirement System on page 54, the Schedule of Lexington Public Library's Proportionate Share of the Collective Net OPEB Liability in the County Employees Retirement System Insurance Fund on page 56, and the Schedule of Lexington Public Library's Contributions in the County Employees Retirement System Insurance Fund on page 57, 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.

**Report on Summarized Comparative Information**

We previously audited the Lexington Public Library's 2019 financial statements, and our report dated September 9, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2020 on our consideration of the Lexington Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lexington Public Library's internal control over financial reporting and compliance.



Lexington, Kentucky  
September 9, 2020

**Lexington Public Library  
Management's Discussion and Analysis  
June 30, 2020**

## **FINANCIAL HIGHLIGHTS**

- The Lexington Public Library's (the Library) net position increased \$2,025,049 during fiscal year 2020. Current Assets increased by \$2,044,622 and Bonds Payable decreased \$614,137 both improving the Library's net position. The net value of Capital Assets increased \$406,781 and the pension obligation net of deferred outflows and pension contributions increased \$1,558,784.
- 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, the central parking garage bricks, and garage elevators.
- The Library allocated 13% of its tax revenues for library books and materials, with spending on both children's materials and e-books increasing.
- The Lexington Public Library Foundation raised \$1,065,780 in fiscal year 2020, transferring \$66,118 in grants and other designated gifts to further Library programming and services as well as \$148,500 in gifts toward the Eastside Branch debt. Funds raised include \$805,453 for the capital campaign and \$100,000 for a STEAM lab.
- The Library's business-type activities had an increase in net position of \$1,202,236 for fiscal year 2020. The General Fund transferred \$1,230,017 for capital investments toward safety.
- The Friends of the Lexington Public Library contributed \$51,000 to the Library. This included gifts for meeting room upgrades and the summer reading program.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **REQUIRED FINANCIAL STATEMENTS**

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

## **GOVERNMENT-WIDE STATEMENTS**

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

**Lexington Public Library  
Management's Discussion and Analysis (Continued)  
June 30, 2020**

**GOVERNMENT-WIDE STATEMENTS (Continued)**

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

In the Statement of Net Position and the Statement of Activities, the Library is displayed as two kinds of activities:

- Governmental activities - Most of the Library's basic services are reported here. Property taxes, grants, and other income finance most of these activities.
- Business-type activities - The Library reports fees for service activities in this fund; this includes video rentals, copiers and other machines, and garage activity.

**FUND FINANCIAL STATEMENTS**

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

The Library has two kinds of funds:

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

**Lexington Public Library  
Management's Discussion and Analysis (Continued)  
June 30, 2020**

**FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE**

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

**STATEMENT OF NET POSITION**

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

**Condensed Statement of Net Position**

	<b>Total</b>		<b>Change</b>	<b>Percent Change</b>
	<b>2020</b>	<b>2019</b>		
<b>Assets</b>				
Current assets	\$ 16,194,757	\$ 14,150,137	\$ 2,044,620	14%
Net noncurrent assets	25,140,541	24,733,760	406,781	2%
Total Assets	<u>41,335,298</u>	<u>38,883,897</u>	<u>2,451,401</u>	<u>6%</u>
<b>Deferred Outflows of Resources</b>	<u>4,615,581</u>	<u>4,426,470</u>	<u>189,111</u>	<u>4%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 45,950,879</u>	<u>\$ 43,310,367</u>	<u>\$ 2,640,512</u>	<u>6%</u>
<b>Liabilities</b>				
Current liabilities	\$ 1,601,398	\$ 1,677,010	\$ (75,612)	-5%
Long-term liabilities	25,959,176	25,644,954	314,222	1%
Total Liabilities	<u>27,560,574</u>	<u>27,321,964</u>	<u>238,610</u>	<u>1%</u>
<b>Deferred Inflows of Resources</b>	<u>2,353,394</u>	<u>1,966,005</u>	<u>387,389</u>	<u>20%</u>
Total Liabilities and Deferred Inflows of Resources	<u>29,913,968</u>	<u>29,287,969</u>	<u>625,999</u>	<u>2%</u>
<b>Net Position</b>				
Net investment in capital assets	17,106,420	16,085,502	1,020,918	6%
Restricted	1,331,750	497,037	834,713	168%
Unrestricted	<u>(2,401,259)</u>	<u>(2,560,141)</u>	<u>158,882</u>	<u>-6%</u>
Total Net Position	<u>16,036,911</u>	<u>14,022,398</u>	<u>2,014,513</u>	<u>14%</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$ 45,950,879</u>	<u>\$ 43,310,367</u>	<u>\$ 2,640,512</u>	<u>6%</u>

**Lexington Public Library  
Management's Discussion and Analysis (Continued)  
June 30, 2020**

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

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

	<u>Total</u>		<u>Change</u>	<u>Percent Change</u>	<u>Percent of Total</u>
	<u>2020</u>	<u>2019</u>			
<b>Revenues</b>					
LFUCG tax revenue	\$ 17,115,822	\$ 16,577,574	\$ 538,248	3%	88%
Interest and investment earnings	184,352	183,074	1,278	1%	1%
Capital grants and contributions	105,000	105,000	-	0%	1%
Operating grants and contributions	1,225,823	656,169	569,654	87%	6%
Charges for services	460,618	553,367	(92,749)	-17%	2%
(Loss) gain on disposal of equipment	(4,198)	(26,236)	22,038	-84%	0%
E-rate revenue	57,600	65,417	(7,817)	-12%	0%
Other revenues	331,831	30,445	301,386	990%	2%
<b>Total Revenue</b>	<b>19,476,848</b>	<b>18,144,810</b>	<b>1,332,038</b>	<b>7%</b>	<b>100%</b>
<b>Expenses</b>					
Personnel	10,739,498	10,601,258	138,240	1%	62%
Operating expenses	2,228,229	2,586,163	(357,934)	-14%	13%
Grant and foundation	91,591	169,339	(77,748)	-46%	1%
Books and materials	2,117,195	2,145,172	(27,977)	-1%	12%
Enterprise	412,857	456,989	(44,132)	-10%	2%
Depreciation and amortization	1,373,169	1,429,213	(56,044)	-4%	8%
Library corporation	262,538	259,273	3,265	1%	2%
Interest expense	237,258	246,214	(8,956)	-4%	1%
<b>Total Expenses</b>	<b>17,462,335</b>	<b>17,893,621</b>	<b>(431,286)</b>	<b>-2%</b>	<b>100%</b>
<b>Change In Net Position</b>	<b>2,014,513</b>	<b>251,189</b>	<b>1,763,324</b>	<b>702%</b>	
<b>Net Position - Beginning</b>	<b>14,022,398</b>	<b>13,771,209</b>	<b>251,189</b>	<b>2%</b>	
<b>Net Position - Ending</b>	<b>\$ 16,036,911</b>	<b>\$ 14,022,398</b>	<b>\$ 2,014,513</b>	<b>14%</b>	



**Lexington Public Library  
Management's Discussion and Analysis (Continued)  
June 30, 2020**

**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 88% of the Library's total revenue. The property tax revenue source increased approximately 3% due to increased property values and growth in Fayette County.

The personnel expense represents approximately 62% of total expenses. Personnel expenses reflect pension and other postemployment benefits expense in excess of contributions of \$1,946,173.

**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 2020 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 \$3,644,069, which was \$2,637,762 better than budget. The Library's actual expenses, overall, were under budget by \$1,547,527. A 2020 budget comparison and analysis is presented in Table A-3 on page 8. Personnel expenditures were under budget due to unfilled positions. The Library transferred \$1,230,017 to the Parking Garage Fund from the General Fund for capital improvements of the Central Garage bricks and elevators. Additionally, the Library Foundation received several significant unplanned gifts.

**Lexington Public Library  
Management's Discussion and Analysis (Continued)  
June 30, 2020**

**BUDGET HIGHLIGHTS (Continued)**

**BUDGET TO ACTUAL - 2020**

**TABLE A-3 2020 BUDGET TO ACTUAL**

	<u>Budget</u>	<u>Actual</u>	<u>Budget - Positive (Negative)</u>
<b>SUPPORT AND REVENUES</b>			
KY Dept. of Libraries and Archives	\$ 110,544	\$ 109,043	\$ (1,501)
Grants, other	105,000	105,000	-
LFUCG tax revenue	17,115,819	17,115,822	3
Contributions	268,500	1,116,780	848,280
Enterprise fund revenue	517,800	436,717	(81,083)
Fines and lost books	110,000	23,901	(86,099)
Interest income	85,000	184,303	99,303
Miscellaneous	78,100	389,431	311,331
	<u>18,390,763</u>	<u>19,480,997</u>	<u>1,090,234</u>
<b>EXPENSES</b>			
Personnel	10,102,961	9,313,728	789,233
Operating expenses	2,581,051	2,257,408	323,643
Library materials	2,241,886	2,117,195	124,691
Foundation expenses	45,000	42,512	2,488
Grant Expenses/foundation gift	-	7,758	(7,758)
Depreciation/interest- enterprise	283,700	237,585	46,115
Enterprise expenses	230,100	175,272	54,828
Capital purchases	900,116	673,735	226,381
Library corporation	261,417	262,538	(1,121)
Debt service	738,224	737,104	1,120
Friends donation	-	12,093	(12,093)
	<u>17,384,455</u>	<u>15,836,928</u>	<u>1,547,527</u>
Expenditures Over Support and Revenues	1,006,308	3,644,069	2,637,761
Fund balances-beginning of year	<u>13,233,966</u>	<u>13,233,966</u>	<u>-</u>
<b>FUND BALANCES-END OF YEAR</b>	<u><u>\$ 14,240,274</u></u>	<u><u>\$ 16,878,035</u></u>	<u><u>\$ 2,637,761</u></u>

**Lexington Public Library  
Management's Discussion and Analysis (Continued)  
June 30, 2020**

**CAPITAL ASSETS**

The Library invested a total of \$673,735 in capital assets purchased and capitalized \$1,230,017 in garage improvements. The Library will continue to invest in new technology and replace capital assets and study expansion plans in accordance with the Library's strategic plan.

**DEBT ADMINISTRATION**

**Business-type Long-term Debt**

The Library maintains cash and investments in the Public Library Corporation in order to retire its long-term debt in a timely manner. The Library's outstanding debt held by the Public Library Corporation at June 30, 2020 amounted to \$2,193,856. This debt had an original principal balance of \$3,515,000. The debt was used to purchase the parking garage (\$3,001,000) and provide cash (\$514,000) for the renovation of the garage. This garage debt will be repaid through the operation of the parking garage.

**Governmental Long-term Debt**

In September 2008, the Library closed on financing for the Northside branch with the Kentucky League of Cities. Financing consists of two notes. The first note is a twenty-year loan for \$5,200,000 at a fixed rate of 3.89%. The second note is a twenty-year loan for \$1,500,000 with a variable rate. The total balance of both loans was \$2,506,122 at June 30, 2020.

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 \$624,583 at June 30, 2020.

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, 2020, was \$2,709,560.

**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, 2020**  
**(With Comparative Totals as of June 30, 2019)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**  
**(With Comparative Totals as of June 30, 2019)**

	Governmental Activities	Business-Type Activities	Total	2019 Totals
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents - unrestricted	\$ 7,934,693	\$ 187,857	\$ 8,122,550	\$ 8,440,510
Cash and cash equivalents - restricted	621,403	-	621,403	161,472
Investments - unrestricted	5,094,598	-	5,094,598	5,031,034
Investments - restricted	743,389	-	743,389	368,722
Accounts receivable				
Other	1,460,301	27,983	1,488,284	24,906
Interfund balances	274,185	(274,185)	-	-
Prepaid expenses	124,533	-	124,533	123,493
<b>Total Current Assets</b>	<b>16,253,102</b>	<b>(58,345)</b>	<b>16,194,757</b>	<b>14,150,137</b>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Nondepreciable	4,966,935	273,997	5,240,932	5,051,757
Depreciable, net	16,341,976	3,557,633	19,899,609	19,682,003
<b>Total Noncurrent Assets</b>	<b>21,308,911</b>	<b>3,831,630</b>	<b>25,140,541</b>	<b>24,733,760</b>
<b>Total Assets</b>	<b>37,562,013</b>	<b>3,773,285</b>	<b>41,335,298</b>	<b>38,883,897</b>
<b>Deferred Outflows of Resources</b>				
Actuarially determined outflow - pension	2,187,403	-	2,187,403	2,425,795
Actuarially determined outflow - OPEB	1,084,033	-	1,084,033	781,867
Contributions - pension	1,016,498	-	1,016,498	872,657
Contributions - OPEB	327,647	-	327,647	346,151
<b>Total Deferred Outflows of Resources</b>	<b>4,615,581</b>	<b>-</b>	<b>4,615,581</b>	<b>4,426,470</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>42,177,594</b>	<b>3,773,285</b>	<b>45,950,879</b>	<b>43,310,367</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	373,861	18	373,879	397,134
Accrued payroll	171,775	-	171,775	153,450
Accrued vacation	330,744	-	330,744	316,411
Payroll liabilities	64,550	-	64,550	145,355
Loss contingency	-	-	-	316,253
Unearned revenue	-	13,411	13,411	501
Accrued interest payable	138	-	138	138
Current portion of long-term debt	527,443	119,458	646,901	347,768
<b>Total Current Liabilities</b>	<b>1,468,511</b>	<b>132,887</b>	<b>1,601,398</b>	<b>1,677,010</b>
<b>Noncurrent Liabilities</b>				
Net pension obligation	14,988,332	-	14,988,332	13,429,548
Net OPEB liability	3,583,624	-	3,583,624	3,914,916
Bonds payable	5,312,822	2,074,398	7,387,220	8,300,490
<b>Total Noncurrent Liabilities</b>	<b>23,884,778</b>	<b>2,074,398</b>	<b>25,959,176</b>	<b>25,644,954</b>
<b>Total Liabilities</b>	<b>25,353,289</b>	<b>2,207,285</b>	<b>27,560,574</b>	<b>27,321,964</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension	932,213	-	932,213	1,196,111
Deferred inflows - OPEB	1,421,181	-	1,421,181	769,894
<b>Total Deferred Inflows of Resources</b>	<b>2,353,394</b>	<b>-</b>	<b>2,353,394</b>	<b>1,966,005</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>27,706,683</b>	<b>2,207,285</b>	<b>29,913,968</b>	<b>29,287,969</b>
<b>NET POSITION</b>				
<b>Net investment in</b>				
Capital assets	15,468,646	1,637,774	17,106,420	16,085,502
<b>Restricted for</b>				
Grants and bond	1,331,750	-	1,331,750	497,037
Unrestricted	(2,329,485)	(71,774)	(2,401,259)	(2,560,141)
<b>Total Net Position</b>	<b>\$ 14,470,911</b>	<b>\$ 1,566,000</b>	<b>\$ 16,036,911</b>	<b>\$ 14,022,398</b>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2020  
(With Comparative Totals for the year ended June 30, 2019)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for the year ended June 30, 2019)**

Functions/Programs	Program Revenues Received				Net (Expenses) Revenues and Changes in Net Assets			2019 Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
Governmental Activities:								
Personnel	\$ 10,739,498	\$ -	\$ -	\$ -	\$ (10,739,498)	\$ -	\$ (10,739,498)	\$ (10,601,258)
Operating expenses	2,228,229	-	109,043	-	(2,119,186)	-	(2,119,186)	(2,477,120)
Foundation	42,512	-	1,065,780	-	1,023,268	-	1,023,268	383,027
Grant expenses	36,986	-	-	-	(36,986)	-	(36,986)	(31,668)
Friends program support	12,093	-	51,000	-	38,907	-	38,907	26,428
Books and materials	2,117,195	23,901	-	-	(2,093,294)	-	(2,093,294)	(2,057,287)
Depreciation/Amortization	1,373,169	-	-	-	(1,373,169)	-	(1,373,169)	(1,429,213)
Interest expense	237,258	-	-	105,000	(132,258)	-	(132,258)	(141,214)
Library Corporation payments	262,538	-	-	-	(262,538)	-	(262,538)	(259,273)
<b>Total Governmental Activities</b>	<b>17,049,478</b>	<b>23,901</b>	<b>1,225,823</b>	<b>105,000</b>	<b>(15,694,754)</b>	<b>-</b>	<b>(15,694,754)</b>	<b>(16,587,578)</b>
Business-type Activities								
Printing charges and purchases	31,168	79,219	-	-	-	48,051	48,051	60,734
Parking charges	144,104	357,498	-	-	-	213,394	213,394	179,775
Interest expense	109,406	-	-	-	-	(109,406)	(109,406)	(115,013)
Depreciation/Amortization	128,179	-	-	-	-	(128,179)	(128,179)	(117,003)
<b>Total Business-type Activities</b>	<b>412,857</b>	<b>436,717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,860</b>	<b>23,860</b>	<b>8,493</b>
<b>Total Primary Government</b>	<b>\$ 17,462,335</b>	<b>\$ 460,618</b>	<b>\$ 1,225,823</b>	<b>\$ 105,000</b>	<b>(15,694,754)</b>	<b>23,860</b>	<b>(15,670,894)</b>	<b>(16,579,085)</b>
<b>General Revenues:</b>								
Property taxes for general purposes					17,115,822	-	17,115,822	16,577,574
Interest and investment earnings					182,757	1,595	184,352	183,074
Gain (loss) on disposal of equipment					(4,198)	-	(4,198)	(26,236)
E-rate revenue					57,600	-	57,600	65,417
Transfers					(1,163,296)	1,163,296	-	-
Miscellaneous					318,346	13,485	331,831	30,445
<b>Total General Revenues</b>					<b>16,507,031</b>	<b>1,178,376</b>	<b>17,685,407</b>	<b>16,830,274</b>
<b>Change in Net Position</b>					<b>812,277</b>	<b>1,202,236</b>	<b>2,014,513</b>	<b>251,189</b>
<b>Net Position - Beginning</b>					<b>13,658,634</b>	<b>363,764</b>	<b>14,022,398</b>	<b>13,771,209</b>
<b>Net Position - Ending</b>					<b>\$ 14,470,911</b>	<b>\$ 1,566,000</b>	<b>\$ 16,036,911</b>	<b>\$ 14,022,398</b>

See accompanying notes.

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

**June 30, 2020  
(With Comparative Totals as of June 30, 2019)**



**LHEXINGTON PUBLIC LIBRARY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2020**  
**(With Comparative Totals as of June 30, 2019)**

<b>ASSETS</b>	<b>General Fund</b>	<b>Library Foundation</b>	<b>Library Collection Materials Fund</b>	<b>Construction Fund</b>	<b>2020 Total Governmental Funds</b>	<b>2019 Total Governmental Funds</b>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents						
Unrestricted	\$ 7,854,693	\$ 80,000	\$ -	\$ -	\$ 7,934,693	\$ 8,436,478
Restricted	355	588,361	-	32,687	621,403	161,472
Investments - unrestricted	5,094,598	-	-	-	5,094,598	5,031,034
Investments - restricted	-	743,389	-	-	743,389	368,722
Accounts receivable - other	1,460,250	51	-	-	1,460,301	13,555
Due from other funds	(430,827)	(264)	611,691	(180,600)	-	-
Due from proprietary funds	832,546	-	-	-	832,546	430,589
Prepaid expenses	124,533	-	-	-	124,533	123,493
	<u>\$ 14,936,148</u>	<u>\$ 1,411,537</u>	<u>\$ 611,691</u>	<u>\$ (147,913)</u>	<u>\$ 16,811,463</u>	<u>\$ 14,565,343</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 373,860	\$ -	\$ -	\$ -	\$ 373,860	\$ 267,148
Accrued payroll	171,775	-	-	-	171,775	153,450
Accrued vacation	330,744	-	-	-	330,744	316,411
Accrued interest	138	-	-	-	138	138
Payroll liabilities	64,550	-	-	-	64,550	145,443
Loss contingency	-	-	-	-	-	316,253
Due to proprietary funds	558,361	-	-	-	558,361	496,298
	<u>\$ 1,499,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,499,428</u>	<u>\$ 1,695,141</u>
<b>FUND BALANCES</b>						
Restricted for:						
Foundation expenditures	-	\$ 1,331,750	-	-	\$ 1,331,750	\$ 497,037
Committed for:						
Buildings, renewal, and replacement	4,000,000	-	-	-	4,000,000	4,000,000
New branch	4,000,000	-	-	-	4,000,000	3,000,000
Emergency fund	1,000,000	-	-	-	1,000,000	500,000
Garage refurbishment fund	-	-	-	-	-	1,077,000
Assigned for:						
Book purchases	-	-	611,691	-	611,691	498,014
Capital construction	-	-	-	(147,913)	(147,913)	32,638
Unassigned	4,436,720	79,787	-	-	4,516,507	3,265,513
	<u>13,436,720</u>	<u>1,411,537</u>	<u>611,691</u>	<u>(147,913)</u>	<u>15,312,035</u>	<u>12,870,202</u>
<b>Total Fund Balances</b>	<u>\$ 14,936,148</u>	<u>\$ 1,411,537</u>	<u>\$ 611,691</u>	<u>\$ (147,913)</u>	<u>\$ 16,811,463</u>	<u>\$ 14,565,343</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 14,936,148</u>	<u>\$ 1,411,537</u>	<u>\$ 611,691</u>	<u>\$ (147,913)</u>	<u>\$ 16,811,463</u>	<u>\$ 14,565,343</u>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)**  
**June 30, 2020**

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

Total Fund Balances	\$ 15,312,035
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.	21,308,911
Deferred Outflows of Resources Are Amortized Over Time and, Therefore, Are Not Reported in the Governmental Funds.	4,615,581
Net Pension Obligation Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	(14,988,332)
Net OPEB Liability Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	(3,583,625)
Deferred Inflows of Resources Are Not Due and Payable in the Current Period and, Therefore, Are Not Reported in the Governmental Funds.	(2,353,394)
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>(5,840,265)</u>
Net Position Of Governmental Activities	<u>\$ 14,470,911</u>

See accompanying notes.

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

**Year Ended June 30, 2020  
(With Comparative Totals for the year ended June 30, 2019)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for the year ended June 30, 2019)**

	General Fund	Library Foundation	Library Collection Materials Fund	Construction Fund	2020 Totals Governmental Funds	2019 Totals Governmental Funds
<b>SUPPORT</b>						
Grants						
Ky Dept. of Libraries and Archives	\$ 109,043	\$ -	\$ -	\$ -	\$ 109,043	\$ 109,043
State Aid Grant	105,000	-	-	-	105,000	105,000
LFUCG appropriation						
Unrestricted	14,873,646	-	-	-	14,873,646	14,405,912
Restricted	-	-	2,242,176	-	2,242,176	2,171,662
Donations						
Foundation (restricted)	-	1,030,391	-	-	1,030,391	432,403
Foundation (unrestricted)	-	35,389	-	-	35,389	39,723
Friends (unrestricted)	51,000	-	-	-	51,000	75,000
Total support	<u>15,138,689</u>	<u>1,065,780</u>	<u>2,242,176</u>	<u>-</u>	<u>18,446,645</u>	<u>17,338,743</u>
<b>REVENUE</b>						
Fines and lost books	23,901	-	-	-	23,901	87,885
Investment income						
Unrestricted	156,809	25,850	-	-	182,659	182,125
Restricted	-	-	-	49	49	49
Rental income	-	-	-	-	-	-
Miscellaneous	375,946	-	-	-	375,946	90,543
Total revenue	<u>556,656</u>	<u>25,850</u>	<u>-</u>	<u>49</u>	<u>582,555</u>	<u>360,602</u>
Total support and revenue	<u>15,695,345</u>	<u>1,091,630</u>	<u>2,242,176</u>	<u>49</u>	<u>19,029,200</u>	<u>17,699,345</u>
<b>EXPENDITURES</b>						
Salaries and employee benefits	9,313,728	-	-	-	9,313,728	9,192,260
Operating expenditures	2,246,104	-	11,304	-	2,257,408	2,596,594
Books and materials	-	-	2,117,195	-	2,117,195	2,145,187
Library Corporation payments	262,538	-	-	-	262,538	259,273
Friends program support	12,093	-	-	-	12,093	48,572
Grant expenditures/foundation gifts	7,758	-	-	-	7,758	31,668
Foundation expenditures	-	42,512	-	-	42,512	89,277
Debt service	237,258	-	-	-	237,258	246,213
Total Expenditures	<u>12,079,479</u>	<u>42,512</u>	<u>2,128,499</u>	<u>-</u>	<u>14,250,490</u>	<u>14,609,044</u>
Support and revenue over expenditures	<u>3,615,866</u>	<u>1,049,118</u>	<u>113,677</u>	<u>49</u>	<u>4,778,710</u>	<u>3,090,301</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers	(948,678)	(214,618)	-	-	(1,163,296)	-
Principal payments on debt	(499,846)	-	-	-	(499,846)	(490,139)
Purchase of property and equipment	(493,135)	-	-	(180,600)	(673,735)	(635,101)
Proceeds from the sale of fixed assets	-	-	-	-	-	10,625
Net other financing uses	<u>(1,941,659)</u>	<u>(214,618)</u>	<u>-</u>	<u>(180,600)</u>	<u>(2,336,877)</u>	<u>(1,114,615)</u>
Net change in Fund Balances	1,674,207	834,500	113,677	(180,551)	2,441,833	1,975,686
Fund Balances - beginning	11,762,513	577,037	498,014	32,638	12,870,202	10,894,516
Fund Balances - ending	<u>\$ 13,436,720</u>	<u>\$ 1,411,537</u>	<u>\$ 611,691</u>	<u>\$ (147,913)</u>	<u>\$ 15,312,035</u>	<u>\$ 12,870,202</u>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
**Year Ended June 30, 2020**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds \$ 2,441,833

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 673,735

Depreciation expense (1,373,169)

Difference between proceeds and accounting loss (4,198)

Pension expense related to long-term Net Pension Obligations that is  
 not included in the Governmental Funds (1,389,437)

OPEB expense related to long-term Net OPEB Liability that is  
 not included in the Governmental Funds (36,333)

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

Bond Proceeds Less Bond Issuance Costs

Bond principal payments 499,846

Change in Net Position of Governmental Activities \$ 812,277

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

**June 30, 2020  
(With Comparative Totals as of June 30, 2019)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2020**  
**(With Comparative Totals as of June 30, 2019)**

	Enterprise Fund	Parking Fund	2020 Total Proprietary Fund	2019 Total Proprietary Fund
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,070	\$ 186,787	\$ 187,857	\$ 4,032
Accounts receivable	-	27,983	27,983	11,437
Due from general fund	558,361	-	558,361	496,298
Total current assets	559,431	214,770	774,201	511,767
Noncurrent assets				
Capital assets, net of depreciation	-	3,831,630	3,831,630	2,546,854
<b>TOTAL ASSETS</b>	<b>\$ 559,431</b>	<b>\$ 4,046,400</b>	<b>\$ 4,605,831</b>	<b>\$ 2,981,703</b>
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities				
Accounts payable	\$ -	\$ 18	\$ 18	\$ 129,983
Unearned revenue	-	13,411	13,411	501
Due to general fund	-	832,546	832,546	430,589
Current portion of long-term debt	-	119,458	119,458	114,291
Total current liabilities	-	965,433	965,433	675,364
Long-term debt	-	2,074,398	2,074,398	2,193,856
Total liabilities	-	3,039,831	3,039,831	2,869,220
Net position				
Invested in capital assets, net of related debt	-	1,637,774	1,637,774	413,070
Unrestricted	559,431	(631,205)	(71,774)	(49,306)
Total net position	559,431	1,006,569	1,566,000	363,764
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 559,431</b>	<b>\$ 4,046,400</b>	<b>\$ 4,605,831</b>	<b>\$ 3,232,984</b>

See accompanying notes.

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

**Year Ended June 30, 2020  
(With Comparative Totals for the year ended June 30, 2019)**



**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**POSITION - PROPRIETARY FUNDS**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for the year ended June 30, 2019)**

	Enterprise Fund	Parking Fund	2020 Total Proprietary Fund	2019 Total Proprietary Fund
<b>Operating revenues</b>				
Copy sales	\$ 79,219	\$ -	\$ 79,219	\$ 106,474
Parking garage	-	357,498	357,498	359,008
Miscellaneous revenue	13,412	73	13,485	15,944
Total operating revenues	<u>92,631</u>	<u>357,571</u>	<u>450,202</u>	<u>481,426</u>
<b>Operating expenses</b>				
Operating expenses	31,168	144,104	175,272	224,973
Depreciation	-	128,179	128,179	117,003
Total operating expenses	<u>31,168</u>	<u>272,283</u>	<u>303,451</u>	<u>341,976</u>
Total operating income	<u>61,463</u>	<u>85,288</u>	<u>146,751</u>	<u>139,450</u>
<b>Nonoperation revenues and (expenses)</b>				
Transfer from General Fund (OFS)	-	1,163,296	1,163,296	-
Loss on disposal of capital assets	-	-	-	(34,965)
Interest income	600	995	1,595	900
Interest expense	-	(109,406)	(109,406)	(115,013)
Total nonoperation revenues (expenses)	<u>600</u>	<u>1,054,885</u>	<u>1,055,485</u>	<u>(149,078)</u>
Change in net position	62,063	1,140,173	1,202,236	(9,628)
Total net position-beginning	<u>497,368</u>	<u>(133,604)</u>	<u>363,764</u>	<u>373,392</u>
<b>TOTAL NET POSITION-ENDING</b>	<u><u>\$ 559,431</u></u>	<u><u>\$ 1,006,569</u></u>	<u><u>\$ 1,566,000</u></u>	<u><u>\$ 363,764</u></u>

See accompanying notes.

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

**Year Ended June 30, 2020  
(With Comparative Totals for the year ended June 30, 2019)**

**LEXINGTON PUBLIC LIBRARY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for the year ended June 30, 2019)**

	Enterprise Fund	Parking Fund	2019 Total Proprietary Fund	2019 Total Proprietary Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 92,631	\$ 353,935	\$ 446,566	\$ 482,836
Payments to employees	-	(31,560)	(31,560)	(31,560)
Payments to suppliers	(31,168)	(242,509)	(273,677)	(193,413)
Net cash provided by operating activities	61,463	79,866	141,329	257,863
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	-	(1,238,592)	(1,238,592)	(195,803)
(Repayment) borrowing of interfund liabilities	(62,063)	401,958	339,895	163,868
Bond principal debt paid	-	(114,291)	(114,291)	(109,853)
Interest paid on capital debt	-	(109,406)	(109,406)	(115,013)
Net cash used by capital and related financing activities	(62,063)	(1,060,331)	(1,122,394)	(256,801)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers from General fund	-	1,163,296	1,163,296	-
Net cash provided by capital and related financing activities	-	1,163,296	1,163,296	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	600	995	1,595	900
Net cash provided by investing activities	600	995	1,595	900
Net increase in cash and cash equivalents	-	183,826	183,826	1,962
Balances-beginning of year	1,070	2,962	4,032	2,070
<b>BALANCES-END OF THE YEAR</b>	<b>\$ 1,070</b>	<b>\$ 186,788</b>	<b>\$ 187,858</b>	<b>\$ 4,032</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 61,463	\$ 85,288	\$ 146,751	\$ 139,450
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	128,179	128,179	117,003
Changes in asset and liabilities				
Accounts receivable	-	(16,546)	(16,546)	1,410
Accounts payable	-	(129,965)	(129,965)	-
Net cash provided by operating activities	<b>\$ 61,463</b>	<b>\$ 66,956</b>	<b>\$ 128,419</b>	<b>\$ 257,863</b>

See accompanying notes.

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TO THE FINANCIAL STATEMENTS**

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**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Nature of Organization**

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

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

**Basis of Presentation**

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

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

Basic Financial Statements

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

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

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

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

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

**Governmental Funds**

The primary government reports the following major governmental funds:

- General Fund - This is the primary operating fund of the Library. It accounts for all financial resources of the general government, except where the management requires that a separate fund be used for some function.
- Library Foundation Fund - This fund is used to account for the activities of the Library Foundation. The primary source of revenue for this fund is donations. The major expenditures for this fund are related to fundraising activities. Additional disbursements of this fund are transfers to the general fund to support the operations of the Library. This fund is presented as a special revenue fund.
- Library Collection Materials Fund - This fund is used to account for library materials purchased and collections from late fees and fines. The primary source of revenue for this fund is transfers from the general fund for property taxes. The major expenditures for this fund are books and materials for the Library. This fund is presented as a special revenue fund.
- Construction Fund - This fund is for library construction. The primary source of income for this fund is debt incurred. The major expenditures for this fund are construction costs and interest costs from debt. This fund is presented as a debt service fund.

The government has no non-major governmental funds.

**Proprietary Funds**

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The primary government reports the following major proprietary funds:

- Enterprise Fund - This fund is used to account for revenues and expenses related to video rentals and copiers.
- Parking Fund - This fund is used to account for revenues and expenses related to the parking garage owned and operated by the Library.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

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

**Investments**

Investments consist of certificates of deposit with initial maturities of twelve months or less in the amount of \$5,094,598. Fair value approximates carrying amounts for certificates of deposit. In addition, the Foundation has investments of \$743,389, which consist of equities and mutual funds, which are carried at market value.

**Capital Assets**

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

**Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. The Foundation recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the Library's participation in the County Employees Retirement System ("CERS") of the Kentucky Retirement Systems ("KRS") has been determined on the same basis as reported by the KRS for the CERS plan. For this purpose, benefits, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2019.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the Library's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms. The liability was measured at June 30, 2019.

**Cash and Cash Equivalents**

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

**Estimates**

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

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

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

**Subsequent Events**

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

**Fund Balance Classification Policies and Procedures**

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

The Library adopted a policy to govern the order of priority on use of fund balance when (1) either restricted or unrestricted amounts are both available and (2) when committed, assigned, or unassigned fund balance classifications could be used. When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Library to consider restricted amounts to have been reduced first. When an expense is incurred for purposes for which unrestricted fund balance classification could be used, it is the policy of the Library to first use any current fiscal year budgeted amounts available, followed by committed amounts, followed by assigned amounts and then unassigned amounts.

**Note 2. Cash and Investments**

Kentucky Revised Statutes authorize governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state-chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies. The investments of the Foundation, as a nonprofit, are not limited by state statute.

The carrying amount of the Library's cash and cash equivalents deposits at June 30, 2020 was \$8,743,953. The carrying amount of the Library's short-term investments at June 30, 2020 was \$5,837,987.

**Note 3. Deposits**

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



**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 3. Deposits (Continued)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). On June 30, 2020, the Library's bank balance was fully collateralized. The Foundation's bank balances may, at times, exceed federally insured limits. The Foundation is not required to maintain collateral and does not believe it is exposed to any significant credit risk on cash.

**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 I 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, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of Deposits	\$ 5,428,636	\$ 5,428,636	\$ -	\$ -
Money Market Funds	115,397	115,397	-	-
Equity securities	73,928	73,928	-	-
Mutual Funds	138,799	138,799	-	-
Corporate Bonds	<u>81,227</u>	<u>-</u>	<u>81,227</u>	<u>-</u>
	<u>\$ 5,837,987</u>	<u>\$ 5,756,760</u>	<u>\$ 81,227</u>	<u>\$ -</u>

**LEXINGTON PUBLIC LIBRARY  
LEXINGTON PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2020**

**Note 5. Lexington-Fayette Urban County Government Agreements**

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

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

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government</b>				
<u>Governmental Activities</u>				
Depreciable capital assets				
Land improvements	\$ 70,279	\$ -	\$ -	\$ 70,279
Buildings & improvements	29,525,731	82,198	-	29,607,929
Furniture/equipment	10,386,109	410,937	(273,647)	10,523,399
	<u>39,982,119</u>	<u>493,135</u>	<u>(273,647)</u>	<u>40,201,607</u>
Totals at Cost				
Less: accumulated depreciation	<u>22,755,911</u>	<u>1,373,169</u>	<u>(269,449)</u>	<u>23,859,631</u>
Depreciable capital assets, net	<u>\$ 17,226,208</u>	<u>\$ (880,034)</u>	<u>\$ (4,198)</u>	<u>\$ 16,341,976</u>
Nondepreciable capital assets				
Land	\$ 4,295,424	\$ -	\$ -	\$ 4,295,424
Construction in progress	-	180,600	-	180,600
Artistic clock	490,911	-	-	490,911
	<u>\$ 4,786,335</u>	<u>\$ 180,600</u>	<u>\$ -</u>	<u>\$ 4,966,935</u>
Capital assets, net	<u>\$ 22,012,543</u>	<u>\$ (699,434)</u>	<u>\$ (4,198)</u>	<u>\$ 21,308,911</u>
<b>Business-type Activities</b>				
Furniture/equipment	\$ 159,426	\$ -	\$ -	\$ 159,426
Parking garage & improvements	3,617,969	1,230,017	-	4,847,986
	<u>3,777,395</u>	<u>1,230,017</u>	<u>-</u>	<u>5,007,412</u>
Totals at cost				
Less: accumulated depreciation	<u>1,321,600</u>	<u>128,179</u>	<u>-</u>	<u>1,449,779</u>
Depreciable capital assets, net	<u>\$ 2,455,795</u>	<u>\$ 1,101,838</u>	<u>\$ -</u>	<u>\$ 3,557,633</u>
Nondepreciable capital assets				
Construction in progress	\$ 265,422	\$ 8,575	\$ -	\$ 273,997
Capital assets, net	<u>\$ 2,721,217</u>	<u>\$ 1,110,413</u>	<u>\$ -</u>	<u>\$ 3,831,630</u>

Depreciation expense was charged as follows:

<u>Governmental Activities</u>	
Total Depreciation Expense - Governmental Activities	<u>\$ 1,373,169</u>
<u>Business-Type Activities</u>	
Total Depreciation Expense - Business-type Activities	<u>\$ 128,179</u>

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 7. Retirement Plan**

**General Information about the Pension Plan**

*Plan description.* Employees of the Library are provided a defined benefit pension plan through the County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined pension plan administered by the Kentucky Retirement Systems ("KRS"). The KRS was created by state statute under Kentucky Revised 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 Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

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

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

Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index ("CPI") for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

*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, 2020, employer contributions for the Library were \$1,267,198 (\$1,016,497 pension and \$250,700 insurance) based on a rate of 24.06% (19.30% pension and 4.76% insurance) of covered payroll. By law, employer contributions are required to be paid. The KRS may intercept the Library's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 7. Retirement Plan (Continued)**

**Net Pension Liability**

The Library's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled forward from the valuation date to the measurement date using generally accepted actuarial principles.

*Actuarial assumptions.* The total pension liability as of June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.30% to 10.30%, varies by service
Payroll Growth Rate	2.30%
Investment rate of return	6.25 percent

The mortality table used for active members was a Pub-2010 General Mortality table, for the non-hazardous system projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**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>
<b>Growth</b>		
U.S. Equity	4.30%	18.75%
Non-US Equity	4.80%	18.75%
Private Equity	6.65%	10.00%
Specialty Credit/High Yield	2.60%	15.00%
<b>Liquidity</b>		
Core Bonds	1.35%	13.50%
Cash	0.20%	1.00%
<b>Diversifying Strategies</b>		
Real Estate	4.85%	5.00%
Opportunistic	2.97%	3.00%
Real Return	4.10%	15.00%
	3.89%	100.00%

*Discount rate.* The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contribution each future year, as determined by the current funding policy established in Statute as amended by House Bill 362. The discount rate determination does not use a municipal bond rate.

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

	<b>1% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
Lexington Library's net pension liability	\$ 18,746,152	\$ 14,988,332	\$ 11,856,226

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**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, 2020, the Library recognized pension expense of \$2,405,934.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 382,697	\$ 63,330
Investment experience	287,717	529,335
Change of assumptions	1,516,989	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	339,548
Contributions subsequent to the measurement date of June 30, 2019	<u>1,016,498</u>	<u>-</u>
Total	<u>\$ 3,203,901</u>	<u>\$ 932,213</u>

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 7. Retirement Plan (Continued)**

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

	<b>Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30,</b>	
	<hr/>	
2020	\$	866,547
2021		263,303
2022		108,198
2023		17,142
		<hr/>
	\$	<u>1,255,190</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, 2020, the Library reported a payable of \$58,712 (included in payroll liabilities amount on the Statement of Net Position and on the Balance Sheet - Governmental Funds) and for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

**Note 8. Postemployment Benefits Other Than Pensions ("OPEB")**

**General Information about the OPEB Plan**

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



**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

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

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

*Contributions.* Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The Library's contractually required contribution rate for the year ended June 30, 2020 was 4.76% of covered payroll. Contributions to the Insurance Fund from the Library were \$250,700 for the year ended June 30, 2020. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

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

At June 30, 2020, the Library reported a liability of \$3,583,624 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. The Library's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2019. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2019, the Library's proportion was .213063%.

For the year ended June 30, 2020, the Library recognized OPEB expense of \$363,980. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ -	\$ 1,081,262
Investment experience	23,605	182,774
Change of assumptions	1,060,428	7,091
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	150,054
Contributions subsequent to the measurement date of June 30, 2019	<u>327,647</u>	<u>-</u>
Total	<u>\$ 1,411,680</u>	<u>\$ 1,421,181</u>

Of the total amount reported as deferred outflows of resources related to OBEP, \$327,647 resulting from Library contributions subsequent to the measurement date and before the end of the fiscal year and the implicit subsidy will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Library's OPEB expense as follows:

	<u>Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30,</u>
2020	\$ (56,800)
2021	(56,800)
2022	(6,194)
2023	(103,070)
2024	(95,601)
Thereafter	<u>(18,683)</u>
	<u>\$ (337,148)</u>

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

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Payroll Growth Rate	2.0%
Investment rate of return	6.25 percent
Healthcare cost trend rates (Pre-65)	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

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

Mortality	
Pre-retirement	PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Growth		
US Equity	4.30%	18.75%
Non-US Equity	4.80%	18.75%
Private Equity	6.65%	10.00%
Specialty Credit/High Yield	2.60%	15.00%
Liquidity		
Core Bonds	1.35%	13.50%
Cash	0.20%	1.00%
Diversifying Strategies		
Real Estate	4.85%	5.00%
Opportunistic	2.97%	3.00%
Real Return	4.10%	15.00%
	<u>3.89%</u>	<u>100.00%</u>

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

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

*Discount rate.* - The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

*Sensitivity of the Library's proportionate share of the collective net OPEB liability to changes in the discount rate.* - The following presents the Library's proportionate share of the collective net OPEB liability as well as what the Library's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.68%) or 1 percentage point higher (6.68%) than the current discount rate:

	<u>1% Decrease (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1% Increase (6.68%)</u>
Lexington Library's net OPEB liability	\$ 4,800,581	\$ 3,583,624	\$ 2,580,931

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

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Lexington Library's net OPEB liability	\$ 2,665,159	\$ 3,583,624	\$ 4,697,371

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

*Payables to the OPEB Plan.* At June 30, 2020, the Library reported a payable of \$19,907 (included in payroll liabilities amount on the Statement of Net Position and on the Balance Sheet Governmental Funds) and for the outstanding amount of contributions to the OPEB plan required at the year ended June 30, 2020.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 9. Interfund Transactions**

Interfund loans on the fund statements at June 30, 2020 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 832,546	\$ 989,188
Library Foundation	-	264
Construction	-	180,600
Collection Materials	611,691	-
Enterprise Fund	558,361	-
Parking Fund	-	832,546
	<u>\$ 2,002,598</u>	<u>\$ 2,002,598</u>

Transfers were used to move Library Foundation contributions to be used for general fund purposes and to transfer funds for the repair and renovation of the parking garage. Interfund transfers on the fund statements at June 30, 2020 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 214,618	\$ 1,163,296
Parking Fund	1,163,296	-
Library Foundation	-	214,618
	<u>\$ 1,377,914</u>	<u>\$ 1,377,914</u>

**Note 10. Risk Management**

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

**Note 11. Long-Term Liabilities**

**A. Parking Garage Debt**

The Library purchased the Park Plaza Garage on April 29, 2005 for \$3,001,000. The Library borrowed \$3,515,000 from the Kentucky League of Cities for a term of 29 years to purchase and make repairs and improvements to the parking garage. The debt was broken down into a fixed rate loan of \$2,970,000 with a rate of 4.28% and a variable rate loan of \$545,000. The final maturity of the debt is May 21, 2034. The variable rate is based on an assumed rate that is established at the beginning of each fiscal year. The effective rate at June 30, 2020 was 2.82%. The outstanding balance was \$2,193,856.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 11. Long-term Liabilities (Continued)**

**A. Parking Garage Debt (Continued)**

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 119,458	\$ 83,877	\$ 203,335
2022	124,411	79,460	203,871
2023	129,784	78,679	208,463
2024	135,283	73,345	208,628
2025	141,357	67,402	208,759
2026-2030	805,865	242,447	1,048,312
2031-2034	737,698	96,929	834,627
Totals	<u>\$ 2,193,856</u>	<u>\$ 722,139</u>	<u>\$ 2,915,995</u>

**B. Northside Branch Debt**

The Library obtained financing for the construction of the Northside branch on September 21, 2008. The Library borrowed \$6,700,000 from the Kentucky League of Cities for a term of 20 years. The debt was broken down into a fixed rate loan of \$5,200,000 with a rate of 3.89% and a variable rate loan of \$1,500,000. The final maturity of the debt is November 1, 2027. The variable rate is based on a weekly rate that is reported to the Kentucky League of Cities by the remarketing agent. At June 30, 2020, the effective rate was 3.89%. The outstanding balance was \$2,506,122.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 289,511	\$ 88,890	\$ 378,401
2022	303,204	77,968	381,172
2023	317,743	66,350	384,093
2024	332,853	54,173	387,026
2025	348,998	41,339	390,337
2026-2028	913,813	43,743	957,556
Totals	<u>\$ 2,506,122</u>	<u>\$ 372,463</u>	<u>\$ 2,878,585</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 \$624,583 at June 30, 2020.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 11. Long-Term Liabilities (Continued)**

**C. Energy Project Debt (Continued)**

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 85,000	\$ 23,363	\$ 108,363
2022	90,000	20,813	110,813
2023	90,000	17,888	107,888
2024	95,000	14,850	109,850
2025	95,000	11,525	106,525
2026-2027	169,583	12,398	181,981
Totals	<u>\$ 624,583</u>	<u>\$ 100,837</u>	<u>\$ 725,420</u>

**D. Relocation of Eagle Creek Branch Debt**

On December 30, 2014, the Library closed on financing for the relocation project related to the Eagle Creek Branch with Kentucky Bank in the amount of \$5,500,000. The final maturity of the debt is December 30, 2024. The construction lease has a fixed rate of 2.78%. The outstanding note payable amount was \$2,709,560 at June 30, 2020.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 152,932	\$ 74,149	\$ 227,081
2022	157,298	69,783	227,081
2023	161,790	65,291	227,081
2024	166,243	60,838	227,081
2025	2,071,298	28,796	2,100,094
Totals	<u>\$ 2,709,560</u>	<u>\$ 298,857</u>	<u>\$ 3,008,418</u>

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 11. Long-Term Liabilities (Continued)**

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

Long-term liability activity for the governmental activities for the year ended June 30, 2020, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt Obligations	\$ 5,630,528	\$ -	\$ 414,846	\$ 5,215,682	\$ 442,443
Bond	709,583	-	85,000	624,583	85,000
Governmental Activities Long-term Liabilities	\$ 6,340,111	\$ -	\$ 499,846	\$ 5,840,265	\$ 527,443
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt Obligations	\$ 2,308,147	\$ -	\$ 114,291	\$ 2,193,856	\$ 119,458
Business-type Activities Long-term Liabilities	\$ 2,523,453	\$ -	\$ 114,291	\$ 2,193,856	\$ 119,458

**Note 12. Accrued Vacation**

When an employee terminates employment with the Library, they are paid for their vacation time remaining, up to 150 hours. A current liability is recorded on the Statement of Net Position and the Balance Sheet for the total amount of vacation earned, not exceeding 150 hours for each employee. The amount of accrued vacation as of June 30, 2020 was \$330,744.

**Note 13. Contingencies and Commitments**

The Lexington Public Library Board of Trustees was a defendant in a lawsuit filed by the Library's former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that, on May 17, 2014, issued an Order on Damages totaling \$907,762. On each of the panel's findings for damages a panel member dissented to the order except in the case of the salary remaining on the contract which totals \$257,731. The Lexington Public Library Board of Trustees' legal counsel presented to the Fayette Circuit Court arguments and memoranda supporting the Board's position that the Arbitration Panel exceeded its authority under Kentucky law.



**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 13. Contingencies and Commitments (Continued)**

On February 21, 2014, the Fayette Circuit Court ruled that the Arbitration Panel exceeded its authority on several issues and entered an Opinion and Order reducing the award to the Plaintiff to \$256,940, representing unpaid salary for the term of the contract. The plaintiff filed an appeal with the Kentucky Court of Appeals and the Library had filed a Cross-Appeal that the award of unpaid salary for the balance of the original term of the contract is in contravention of Kentucky law. On January 15, 2016, the Court of Appeals found that the Plaintiff waived her right to arbitrate when she initiated the lawsuit in Fayette Circuit Court. The Court of Appeals vacated the \$256,940 judgment and remanded to the Circuit Court for further proceedings. The Plaintiff then filed a Motion for Discretionary Review with the Kentucky Supreme Court. On August 18, 2016, the Kentucky Supreme Court denied the Motion for Discretionary Review. The case was remanded to the Fayette Circuit Court. Since remand, the Library filed two motions for summary judgement. On August 9, 2017, the Fayette Circuit Court granted both motions for summary judgement and held that the Plaintiff was not entitled to recover damages. On September 5, 2017, the Plaintiff filed a Notice of Appeal. On March 29, 2019, the Court of Appeals affirmed the trial court's judgment. On September 18, 2019 the Kentucky Supreme Court denied the plaintiff's motion for review in the Court of Appeals. In a prior year the Library had accrued a liability in the amount of \$316,253 related to this issue. Upon the Supreme Court's denial of the Plaintiff's motion for review the Library derecognized the contingent liability and recorded miscellaneous income of \$316,253.

In November 1999 the Public Library Corporation (the "Corporation"), a component unit of the Lexington-Fayette Urban County Government, issued \$3,570,000 in tax-exempt bonds for the construction of the Tates Creek Branch. As security for the bonds, the Library has pledged to transfer amount equal to annual debt service plus the highest annual debt service amount that will be on hand in the Corporation.

Through cancelable lease and sublease agreements, the Library is leasing the Tates Creek Branch from the Corporation for an annual rental equal to the annual debt service on the bonds. During the fiscal year, the Library transferred \$262,538 to the Public Library Corporation to pay current debt service. As of June 30, 2020, the Library is committed to fund a total of \$260,359 through fiscal year 2020 for this purpose.

**Note 14. Future Accounting Pronouncements**

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The provisions of this Statement are effective immediately. This Statement provides temporary relief to governments in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of LIBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

**LEXINGTON PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020**

**Note 14. Future Accounting Pronouncements**

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The provisions of this Statement are effective for fiscal years beginning after December 15, 2019. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The provisions of this statement are effective for fiscal years beginning after June 15, 2018. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

In June 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 implementation of GASB Standards 93, 89, and 88 have been postponed by one year and the implementation GASB Standard number 87 has been delayed by eighteen months by the provisions of GASB Statement No. 95.

**Note 15. Other Contingencies**

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Center for Disease Control and Prevention confirmed the spread of the disease throughout the United States. Operations will continue to be impacted as a result of the COVID-19 crisis, but the ultimate disruption is uncertain and cannot be quantified.

**LEXINGTON PUBLIC LIBRARY  
REQUIRED SUPPLEMENTAL INFORMATION**

**Year Ended June 30, 2020**

**LEXINGTON PUBLIC LIBRARY  
REQUIRED SUPPLEMENTAL INFORMATION - GENERAL FUND  
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
<b>SUPPORT</b>				
Grants				
KY Dept. of Libraries and Archives	\$ 110,544	\$ 110,544	\$ 109,043	\$ (1,501)
Grants, other	105,000	105,000	105,000	-
LFUCG appropriation				
Unrestricted	14,618,579	14,873,932	14,873,646	(286)
Donations				
Unrestricted	-	-	-	-
Restricted	50,000	50,000	51,000	1,000
Total support	<u>14,884,123</u>	<u>15,139,476</u>	<u>15,138,689</u>	<u>(787)</u>
<b>REVENUE</b>				
Fines and lost books	110,000	110,000	23,901	(86,099)
Interest earned				
Unrestricted	85,000	85,000	156,809	71,809
Rental income	10,100	10,100	-	(10,100)
Miscellaneous	68,000	68,000	375,946	307,946
Total revenue	<u>273,100</u>	<u>273,100</u>	<u>556,656</u>	<u>283,556</u>
Total support and revenue	<u>15,157,223</u>	<u>15,412,576</u>	<u>15,695,345</u>	<u>282,769</u>
<b>EXPENDITURES</b>				
Salaries wages and employee benefits	10,102,961	10,102,961	9,313,728	789,233
Operating expenses	2,581,051	2,581,051	2,246,104	334,947
Transfer to LPL Corporation	261,417	261,417	262,538	(1,121)
Friends program support	-	-	12,093	(12,093)
Grant expense	45,000	45,000	7,758	37,242
Debt Service	228,819	228,819	237,258	(8,439)
Total expenses	<u>13,219,248</u>	<u>13,219,248</u>	<u>12,079,479</u>	<u>1,139,769</u>
Support and revenue over expenses	<u>1,937,975</u>	<u>2,193,328</u>	<u>3,615,866</u>	<u>1,422,538</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Principal payment on debt	(509,405)	(509,405)	(499,846)	9,559
Purchases of property & equipment	(518,616)	(518,616)	(493,135)	25,481
Proceeds on sale of fixed assets	-	-	-	-
Transfers	218,500	218,500	(948,678)	(1,167,178)
Net increase in fund balances	<u>1,128,454</u>	<u>1,383,807</u>	<u>1,674,207</u>	<u>290,400</u>
Fund balances- beginning of year	<u>11,762,513</u>	<u>11,762,513</u>	<u>11,762,513</u>	<u>-</u>
<b>FUND BALANCES-END OF YEAR</b>	<u><u>\$ 12,890,967</u></u>	<u><u>\$ 13,146,320</u></u>	<u><u>\$ 13,436,720</u></u>	<u><u>\$ 290,400</u></u>

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY  
REQUIRED SUPPLEMENTAL INFORMATION - LIBRARY FOUNDATION  
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (Continued)  
YEAR ENDED June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
<b>SUPPORT</b>				
Donations				
Restricted	\$ 264,000	\$ 264,000	\$ 1,030,391	\$ 766,391
Unrestricted	<u>30,000</u>	<u>30,000</u>	<u>35,389</u>	<u>5,389</u>
Total support	294,000	294,000	1,065,780	771,780
<b>REVENUE</b>				
Unrestricted				
Total revenue	<u>41,400</u>	<u>41,400</u>	<u>25,850</u>	<u>(15,550)</u>
Total support and revenue	335,400	335,400	1,091,630	756,230
<b>EXPENDITURES</b>				
Foundation	<u>114,200</u>	<u>114,200</u>	<u>42,512</u>	<u>71,688</u>
Total expenses	<u>114,200</u>	<u>114,200</u>	<u>42,512</u>	<u>71,688</u>
Support and revenue over expenses	221,200	221,200	1,049,118	827,918
<b>OTHER FINANCING SOURCES</b>				
Transfers	<u>(215,700)</u>	<u>(215,700)</u>	<u>(214,618)</u>	<u>1,082</u>
Net (decrease) increase in fund balances	5,500	5,500	834,500	829,000
Fund balances- beginning of year	<u>577,037</u>	<u>577,037</u>	<u>577,037</u>	<u>-</u>
<b>FUND BALANCES-END OF YEAR</b>	<u><u>\$ 582,537</u></u>	<u><u>\$ 582,537</u></u>	<u><u>\$ 1,411,537</u></u>	<u><u>\$ 829,000</u></u>

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION - LIBRARY COLLECTION MATERIALS FUND**  
**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**YEAR ENDED June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>(Unfavorable) Favorable Budget</b>
<b>SUPPORT</b>				
LFUCG appropriations	\$ 2,203,730	\$ 2,241,886	\$ 2,242,176	\$ 290
Total support	<u>2,203,730</u>	<u>2,241,886</u>	<u>2,242,176</u>	<u>290</u>
Total support and revenue	2,203,730	2,241,886	2,242,176	290
<b>EXPENSES</b>				
Operating expenses	-	-	11,304	(11,304)
Books and materials	<u>2,203,730</u>	<u>2,241,886</u>	<u>2,117,195</u>	<u>124,691</u>
Total expenses	<u>2,203,730</u>	<u>2,241,886</u>	<u>2,128,499</u>	<u>113,387</u>
Net increase in fund balances	-	-	113,677	113,677
Fund balances- beginning of year	<u>498,014</u>	<u>498,014</u>	<u>498,014</u>	<u>-</u>
<b>FUND BALANCES-END OF YEAR</b>	<u>\$ 498,014</u>	<u>\$ 498,014</u>	<u>\$ 611,691</u>	<u>\$ 113,677</u>

See independent auditor's report.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,244,377,000	\$ 4,299,525,000	\$ 4,923,618,237	\$ 5,853,307,463	\$ 6,090,305,000	\$ 7,033,044,552
Employer's Proportion (Percentage) of Net Pension Liability	0.22275%	0.22096%	0.00232%	0.22132%	0.22051%	0.21311%
Employer's Proportion (Amount) of Net Pension Liability	\$ 7,227,000	\$ 9,500,354	\$ 11,428,207	\$ 12,954,365	\$ 13,429,548	\$ 14,988,332
Employer's Covered-Employer payroll	\$ 5,110,035	\$ 5,528,083	\$ 5,381,520	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll	141.43%	171.86%	212.36%	237.03%	249.61%	284.58%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146	\$ 6,440,800	\$ 6,141,394,419	\$ 6,687,237,000	\$ 7,018,963,000	\$ 7,159,921,000
Total Pension's Plan Pension Liability	\$ 9,772,523	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,545,000	\$ 13,109,268,000	\$ 14,192,966,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.50%	53.30%	53.54%	50.45%

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

See independent auditor's report.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 653,251	\$ 667,068	\$ 750,722	\$ 791,368	\$ 872,657	\$ 1,016,498
Contributions in relation to the actuarially determined contribution	<u>653,251</u>	<u>667,068</u>	<u>750,722</u>	<u>791,368</u>	<u>872,657</u>	<u>1,016,498</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	5,110,035	5,528,083	5,381,520	5,465,250	5,380,130	5,266,825
Contributions as a percentage covered- employee payroll	12.78%	12.07%	13.95%	14.48%	16.22%	19.30%

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

See independent auditor's report.



**LEXINGTON PUBLIC LIBRARY  
 NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES  
 RETIREMENT SYSTEM  
 FISCAL YEAR ENDED JUNE 30, 2020**

The actuarially determined contribution rates effective for the fiscal year ending 2019 were calculated as of June 30, 2017. Based on the June 30, 2017 actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are below:

Valuation Date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Amortization period	26 years, Closed
Payroll Growth Rate	2.0%
Asset valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary increases	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% percent
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (setback 1 year for females).

See independent auditor's report.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Net OPEB Liability for County Employees Retirement Systems	\$ 2,010,342,058	\$ 1,775,480,122	\$ 1,681,954,950
Employer's Proportion (Percentage) of Net OPEB Liability	0.22132%	0.220499%	0.213063%
Employer's Proportion (Amount) of Net OPEB Liability	\$ 4,449,229	\$ 3,914,916	\$ 3,583,624
Employer's Covered-Employer payroll	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825
Employer's Proportionate Share (Amount) of the Net OPEB Liability as a Percentage of Employer's Covered-Employer Payroll	81.41%	72.77%	68.04%
Total Insurance Plan's Fiduciary Net Position	\$ 2,212,536,000	\$ 2,414,126,000	\$ 2,569,511,000
Total Insurance Plan OPEB Liability	\$ 4,222,878,000	\$ 4,189,606,000	\$ 4,251,466,000
Total Insurance Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	52.40%	57.62%	60.44%

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

See independent auditor's report.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 256,867	\$ 282,995	\$ 250,701
Contributions in relation to the actuarially determined contribution	<u>256,867</u>	<u>282,995</u>	<u>250,701</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825
Contributions as a percentage covered- employee payroll	4.70%	5.26%	4.76%

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

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY  
 NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES  
 RETIREMENT SYSTEM INSURANCE FUND  
 FISCAL YEAR ENDED JUNE 30, 2020**

*Valuation date:* Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2019 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Valuation Date	June 30, 2017
Experience Study	July 1, 2008-June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Remaining amortization period	26 years, Closed
Payroll Growth Rate	2.0%
Asset valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary increases	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% percent
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 5.10% at January 2, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.



**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 Trustees of  
Lexington Public Library

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Lexington Public Library as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Lexington Public Library's basic financial statements, and have issued our report thereon dated September 9, 2020.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

MCM CPAs & Advisors LLP

Lexington, Kentucky  
September 9, 2020