

LEXINGTON PUBLIC LIBRARY
Lexington, Kentucky

Financial Statements
June 30, 2022

Lexington Public Library

Table of Contents

June 30, 2022

	<u>PAGE</u>
Independent Auditor's Report on Financial Statements	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements	
Government - Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17-18
Statement of Support, Revenue, Expenses and Changes in Fund Balances Governmental Funds	20-21
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses, and Change in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	27
Notes to Financial Statements	29-50
Required Supplemental Information	
Budgetary Comparison Schedules	
Required Supplemental Information - General Fund	
Schedule of Revenue and Expenditures - Budget and Actual	52
Required Supplemental Information - Library Foundation	
Schedule of Revenue and Expenditures - Budget and Actual	53
Required Supplemental Information - Library Collections Materials Fund	
Schedule of Revenue and Expenditures - Budget and Actual	54
Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees Retirement System	55
Schedule Contributions Based on Participation in the County Employees Retirement System	56
Notes to Schedules Related to the County Employees Retirement System	57
Schedule of Proportionate Share of the Collective Net OPEB Liability in the County Employees Retirement System Insurance Fund	58
Schedule of Lexington Public Library's Contributions in the County Employees Retirement System Insurance Fund	59
Notes to Schedules Related to the County Employees Retirement System Insurance Fund	60
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 <i>Government Auditing Standards</i>	61-62



Independent Auditor's Report on the Financial Statements

To the Board of Trustees
Lexington Public Library

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, 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.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lexington Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Lexington Public Library's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

MCM CPAs & Advisors LLP

www.mcmcpa.com
888.587.1719

A Member of PrimeGlobal - An Association
of Independent Accounting Firms

Kentucky
Indiana
Ohio

Independent Auditor's Report on Financial Statements (Continued)***Responsibilities of Management for the Financial Statements (Continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lexington Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lexington Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lexington Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

During the fiscal year ended June 30, 2022, the Lexington Public Library implemented Government Accounting Standards' Board ("GASB") Statement No. 87 - *Leases*. The June 30, 2021 net position was not impacted by the implementation of the standard as the intangible right of use asset and corresponding lease liability at June 30, 2021 were of equal amounts.

Independent Auditor's Report on Financial Statements (Continued)***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison schedules on pages 52 through 54, the Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees Retirement System on page 55, the Schedule of Contributions Based on Participation in the County Employees Retirement System on page 56, the Schedule Proportionate Share of the Collective Net OPEB Liability in the County Employees Retirement System Insurance Fund on page 58, and the Schedule of Contributions in the County Employees Retirement System Insurance Fund on page 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We previously audited the Lexington Public Library's 2021 financial statements, and our report dated September 7, 2021, 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, 2021, 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 7, 2022 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 7, 2022

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2022**

FINANCIAL HIGHLIGHTS

- The Lexington Public Library's (the Library) net position increased \$4,034,538 during fiscal year 2022. Current Assets increased by \$2,791,447 and Bonds Payable decreased \$697,979, both improving the Library's net position. In addition, net position improved due to a decrease in pension and OPEB related liabilities and deferred inflows and outflows.
- The Library made capital investments during the fiscal year for equipment and building improvements and construction. The most significant investment was \$849,855 toward the design and construction of the Marksbury Family Branch. The new Library will replace the Village Branch with a 30,000 square foot free standing building with construction starting in August 2022. The Library also continued the improvement project on the Central parking garage and invested in computer and technology improvements.
- The Library allocated 13% of its tax revenues for library books and materials, continuing to spend significantly on e-books while also maintaining its children's and adult materials collections.
- The Lexington Public Library Foundation raised \$506,238 in fiscal year 2022, transferring \$123,046 in grants and other designated gifts to further Library programming and services. Funds raised include \$369,685 for the Marksbury Family Branch Capital Campaign, \$11,939 for the Kloiber Steam Lab, \$10,000 for the Endowment Fund and \$45,649 from the Foundation's annual Booktacular event.
- The Library's business-type activities had a decrease in net position of \$113,215 for fiscal year 2022. The Parking Garage is gradually recovering from the revenue decreases due to Covid-19. The Enterprise Fund is still continuing to provide copies for free to the public.

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, 2022**

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, 2022**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

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

STATEMENT OF NET POSITION

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

Condensed Statement of Net Position

	Total		Change	Percent Change
	2022	2021		
Assets				
Current assets	\$ 19,043,013	\$ 16,251,566	\$ 2,791,447	17%
Net noncurrent assets	28,704,026	28,043,545	660,481	2%
Total assets	<u>47,747,039</u>	<u>44,295,111</u>	<u>3,451,928</u>	<u>8%</u>
Deferred Outflows of Resources	<u>4,093,500</u>	<u>4,974,721</u>	<u>(881,221)</u>	<u>-18%</u>
Total assets and deferred outflows of resources	<u>\$ 51,840,539</u>	<u>\$ 49,269,832</u>	<u>\$ 2,570,707</u>	<u>5%</u>
Liabilities				
Current liabilities	\$ 1,749,592	\$ 1,560,027	\$ 189,565	12%
Long-term liabilities	21,678,142	26,631,164	(4,953,022)	-19%
Total liabilities	<u>23,427,734</u>	<u>28,191,191</u>	<u>(4,763,457)</u>	<u>-17%</u>
Deferred Inflows of Resources	<u>5,199,810</u>	<u>1,900,184</u>	<u>3,299,626</u>	<u>174%</u>
Total liabilities and deferred inflows of resources	<u>28,627,544</u>	<u>30,091,375</u>	<u>(1,463,831)</u>	<u>-5%</u>
Net Position				
Net investment in capital assets	22,349,565	21,478,159	871,406	4%
Restricted	580,042	387,787	192,255	50%
Unrestricted	283,388	(2,687,489)	2,970,877	-111%
Total net position	<u>23,212,995</u>	<u>19,178,457</u>	<u>4,034,538</u>	<u>21%</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 51,840,539</u>	<u>\$ 49,269,832</u>	<u>\$ 2,570,707</u>	<u>5%</u>

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2022**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF ACTIVITIES

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

	<u>Condensed Statement of Activities</u>			<u>Percent Change</u>	<u>Percent of Total</u>
	<u>2022</u>	<u>2021</u>	<u>Change</u>		
Revenues					
LFUCG tax revenue	\$ 17,766,972	\$ 17,502,163	\$ 264,809	2%	93%
Interest and investment (loss) earnings	(63,653)	191,617	(255,270)	-133%	0%
Capital grants and contributions	305,000	105,000	200,000	190%	2%
Operating grants and contributions	584,919	224,125	360,794	161%	3%
Charges for services	347,543	308,603	38,940	13%	2%
(Loss) gain on disposal of equipment	(14,575)	3,053	(17,628)	-577%	0%
E-rate revenue	48,000	57,600	(9,600)	-17%	0%
Other revenues	79,983	103,287	(23,304)	-23%	0%
Total revenue	19,054,189	18,495,448	558,741	3%	100%
Expenses					
Personnel	8,047,651	8,973,681	(926,030)	-10%	54%
Operating expenses	2,331,698	2,060,787	270,911	13%	16%
Grant and foundation	119,902	103,607	16,295	16%	1%
Books and materials	2,355,416	2,162,775	192,641	9%	16%
Enterprise	538,424	460,820	77,604	17%	4%
Depreciation and amortization	1,449,854	1,391,531	58,323	4%	10%
Interest expense	176,706	200,701	(23,995)	-12%	1%
Total expenses	15,019,651	15,353,902	(334,251)	-2%	100%
Change in net position	4,034,538	3,141,546	892,992	28%	
Net position - beginning	19,178,457	16,036,911	3,141,546	20%	
Net position - ending	\$ 23,212,995	\$ 19,178,457	\$ 4,034,538	21%	

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2022**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

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 93% of the Library's total revenue. The property tax revenue source increased approximately 2% due to increased property values and growth in Fayette County.

The personnel expense represents approximately 54% of total expenses.

BUDGET HIGHLIGHTS

The Library adopts an annual Operating Budget following budget workshops with the Board of Trustees and a vote of the entire Board of Trustees. The operating budget includes proposed expenses and the means of financing them. The Library's operating budget is amended during the year if unusual events occurred. A fiscal year 2022 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 \$3,016,387, which was \$2,293,149 better than budget. The Library's actual expenses, overall, were under budget by \$1,369,684. A 2022 budget comparison and analysis is presented in Table A-3 on page 9. Personnel expenditures were under budget \$1,677,804 due to unfilled positions. The Library made progress on staffing levels, but still was not fully staffed when the fiscal year ended.

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2022**

BUDGET HIGHLIGHTS (Continued)

TABLE A-3 2022 BUDGET TO ACTUAL - ALL FUNDS

	<u>Budget</u>	<u>Actual</u>	<u>Budget - Positive (Negative)</u>
SUPPORT AND REVENUES			
KY Dept. of Libraries and Archives	\$ -	\$ 38,681	\$ 38,681
Grants, other	105,000	305,000	200,000
LFUCG tax revenue	17,766,970	17,766,972	2
Contributions	278,000	546,238	268,238
Enterprise fund revenue	425,600	347,543	(78,057)
Investment income (loss)	65,000	(63,652)	(128,652)
Rental income	5,000	-	(5,000)
Miscellaneous	44,000	127,983	83,983
	<u>18,689,570</u>	<u>19,068,765</u>	<u>379,195</u>
EXPENSES			
Personnel	10,174,861	8,497,057	1,677,804
Operating expenses	2,693,084	2,943,779	(250,695)
Library materials	2,327,452	2,350,328	(22,876)
Foundation expenses	150,000	30,234	119,766
Grant Expenses/foundation gift	-	79,511	(79,511)
Depreciation/interest- enterprise	272,900	311,915	(39,015)
Enterprise expenses	198,400	226,509	(28,109)
Capital purchases	1,413,650	1,409,120	4,530
Debt service	735,985	738,048	(2,063)
Friends donation	-	10,147	(10,147)
	<u>17,966,332</u>	<u>16,596,648</u>	<u>1,369,684</u>
Expenditures over support and revenues	723,238	2,472,117	1,748,879
Other financing/capital			
Lease right-of-use financing	-	544,270	544,270
Other financing/capital	-	544,270	544,270
Changes in fund balances	723,238	3,016,387	2,293,149
Fund balances-beginning of year	<u>17,563,104</u>	<u>17,563,104</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 18,286,342</u></u>	<u><u>\$ 20,579,491</u></u>	<u><u>\$ 2,293,149</u></u>

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2022**

CAPITAL ASSETS

The Library invested a total of \$ \$1,409,120 in capital assets purchased including purchases toward the new Marksbury Family Branch. 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.

RIGHT-OF-USE ASSET

During fiscal year 2022, the Library adopted GASB Statement No. 87, *Leases*. This statement established a single model for lease accounting. Due to GASB Statement No. 87, the Library was required to recognize a right-of-use asset and lease liability. For fiscal year 2022, the Library recorded a right-of-use asset net of amortization of \$487,054 and \$493,781 in lease liabilities. Amounts shown in management's discussion and analysis for fiscal year 2021 have not been restated.

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, 2022 amounted to \$1,949,987. 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 \$1,913,407 at June 30, 2022.

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 \$447,500 at June 30, 2022.

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, 2022, was \$1,556,513.

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.

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2022**

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, 2022
(With Comparative Totals as of June 30, 2021)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION
June 30, 2022
(With Comparative Totals as of June 30, 2021)

	Governmental Activities	Business-Type Activities	2022 Total	2021 Totals
ASSETS				
Current assets				
Cash and cash equivalents - unrestricted	\$ 12,799,585	\$ 20,698	\$ 12,820,283	\$ 10,306,549
Cash and cash equivalents - restricted	642,137	-	642,137	189,091
Investments - unrestricted	5,340,230	-	5,340,230	5,407,456
Investments - restricted	176,266	-	176,266	231,787
Accounts receivable				
Other	4,569	15,228	19,797	18,199
Interfund balances	1,099,371	(1,099,371)	-	-
Prepaid expenses	44,300	-	44,300	98,484
Total current assets	<u>20,106,458</u>	<u>(1,063,445)</u>	<u>19,043,013</u>	<u>16,251,566</u>
Noncurrent assets				
Capital assets				
Nondepreciable	8,725,864	-	8,725,864	7,875,979
Depreciable, net	15,071,918	4,419,190	19,491,108	20,167,566
Right-of-use assets, net	487,054	-	487,054	-
Total noncurrent assets	<u>24,284,836</u>	<u>4,419,190</u>	<u>28,704,026</u>	<u>28,043,545</u>
Total assets	<u>44,391,294</u>	<u>3,355,745</u>	<u>47,747,039</u>	<u>44,295,111</u>
Deferred Outflows of Resources				
Actuarially determined outflow - pension	790,407	-	790,407	1,695,063
Actuarially determined outflow - OPEB	1,761,039	-	1,761,039	1,961,997
Contributions - pension	1,115,045	-	1,115,045	959,108
Contributions - OPEB	427,009	-	427,009	358,553
Total Deferred Outflows of Resources	<u>4,093,500</u>	<u>-</u>	<u>4,093,500</u>	<u>4,974,721</u>
Total Assets and Deferred Outflows of Resources	<u>48,484,794</u>	<u>3,355,745</u>	<u>51,840,539</u>	<u>49,269,832</u>
LIABILITIES				
Current liabilities				
Accounts payable	225,439	-	225,439	277,275
Accrued payroll	238,076	-	238,076	177,154
Accrued vacation	349,226	-	349,226	341,244
Payroll liabilities	117,846	-	117,846	63,961
Unearned revenue	-	2,000	2,000	1,963
Accrued interest payable	138	-	138	138
Current portion of long-term debt	593,579	129,784	723,363	698,292
Current portion of lease liability	93,504	-	93,504	-
Total current liabilities	<u>1,617,808</u>	<u>131,784</u>	<u>1,749,592</u>	<u>1,560,027</u>
Noncurrent liabilities				
Net pension obligation	12,408,742	-	12,408,742	15,792,742
Net OPEB liability	3,725,079	-	3,725,079	4,971,328
Lease liability	400,277	-	400,277	-
Bonds payable	3,323,841	1,820,203	5,144,044	5,867,094
Total noncurrent liabilities	<u>19,857,939</u>	<u>1,820,203</u>	<u>21,678,142</u>	<u>26,631,164</u>
Total liabilities	<u>21,475,747</u>	<u>1,951,987</u>	<u>23,427,734</u>	<u>28,191,191</u>
Deferred Inflows of Resources				
Deferred inflows - pension	2,953,843	-	2,953,843	728,900
Deferred inflows - OPEB	2,245,967	-	2,245,967	1,171,284
Total Deferred Inflows of Resources	<u>5,199,810</u>	<u>-</u>	<u>5,199,810</u>	<u>1,900,184</u>
Total Liabilities and Deferred Inflows of Resources	<u>26,675,557</u>	<u>1,951,987</u>	<u>28,627,544</u>	<u>30,091,375</u>
NET POSITION				
Net investment in				
Capital assets	19,880,362	2,469,203	22,349,565	21,478,159
Restricted for				
Grants and bond	580,042	-	580,042	387,787
Unrestricted	1,348,833	(1,065,445)	283,388	(2,687,489)
Total net position	<u>\$ 21,809,237</u>	<u>\$ 1,403,758</u>	<u>\$ 23,212,995</u>	<u>\$ 19,178,457</u>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)

	Program Revenues Received			Net (Expenses) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2022 Total	2021 Totals
Functions/Programs								
Primary Government								
Governmental activities:								
Personnel	\$ 8,047,651	\$ -	\$ -	\$ -	\$ (8,047,651)	\$ -	\$ (8,047,651)	\$ (8,973,681)
Operating expenses	2,331,698	-	38,681	-	(2,293,017)	-	(2,293,017)	(2,060,787)
Foundation	30,244	-	506,238	-	475,994	-	475,994	178,505
Grant expenses	79,511	-	-	-	(79,511)	-	(79,511)	(34,323)
Friends program support	10,147	-	40,000	-	29,853	-	29,853	(23,664)
Books and materials	2,355,416	-	-	-	(2,355,416)	-	(2,355,416)	(2,162,775)
Depreciation/Amortization	1,449,854	-	-	-	(1,449,854)	-	(1,449,854)	(1,391,531)
Interest expense	176,706	-	-	305,000	128,294	-	128,294	(95,701)
Total governmental activities	<u>14,481,227</u>	<u>-</u>	<u>584,919</u>	<u>305,000</u>	<u>(13,591,308)</u>	<u>-</u>	<u>(13,591,308)</u>	<u>(14,563,957)</u>
Business-type activities:								
Printing charges and purchases	92,771	-	-	-	-	(92,771)	(92,771)	(18,608)
Parking charges	133,738	347,543	-	-	-	213,805	213,805	162,470
Interest expense	96,266	-	-	-	-	(96,266)	(96,266)	(101,438)
Depreciation/Amortization	215,649	-	-	-	-	(215,649)	(215,649)	(194,641)
Total business-type activities	<u>538,424</u>	<u>347,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,881)</u>	<u>(190,881)</u>	<u>(152,217)</u>
Total Primary Government	<u>\$ 15,019,651</u>	<u>\$ 347,543</u>	<u>\$ 584,919</u>	<u>\$ 305,000</u>	<u>(13,591,308)</u>	<u>(190,881)</u>	<u>(13,782,189)</u>	<u>(14,716,174)</u>
General Revenues:								
Property taxes for general purposes					17,766,972	-	17,766,972	17,502,163
Interest and investment (loss) earnings					(64,570)	917	(63,653)	191,617
(Loss) gain on disposal of equipment					(14,575)	-	(14,575)	3,053
E-rate revenue					48,000	-	48,000	57,600
Miscellaneous					3,234	76,749	79,983	103,287
Total general revenues					<u>17,739,061</u>	<u>77,666</u>	<u>17,816,727</u>	<u>17,857,720</u>
Change in net position					<u>4,147,753</u>	<u>(113,215)</u>	<u>4,034,538</u>	<u>3,141,546</u>
Net position - beginning					<u>17,661,484</u>	<u>1,516,973</u>	<u>19,178,457</u>	<u>16,036,911</u>
Net position - ending					<u>\$ 21,809,237</u>	<u>\$ 1,403,758</u>	<u>\$ 23,212,995</u>	<u>\$ 19,178,457</u>

See accompanying notes.

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

**June 30, 2022
(With Comparative Totals as of June 30, 2021)**

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022
(With Comparative Totals as of June 30, 2021)

	General Fund	Library Foundation	Library Collection Materials Fund	Construction Fund	2022 Total Governmental Funds	2021 Total Governmental Funds
ASSETS						
Current assets						
Cash and cash equivalents						
Unrestricted	\$ 12,541,452	\$ 258,123	\$ 10	\$ -	\$ 12,799,585	\$ 10,285,868
Restricted	355	403,776	-	238,006	642,137	189,091
Investments - unrestricted	5,162,369	177,861	-	-	5,340,230	5,407,456
Investments - restricted	-	176,266	-	-	176,266	231,787
Accounts receivable - other	4,516	53	-	-	4,569	4,569
Due from other funds	3,427,403	(664)	718,059	(4,144,798)	-	-
Due from proprietary funds	1,728,042	-	-	-	1,728,042	1,332,732
Prepaid expenses	44,300	-	-	-	44,300	98,484
	<u>\$ 22,908,437</u>	<u>\$ 1,015,415</u>	<u>\$ 718,069</u>	<u>\$ (3,906,792)</u>	<u>\$ 20,735,129</u>	<u>\$ 17,549,987</u>
Total assets						
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable	\$ 225,439	\$ -	\$ -	\$ -	\$ 225,439	\$ 277,256
Accrued payroll	238,076	-	-	-	238,076	177,154
Accrued vacation	349,226	-	-	-	349,226	341,244
Accrued interest	138	-	-	-	138	138
Payroll liabilities	117,846	-	-	-	117,846	63,961
Due to proprietary funds	628,671	-	-	-	628,671	644,103
	<u>\$ 1,559,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,559,396</u>	<u>\$ 1,503,856</u>
Total current liabilities						
FUND BALANCES						
Restricted for:						
Foundation expenditures	\$ -	\$ 580,042	\$ -	\$ -	\$ 580,042	\$ 387,787
Committed for:						
Buildings, renewal, and replacement	6,000,000	-	-	-	6,000,000	4,000,000
New branch	4,000,000	-	-	-	4,000,000	4,000,000
Emergency fund	1,000,000	-	-	-	1,000,000	1,000,000
Assigned for:						
Book purchases	-	-	718,069	-	718,069	743,959
Capital construction	-	-	-	-	-	(3,056,907)
Lexington Public Library Foundation	-	435,373	-	-	435,373	-
Unassigned	10,349,041	-	-	(3,906,792)	6,442,249	8,971,292
	<u>21,349,041</u>	<u>1,015,415</u>	<u>718,069</u>	<u>(3,906,792)</u>	<u>19,175,733</u>	<u>16,046,131</u>
Total fund balances						
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,908,437</u>	<u>\$ 1,015,415</u>	<u>\$ 718,069</u>	<u>\$ (3,906,792)</u>	<u>\$ 20,735,129</u>	<u>\$ 17,549,987</u>

See accompanying notes.

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
June 30, 2022

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

Total Fund Balances	\$ 19,175,733
Amounts Reported For Governmental Activities In The Statement Of Net Position Are Different Because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	23,797,782
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	487,054
Deferred outflows of resources are amortized over time and, Therefore, are not reported in the governmental funds.	4,093,500
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(12,408,742)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(3,725,079)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(5,199,810)
Short-term and long-term debt is not due and payable in the current period and, Therefore, is not reported in the governmental funds.	(3,917,420)
Short-term and long-term lease liability is not due and payable in the current period and, therefore, is not reported in the governmental funds.	<u>(493,781)</u>
Net Position Of Governmental Activities	<u>\$ 21,809,237</u>

See accompanying notes.

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

**Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)

	<u>General Fund</u>	<u>Library Foundation</u>	<u>Library Collection Materials Fund</u>	<u>Construction Fund</u>	<u>2022 Totals Governmental Funds</u>	<u>2021 Totals Governmental Funds</u>
SUPPORT						
Grants						
Ky Dept. of Libraries and Archives	\$ 38,681	\$ -	\$ -	\$ -	\$ 38,681	\$ -
State Aid Grant	305,000	-	-	-	305,000	105,000
LFUCG appropriation						
Unrestricted	15,439,520	-	-	-	15,439,520	15,210,433
Restricted	-	-	2,327,452	-	2,327,452	2,291,730
Donations						
Foundation (restricted)	-	451,379	-	-	451,379	169,258
Foundation (unrestricted)	-	54,859	-	-	54,859	54,859
Friends (unrestricted)	40,000	-	-	-	40,000	8
Total support	<u>15,823,201</u>	<u>506,238</u>	<u>2,327,452</u>	<u>-</u>	<u>18,656,891</u>	<u>17,831,288</u>
REVENUE						
Investment income (loss)						
Unrestricted	76,737	(141,306)	-	-	(64,569)	190,629
Restricted	-	-	-	-	-	50
Miscellaneous	51,234	-	-	-	51,234	58,636
Total revenue	<u>127,971</u>	<u>(141,306)</u>	<u>-</u>	<u>-</u>	<u>(13,335)</u>	<u>249,315</u>
Total support and revenue	<u>15,951,172</u>	<u>364,932</u>	<u>2,327,452</u>	<u>-</u>	<u>18,643,556</u>	<u>18,080,603</u>
EXPENDITURES						
Salaries and employee benefits	8,497,057	-	-	-	8,497,057	7,593,916
Operating expenditures	2,940,765	-	3,014	-	2,943,779	2,064,941
Books and materials	-	-	2,350,328	-	2,350,328	2,158,239
Friends program support	10,147	-	-	-	10,147	23,672
Grant expenditures/foundation gifts	79,511	-	-	-	79,511	34,322
Foundation expenditures	-	30,234	-	-	30,234	46,011
Debt service	164,480	-	-	-	164,480	200,701
Total expenditures	<u>11,691,960</u>	<u>30,234</u>	<u>2,353,342</u>	<u>-</u>	<u>14,075,536</u>	<u>12,121,802</u>
Support and revenue over expenditures	<u>4,259,212</u>	<u>334,698</u>	<u>(25,890)</u>	<u>-</u>	<u>4,568,020</u>	<u>5,958,801</u>
OTHER FINANCING SOURCES (USES)						
Transfers	123,046	(123,046)	-	-	-	-
Principal payments on debt	(573,568)	-	-	-	(573,568)	(1,349,277)
Lease right-of-use financing	544,270	-	-	-	544,270	-
Purchase of property and equipment	(559,235)	-	-	(849,885)	(1,409,120)	(3,889,509)
Proceeds from the sale of capital assets	-	-	-	-	-	14,081
Net other financing uses	<u>(465,487)</u>	<u>(123,046)</u>	<u>-</u>	<u>(849,885)</u>	<u>(1,438,418)</u>	<u>(5,224,705)</u>
Net change in fund balances	3,793,725	211,652	(25,890)	(849,885)	3,129,602	734,096
Fund balances - beginning	<u>17,555,316</u>	<u>803,763</u>	<u>743,959</u>	<u>(3,056,907)</u>	<u>16,046,131</u>	<u>15,312,035</u>
Fund balances - ending	<u>\$ 21,349,041</u>	<u>\$ 1,015,415</u>	<u>\$ 718,069</u>	<u>\$ (3,906,792)</u>	<u>\$ 19,175,733</u>	<u>\$ 16,046,131</u>

See accompanying notes.

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 3,129,602

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	1,409,120
Depreciation expense	(1,392,638)
Difference between proceeds and loss on disposal of capital assets	(14,575)
Amortization expense on right-of-use asset net of lease expense not included in the Governmental Funds	(6,778)
Pension expense related to long-term Net Pension Obligations that is not included in the Governmental Funds	410,390
OPEB expense related to long-term Net OPEB Liability that is not included in the Governmental Funds	39,064

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	573,568
-------------------------	---------

Change in Net Position of Governmental Activities	\$ 4,147,753
---	--------------

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

**June 30, 2022
(With Comparative Totals as of June 30, 2021)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022
(With Comparative Totals as of June 30, 2021)

	Enterprise Fund	Parking Fund	2022 Total Proprietary Fund	2021 Total Proprietary Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,070	\$ 19,628	\$ 20,698	\$ 20,681
Accounts receivable	-	15,228	15,228	13,630
Due from general fund	628,671	-	628,671	644,103
Total current assets	629,741	34,856	664,597	678,414
Noncurrent assets				
Capital assets, net of depreciation	-	4,419,190	4,419,190	4,247,670
Total assets	<u>\$ 629,741</u>	<u>\$ 4,454,046</u>	<u>\$ 5,083,787</u>	<u>\$ 4,926,084</u>
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 18
Unearned revenue	1,499	501	2,000	1,963
Due to general fund	-	1,728,042	1,728,042	1,332,732
Current portion of long-term debt	-	129,784	129,784	124,411
Total current liabilities	1,499	1,858,327	1,859,826	1,459,124
Long-term debt	-	1,820,203	1,820,203	1,949,987
Total liabilities	1,499	3,678,530	3,680,029	3,409,111
Net position				
Invested in capital assets, net of related debt	-	2,469,203	2,469,203	2,173,272
Unrestricted	628,242	(1,693,687)	(1,065,445)	(656,299)
Total net position	628,242	775,516	1,403,758	1,516,973
TOTAL LIABILITIES AND NET POSITION	<u>\$ 629,741</u>	<u>\$ 4,454,046</u>	<u>\$ 5,083,787</u>	<u>\$ 4,926,084</u>

See accompanying notes.

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

**Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)

	Enterprise Fund	Parking Fund	2022 Total Proprietary Fund	2021 Total Proprietary Fund
Operating revenues				
Copy sales	\$ -	\$ -	\$ -	\$ 1,769
Parking garage	-	347,543	347,543	306,834
Miscellaneous revenue	76,739	10	76,749	102,251
	<u>76,739</u>	<u>347,553</u>	<u>424,292</u>	<u>410,854</u>
Total operating revenues				
Operating expenses				
Operating expenses	92,771	133,738	226,509	164,741
Depreciation	-	215,649	215,649	194,641
	<u>92,771</u>	<u>349,387</u>	<u>442,158</u>	<u>359,382</u>
Total operating expenses				
Total operating income	<u>(16,032)</u>	<u>(1,834)</u>	<u>(17,866)</u>	<u>51,472</u>
Nonoperation revenues and (expenses)				
Interest income	600	317	917	939
Interest expense	-	(96,266)	(96,266)	(101,438)
	<u>600</u>	<u>(95,949)</u>	<u>(95,349)</u>	<u>(100,499)</u>
Total nonoperation revenues (expenses)				
Change in net position	(15,432)	(97,783)	(113,215)	(49,027)
Total net position-beginning	<u>643,674</u>	<u>873,299</u>	<u>1,516,973</u>	<u>1,566,000</u>
TOTAL NET POSITION-ENDING	<u>\$ 628,242</u>	<u>\$ 775,516</u>	<u>\$ 1,403,758</u>	<u>\$ 1,516,973</u>

See accompanying notes.

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

**Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2022
(With Comparative Totals for the year ended June 30, 2021)

	Enterprise Fund	Parking Fund	2022 Total Proprietary Fund	2021 Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 76,739	\$ 345,992	\$ 422,731	\$ 413,759
Payments to employees	-	(31,560)	(31,560)	(31,560)
Payments to suppliers	(92,771)	(102,196)	(194,967)	(133,181)
Net cash (used in) provided by operating activities	(16,032)	212,236	196,204	249,018
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(387,169)	(387,169)	(610,681)
Borrowing of interfund liabilities	15,432	395,310	410,742	414,444
Bond principal debt paid	-	(124,411)	(124,411)	(119,458)
Interest paid on capital debt	-	(96,266)	(96,266)	(101,439)
Net cash provided by (used in) capital and related financing activities	15,432	(212,536)	(197,104)	(417,134)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	600	317	917	939
Net cash provided by investing activities	600	317	917	939
Net increase (decrease) in cash and cash equivalents	-	17	17	(167,177)
Balances-beginning of year	1,070	19,611	20,681	187,858
BALANCES-END OF THE YEAR	\$ 1,070	\$ 19,628	\$ 20,698	\$ 20,681
Reconciliation of operating income to net cash (used in) provided by operating activities				
Operating income	\$ (16,032)	\$ (1,834)	\$ (17,866)	\$ 51,472
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	215,649	215,649	194,641
Changes in asset and liabilities				
Accounts receivable	-	(1,598)	(1,598)	14,353
Accounts payable	-	(18)	(18)	-
Unearned revenue	-	37	37	(11,448)
Net cash (used in) provided by operating activities	\$ (16,032)	\$ 212,236	\$ 196,204	\$ 249,018

See accompanying notes.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies	29
Note 2. Cash and Investments	32
Note 3. Deposits	33
Note 4. Fair Value and Measurement - Investments	33
Note 5. Lexington-Fayette Urban County Government Agreements	34
Note 6. Capital Assets	35
Note 7. Retirement Plan	36
Note 8. Postemployment Benefits Other Than Pensions ("OPEB")	40
Note 9. Interfund Transactions	45
Note 10. Risk Management	45
Note 11. Long-term Liabilities	45
Note 12. Leases	48
Note 13. Accrued Vacation	49
Note 14. Future Accounting Pronouncements	50
Note 15. Other Contingencies	50
Note 16. Subsequent Events	50

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022

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

Investments

Investments consist of certificates of deposit with initial maturities of twelve months or less in the amount of \$5,064,645 and money market funds, which are carried at market value in the amount of \$97,724. Fair value approximates carrying amounts for certificates of deposit. In addition, the Foundation has investments of \$354,127, which consist of equities and mutual funds, which are carried at market value.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Right-of-Use Assets

Right-of-use assets represent the Library's right to occupy a leased asset during the rental period. Right-of-use assets are valued at the total present value of the lease payments less accumulated amortization. Amortization expense is computed using the straight-line method over the lease term.

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 Public Pensions Authority ("KPPA") has been determined on the same basis as reported by the KPPA 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, 2021.

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, 2021.

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.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates

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

Subsequent Events

Subsequent events for the Library have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued. See Note 16.

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

Lexington Public Library, in accordance with Kentucky Revised Statutes, authorizes the Library 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, 2022 was \$13,462,419. The carrying amount of the Library's short-term investments at June 30, 2022 was \$5,516,496.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 3. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). On June 30, 2022, 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 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

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

The Library has the following recurring fair value measurements as of June 30, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of Deposits	\$ 5,064,645	\$ 5,064,645	\$ -	\$ -
Money Market Funds	100,890	100,890	-	-
Equity securities	110,285	110,285	-	-
Mutual Funds	169,385	169,385	-	-
Corporate Bonds	71,291	-	71,291	-
	<u>\$ 5,516,496</u>	<u>\$ 5,445,205</u>	<u>\$ 71,291</u>	<u>\$ -</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

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, 2022

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government				
<u>Governmental Activities</u>				
Depreciable capital assets				
Land improvements	\$ 70,279	\$ -	\$ -	\$ 70,279
Buildings & improvements	29,700,688	104,128	-	29,804,816
Furniture/equipment	11,121,878	455,107	(196,332)	11,380,653
	<u>40,892,845</u>	<u>559,235</u>	<u>(196,332)</u>	<u>41,255,748</u>
Totals at cost	40,892,845	559,235	(196,332)	41,255,748
Less: accumulated depreciation	<u>24,972,949</u>	<u>1,392,638</u>	<u>(181,757)</u>	<u>26,183,830</u>
Depreciable capital assets, net	<u>\$ 15,919,896</u>	<u>\$ (833,403)</u>	<u>\$ (14,575)</u>	<u>\$ 15,071,918</u>
Nondepreciable capital assets				
Land	\$ 4,295,424	\$ -	\$ -	\$ 4,295,424
Construction in progress	3,089,644	849,885	-	3,939,529
Artistic clock	490,911	-	-	490,911
	<u>\$ 7,875,979</u>	<u>\$ 849,885</u>	<u>\$ -</u>	<u>\$ 8,725,864</u>
Capital assets, net	<u>\$ 23,795,875</u>	<u>\$ 16,482</u>	<u>\$ (14,575)</u>	<u>\$ 23,797,782</u>
Business-type Activities				
Furniture/equipment	\$ 159,426	\$ -	\$ (69,750)	\$ 89,676
Parking garage & improvements	5,732,664	387,169	-	6,119,833
	<u>5,892,090</u>	<u>387,169</u>	<u>(69,750)</u>	<u>6,209,509</u>
Totals at cost	5,892,090	387,169	(69,750)	6,209,509
Less: accumulated depreciation	<u>1,644,420</u>	<u>215,649</u>	<u>(69,750)</u>	<u>1,790,319</u>
Depreciable capital assets, net	<u>\$ 4,247,670</u>	<u>\$ 171,520</u>	<u>\$ -</u>	<u>\$ 4,419,190</u>
Capital assets, net	<u>\$ 4,247,670</u>	<u>\$ 171,520</u>	<u>\$ -</u>	<u>\$ 4,419,190</u>

Depreciation expense was charged as follows:

Governmental Activities

Total Depreciation Expense - Governmental Activities \$ 1,392,638

Business-Type Activities

Total Depreciation Expense - Business-type Activities \$ 215,649

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 7. Retirement Plan

General Information about the Pension Plan

Plan description. Employees of the Library are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the KPPA. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the County Employees Retirement System ("CERS") to a separate 9-member board of trustees. Six trustees are appointed by the governor and three are elected by CERS members and retired members. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, 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.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 7. Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Contributions. Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. 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, 2022, employer contributions for the Library were \$1,419,485 (\$1,115,045 pension and \$304,439 insurance) based on a rate of 26.95% (21.17% pension and 5.78% 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.

Net Pension Liability

The Library's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation performed as of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2020) to the measurement date using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2022, was determined using these updated benefit provisions.

Actuarial assumptions. The total pension liability as of June 30, 2022, 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	2.00%
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 2020. 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.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 7. Retirement Plan (Continued)

Net Pension Liability (Continued)

The long-term (10-year) expected rates of return was 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:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Growth		
US Equity	5.70%	21.75%
Non-US Equity	6.35%	21.75%
Private Equity	9.70%	10.00%
Specialty Credit/High Yield	2.80%	15.00%
Liquidity		
Core Bonds	0.00%	10.00%
Cash	-0.60%	1.50%
Diversifying Strategies		
Real Estate	5.40%	10.00%
Real Return	4.55%	10.00%
		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 over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. 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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Lexington Library's net pension liability	\$ 15,914,801	\$ 12,408,742	\$ 9,507,562

LXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

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, 2022, the Library recognized pension expense of \$704,706.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Liability experience	\$ 142,490	\$ 120,435
Investment experience	481,377	2,135,254
Change of assumptions	166,540	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	698,154
Contributions subsequent to the measurement date of June 30, 2021	<u>1,115,045</u>	<u>-</u>
Total	<u><u>\$ 1,905,452</u></u>	<u><u>\$ 2,953,843</u></u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 7. Retirement Plan (Continued)

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

<u>Plan Year</u>	<u>Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30,</u>	
2022	\$	(599,060)
2023		(657,454)
2024		(389,013)
2025		(517,909)
	<u>\$</u>	<u>(2,163,436)</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.

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 Public Pensions Authority's County Employees' Retirement System insurance fund ("Insurance Fund"), a cost-sharing multiple-employer defined benefit OPEB plan. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pension Authority, 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, 2022

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, 2022 was 5.78% of covered payroll. Contributions to the Insurance Fund from the Library were \$304,439 for the year ended June 30, 2022. 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, 2022, the Library reported a liability of \$3,725,079 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2022, 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 2022. This method is expected to be reflective of the employers' long-term contribution effort.

For the year ended June 30, 2022, the Library recognized OPEB expense of \$387,945. At June 30, 2022, 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, 2022

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 585,770	\$ 1,112,185
Investment experience	187,680	770,417
Change of assumptions	987,589	3,464
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	359,901
Contributions subsequent to the measurement date of June 30, 2021	427,009	-
Total	\$ 2,188,048	\$ 2,245,967

Of the total amount reported as deferred outflows of resources related to OPEB, \$427,009 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, 2022. 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:

Plan Year	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30,
2022	\$ (11,723)
2023	(100,072)
2024	(104,549)
2025	(268,584)
	\$ (484,928)

Actuarial assumptions. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2021:

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 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 6.30% in 2023 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

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	5.70%	21.75%
Non-US Equity	6.35%	21.75%
Private Equity	9.70%	10.00%
Specialty Credit/High Yield	2.80%	15.00%
Liquidity		
Core Bonds	0.00%	10.00%
Cash	-0.60%	1.50%
Diversifying Strategies		
Real Estate	5.40%	10.00%
Real Return	4.55%	10.00%
		<u>100.00%</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

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

Discount rate. - The single discount rate used to calculate the total OPEB liability changed since the prior year. The single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. The project of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. The assumed future employer contributions reflect the provisions of House Bill 362, passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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 (4.20%) or 1 percentage point higher (6.20%) than the current discount rate:

	<u>1% Decrease</u> <u>(4.20%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(5.20%)</u>	<u>1% Increase</u> <u>(6.20%)</u>
Lexington Library's net OPEB liability	\$ 5,114,506	\$ 3,725,079	\$ 2,584,824

Sensitivity of the Library's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. 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</u> <u>Healthcare</u> <u>Trend Rate</u>	<u>1% Increase</u>
Lexington Library's net OPEB liability	\$ 2,681,614	\$ 3,725,079	\$ 4,984,558

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

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 9. Interfund Transactions

Interfund loans on the fund statements at June 30, 2022 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 5,155,445	\$ 628,671
Library Foundation	-	664
Construction	-	4,144,798
Collection Materials	718,059	-
Enterprise Fund	628,671	-
Parking Fund	-	1,728,042
	<u>\$ 6,502,175</u>	<u>\$ 6,502,175</u>

Transfers were used to move Library Foundation contributions to be used for general fund purposes. Interfund transfers on the fund statements at June 30, 2022 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 123,046	\$ -
Library Foundation	-	123,046
	<u>\$ 123,046</u>	<u>\$ 123,046</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, 2022 was 4.28%. The outstanding balance was \$1,949,987.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 11. Long-term Liabilities (Continued)

A. Parking Garage Debt (Continued)

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2023	\$ 129,784	\$ 78,679	\$ 208,463
2024	135,283	73,345	208,628
2025	141,357	67,402	208,759
2026	147,577	61,552	209,129
2027	154,136	55,314	209,450
2028-2032	885,318	172,335	1,057,653
2033-2034	356,532	15,356	371,888
Totals	<u>\$ 1,949,987</u>	<u>\$ 523,983</u>	<u>\$ 2,473,970</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, 2022, the effective rate was 3.89%. The outstanding balance was \$1,913,407.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 317,743	\$ 66,350	\$ 384,093
2024	332,853	54,173	387,026
2025	348,998	41,339	390,337
2026	365,636	27,548	393,184
2027	383,159	14,039	397,198
2028	165,018	1,557	166,575
Totals	<u>\$ 1,913,407</u>	<u>\$ 205,006</u>	<u>\$ 2,118,413</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. Bond payments are due every February and August. The outstanding bond payable amount was \$447,500 at June 30, 2022.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 11. Long-term Liabilities (Continued)

C. Energy Project Debt (Continued)

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 90,000	\$ 17,888	\$ 107,888
2024	95,000	14,850	109,850
2025	95,000	11,525	106,525
2026	100,000	8,200	108,200
2027	67,500	4,200	71,700
Totals	<u>\$ 447,500</u>	<u>\$ 56,663</u>	<u>\$ 504,163</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 \$1,556,513 at June 30, 2022.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 185,836	\$ 41,245	\$ 227,081
2024	191,045	36,036	227,081
2025	1,179,632	16,095	1,195,727
Totals	<u>\$ 1,556,513</u>	<u>\$ 93,376</u>	<u>\$ 1,649,889</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

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, 2022, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt obligations	\$ 3,953,488	\$ -	\$ 483,568	\$ 3,469,920	\$ 503,579
Bond	537,500	-	90,000	447,500	90,000
Governmental activities Long-term liabilities	<u>\$ 4,490,988</u>	<u>\$ -</u>	<u>\$ 573,568</u>	<u>\$ 3,917,420</u>	<u>\$ 593,579</u>
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt obligations	\$ 2,074,398	\$ -	\$ 124,411	\$ 1,949,987	\$ 129,784
Business-type activities Long-term liabilities	<u>\$ 2,074,398</u>	<u>\$ -</u>	<u>\$ 124,411</u>	<u>\$ 1,949,987</u>	<u>\$ 129,784</u>

Note 12. Leases

The Library, as a lessee, recognizes a lease liability and right-of-use asset at the commencement of the lease term. The lease liability is based on the present value of the lease payments expected to be paid during the lease term. The right-of-use asset should be valued at the lease liability in addition to accumulated amortization expense recognized throughout the life of the leases. The lease liability was discounted to the net present value by using a 2.78% implied interest rate.

The Library has entered into operating leases for the rental of building space. The Library recognizes right-of-use assets and liabilities for building leases. As of June 30, 2022, the lease liability was as follows:

Governmental Activities	Beginning Lease Liability	Reduction	Ending Balance	Implied Interest	Annual Lease Payments*
Building Lease	\$ 544,270	\$ 50,489	\$ 493,781	\$ 12,226	\$ 62,715
Governmental activities Lease liabilities	<u>\$ 544,270</u>	<u>\$ 50,489</u>	<u>\$ 493,781</u>	<u>\$ 12,226</u>	<u>\$ 62,715</u>

*Annual Lease Payment = Receivable Reduction + Implied Interest

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 12. Leases (Continued)

Right-of-use assets for the governmental activities for the year ended June 30, 2022, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Amortization</u>	<u>Ending Balance</u>
Right-of-use assets	\$ 544,270	\$ -	\$ (57,216)	\$ 487,054
Governmental activities				
Right-of-use assets	<u>\$ 544,270</u>	<u>\$ -</u>	<u>\$ (57,216)</u>	<u>\$ 487,054</u>

A. Gardenside Shopping Center Lease

The Library currently has a building lease for the use of approximately 5,200 square feet located at Gardenside Shopping Center. The lease commenced May 1, 2022, and ends on April 31, 2024, with an option for a 1-year extension. As of June 30, 2022, the Library is reasonably certain this lease will not be extended. The terms of this agreement include monthly rent of \$4,333.

B. Floyd Drive Lease

The Library currently has a building lease for the use of approximately 9,400 square feet located at 932 Floyd Drive. The amended lease commenced on August 1, 2020, and ends on July 31, 2025, with the option for a one (1) additional period of five (5) years. As of June 30, 2022, the Library is reasonably certain the lease will be extended. The terms of this agreement include monthly rent of \$4,504 during the amended period and increasing to \$4,700 a month after the extension period.

The future minimum lease payments for the above leases are as follows:

Fiscal Year Ended	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2023	\$ 93,504	\$ 12,541	\$ 106,045
2024	87,461	9,919	97,380
2025	45,936	8,114	54,050
2026	49,409	6,795	56,204
2027	51,001	5,399	56,400
Thereafter	<u>166,470</u>	<u>7,430</u>	<u>173,900</u>
Totals	<u>\$ 493,781</u>	<u>\$ 50,198</u>	<u>\$ 543,979</u>

Note 13. 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, 2022 was \$349,226.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2022

Note 14. Future Accounting Pronouncements

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for governments. This Statement defines an SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments and requires note disclosures regarding an SBITA. The standards for SBITAs are based on the standards established in Statement No. 87 - *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 101 - *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Management of the Library is currently evaluating GASB Statements No. 96 and at this time cannot quantify the impact on net position of implementation.

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.

Note 16. - Subsequent Events

The Library entered into a financing agreements in the amount of \$11,586,265 to fund construction of the new Marksbury Family Branch and retire debt related to the Eastside Branch. The debt bears interest at 3.13% and will mature in May 2042. The Library has entered into commitments related to the construction of the new branch totaling \$11,390,000. The Library's Foundation is conducting a capital campaign to raise \$5.3 million for the Marksbury Family Branch.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2022

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION - GENERAL FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
Grants				
KY Dept. of Libraries and Archives	\$ -	\$ -	\$ 38,681	\$ 38,681
Grants, other	105,000	105,000	305,000	200,000
LFUCG appropriation				
Unrestricted	15,447,548	15,447,548	15,439,520	(8,028)
Donations				
Unrestricted	-	-	-	-
Restricted	25,000	25,000	40,000	15,000
Total support	<u>15,577,548</u>	<u>15,577,548</u>	<u>15,823,201</u>	<u>245,653</u>
REVENUE				
Fines and lost books	-	-	-	-
Interest earned				
Unrestricted	65,000	65,000	76,737	11,737
Rental income	5,000	5,000	-	(5,000)
Miscellaneous	44,000	44,000	51,234	7,234
Total revenue	<u>114,000</u>	<u>114,000</u>	<u>127,971</u>	<u>13,971</u>
Total support and revenue	<u>15,691,548</u>	<u>15,691,548</u>	<u>15,951,172</u>	<u>259,624</u>
EXPENDITURES				
Salaries wages and employee benefits	10,174,861	10,174,861	8,497,057	1,677,804
Operating expenses	2,693,084	2,693,084	2,940,765	(247,681)
Friends program support	-	-	10,147	(10,147)
Grant expense	150,000	150,000	79,511	70,489
Foundation Expenditures	-	-	-	-
Debt Service	162,418	162,418	164,480	(2,062)
Total expenses	<u>13,180,363</u>	<u>13,180,363</u>	<u>11,691,960</u>	<u>1,488,403</u>
Support and revenue over expenses	<u>2,511,185</u>	<u>2,511,185</u>	<u>4,259,212</u>	<u>1,748,027</u>
OTHER FINANCING SOURCES(USES)				
Principal payment on debt	(573,567)	(573,567)	(573,568)	(1)
Purchases of property & equipment	(813,650)	(813,650)	(559,235)	254,415
Lease right-of-use financing	-	-	544,270	544,270
Proceeds on sale of fixed assets	-	-	-	-
Transfers	253,000	253,000	123,046	(129,954)
Net increase in fund balances	<u>1,376,968</u>	<u>1,376,968</u>	<u>3,793,725</u>	<u>2,416,757</u>
Fund balances- beginning of year	<u>17,555,316</u>	<u>17,555,316</u>	<u>17,555,316</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 18,932,284</u></u>	<u><u>\$ 18,932,284</u></u>	<u><u>\$ 21,349,041</u></u>	<u><u>\$ 2,416,757</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
Donations				
Restricted	\$ 575,000	\$ 575,000	\$ 451,379	\$ (123,621)
Unrestricted	63,000	63,000	54,859	(8,141)
Total support	638,000	638,000	506,238	(131,762)
REVENUE				
Unrestricted	-	-	(141,306)	(141,306)
Total support and revenue	638,000	638,000	364,932	(273,068)
EXPENDITURES				
Foundation	70,250	70,250	30,234	40,016
Total expenses	70,250	70,250	30,234	40,016
Support and revenue over expenses	567,750	567,750	334,698	(233,052)
OTHER FINANCING SOURCES				
Transfers	(572,750)	(572,750)	(123,046)	449,704
Net (decrease) increase in fund balances	(5,000)	(5,000)	211,652	216,652
Fund balances- beginning of year	803,763	803,763	803,763	-
FUND BALANCES-END OF YEAR	<u>\$ 798,763</u>	<u>\$ 798,763</u>	<u>\$ 1,015,415</u>	<u>\$ 216,652</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
LFUCG appropriations	\$ 2,327,452	\$ 2,327,452	\$ 2,327,452	\$ -
Total support	<u>2,327,452</u>	<u>2,327,452</u>	<u>2,327,452</u>	<u>-</u>
Total support and revenue	2,327,452	2,327,452	2,327,452	-
EXPENSES				
Operating expenses	-	-	3,014	(3,014)
Books and materials	<u>2,327,452</u>	<u>2,327,452</u>	<u>2,350,328</u>	<u>(22,876)</u>
Total expenses	<u>2,327,452</u>	<u>2,327,452</u>	<u>2,353,342</u>	<u>(25,890)</u>
Net increase in fund balances	-	-	(25,890)	(25,890)
Fund balances- beginning of year	<u>611,691</u>	<u>611,691</u>	<u>743,959</u>	<u>132,268</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 611,691</u></u>	<u><u>\$ 611,691</u></u>	<u><u>\$ 718,069</u></u>	<u><u>\$ 106,378</u></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>	<u>2021</u>	<u>2022</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	\$ 7,669,917,000	\$ 6,375,785,000
Employer's Proportion (Percentage) of Net Pension Liability	0.22275%	0.22096%	0.00232%	0.22132%	0.22051%	0.21311%	0.21311%	0.19462%
Employer's Proportion (Amount) of Net Pension Liability	\$ 7,227,000	\$ 9,500,354	\$ 11,428,207	\$ 12,954,365	\$ 13,429,548	\$ 14,988,121	\$ 15,792,743	\$ 12,408,742
Employer's Covered-Employer payroll	\$ 5,110,035	\$ 5,528,083	\$ 5,381,520	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825	\$ 4,969,464	\$ 5,267,106
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%	317.80%	235.59%
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	\$ 7,027,327,000	\$ 8,565,652,000
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	\$ 14,697,244,000	\$ 14,941,437,000
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%	47.81%	57.33%

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>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution	\$ 653,251	\$ 667,068	\$ 750,722	\$ 791,368	\$ 872,657	\$ 1,016,498	\$ 959,108	\$ 1,115,045
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>	<u>959,108</u>	<u>1,115,045</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<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	4,969,464	5,267,106
Contributions as a percentage covered- employee payroll	12.78%	12.07%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%

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, 2022**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Amortization period	30 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 10.30%, varies by service
Investment Rate of Return	6.25% percent
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The retiree mortality is 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.

**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>	<u>2021</u>	<u>2022</u>
Total Net OPEB Liability for County Employees Retirement Systems	\$ 2,010,342,058	\$ 1,775,480,122	\$ 1,681,954,950	\$ 2,414,696,000	\$ 1,914,450,000
Employer's Proportion (Percentage) of Net OPEB Liability	0.22132%	0.220499%	0.213063%	0.154267%	0.194577%
Employer's Proportion (Amount) of Net OPEB Liability	\$ 4,449,229	\$ 3,914,916	\$ 3,583,624	\$ 3,725,079	\$ 3,725,079
Employer's Covered-Employer payroll	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825	\$ 4,969,464	\$ 5,267,106
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%	74.96%	70.72%
Total Insurance Plan's Fiduciary Net Position	\$ 2,212,536,000	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613,000	\$ 3,246,801,000
Total Insurance Plan OPEB Liability	\$ 4,222,878,000	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309,000	\$ 5,161,251,000
Total Insurance Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	52.40%	57.62%	60.44%	51.67%	62.91%

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>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution	\$ 256,867	\$ 282,995	\$ 250,701	\$ 236,546	\$ 304,439
Contributions in relation to the actuarially determined contribution	<u>256,867</u>	<u>282,995</u>	<u>250,701</u>	<u>236,546</u>	<u>304,439</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825	\$ 4,969,464	\$ 5,267,106
Contributions as a percentage covered- employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%

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

**LEXINGTON PUBLIC LIBRARY
NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES
RETIREMENT SYSTEM INSURANCE FUND
FISCAL YEAR ENDED JUNE 30, 2022**

The following actuarial methods and assumptions, were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013-June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Remaining amortization period	30 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 10.30%, varies by service
Investment Rate of Return	6.25% percent
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	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.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.



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, 2022, and the related notes to the financial statements, which collectively comprise the Lexington Public Library's basic financial statements, and have issued our report thereon dated September 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lexington Public Library's internal control over financial reporting (internal control) as a basis for designing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MCM CPAs & Advisors LLP

www.mcmcpa.com
888.587.1719

A Member of PrimeGlobal - An Association
of Independent Accounting Firms

Kentucky
Indiana
Ohio

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 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 7, 2022