

LEXINGTON PUBLIC LIBRARY
Lexington, Kentucky

Financial Statements
June 30, 2023

Lexington Public Library
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June 30, 2023

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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, 2023, 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, 2023, 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.

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Independent Auditor's Report on 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 and Government Auditing Standards 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 and Government Auditing Standards, 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.

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 5 through 12, budgetary comparison schedules on pages 44 through 46, the Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees Retirement System on page 47, the Schedule of Contributions Based on Participation in the County Employees Retirement System on page 48, the Schedule Proportionate Share of the Collective Net OPEB Liability in the County Employees Retirement System Insurance Fund on page 50, and the Schedule of Contributions in the County Employees Retirement System Insurance Fund on page 51, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lexington Public Library's basic financial statements. The schedule of expenditures of federal awards on page 53, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We previously audited the Lexington Public Library's 2022 financial statements, and our report dated September 7, 2022, 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Independent Auditor's Report on Financial Statements (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023 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.

MCM CPAs & Advisors LLP

Lexington, Kentucky
September 8, 2023

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2023**

FINANCIAL HIGHLIGHTS

- The Lexington Public Library's (the Library) net position increased \$5,686,674 during fiscal year 2023. Current Assets increased by \$8,266,003 and debt obligations increased \$8,705,883. In addition, net position improved due to an increase in noncurrent assets.
- The Library made capital investments during the fiscal year for equipment and building improvements and construction. The most significant investment was \$6,931,535 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 an anticipated opening in early 2024. An improvement project to the Beaumont Branch that will be complete next year began with investments of \$89,884. The Library also 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, building an opening day collection for the Marksbury Family Branch while also maintaining its children's and adult materials collections.
- The Lexington Public Library Foundation raised \$777,574 in fiscal year 2023, transferring \$763,047 in grants and other designated gifts to further Library programming and services. Funds raised include \$636,940 for the Marksbury Family Branch Capital Campaign, \$10,000 for the Eastside Capital Campaign, \$10,000 for the Endowment Fund and \$55,102 from the Foundation's annual Booktacular event.
- The Library's business-type activities had a decrease in net position of \$200,246 for fiscal year 2023. The Parking Garage neared breakeven from a cash flow perspective in 2023 as revenues climbed from the prior year. The Enterprise Fund continued 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, 2023**

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, 2023**

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
	2023	2022		
Assets				
Current assets	\$ 28,258,952	\$ 19,043,013	\$ 9,215,939	48%
Net noncurrent assets	36,093,062	28,704,026	7,389,036	26%
Total assets	64,352,014	47,747,039	16,604,975	35%
Deferred Outflows of Resources	5,381,963	4,093,500	1,288,463	31%
Total assets and deferred outflows of resources	\$ 69,733,977	\$ 51,840,539	\$ 17,893,438	35%
Liabilities				
Current liabilities	\$ 3,013,596	\$ 1,749,592	\$ 1,264,004	72%
Long-term liabilities	31,114,649	21,678,142	9,436,507	44%
Total liabilities	34,128,245	23,427,734	10,700,511	46%
Deferred Inflows of Resources	4,330,020	5,199,810	(869,790)	-17%
Total liabilities and deferred inflows of resources	38,458,265	28,627,544	9,830,721	34%
Net Position				
Net investment in capital assets	25,867,311	22,349,565	3,517,746	16%
Restricted	630,565	580,042	50,523	9%
Unrestricted	4,777,836	283,388	4,494,448	1586%
Total net position	31,275,712	23,212,995	8,062,717	35%
Total liabilities and deferred inflows of resources and net position	\$ 69,733,977	\$ 51,840,539	\$ 17,893,438	35%

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2023**

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>Total 2023</u>	<u>Total 2022</u>	<u>Change</u>		
Revenues					
LFUCG tax revenue	\$ 19,901,926	\$ 17,766,972	\$ 2,134,954	12%	93%
Interest and investment (loss) earnings	678,518	(63,653)	742,171	-1166%	3%
Capital grants and contributions	305,000	305,000	-	0%	1%
Operating grants and contributions	76,336	584,919	(508,583)	-87%	0%
Charges for services	378,562	347,543	31,019	9%	2%
Loss on disposal of equipment	-	(14,575)	14,575	-100%	0%
E-rate revenue	29,808	48,000	(18,192)	-38%	0%
Other revenues	87,396	79,983	7,413	9%	0%
Total revenue	21,457,546	19,054,189	2,403,357	13%	100%
Expenses					
Personnel	9,564,148	8,047,651	1,516,497	19%	55%
Operating expenses	2,955,900	2,331,698	624,202	27%	17%
Grant and foundation	117,702	119,902	(2,200)	-2%	1%
Books and materials	2,433,533	2,355,416	78,117	3%	14%
Enterprise	589,322	538,424	50,898	9%	3%
Depreciation and amortization	1,499,416	1,449,854	49,562	3%	9%
Interest expense	388,426	176,706	211,720	120%	2%
Total expenses	17,548,447	15,019,651	2,528,796	17%	100%
Change in net position	3,909,099	4,034,538	(125,439)	-3%	
Net position - beginning	23,212,995	19,178,457	4,034,538	21%	
Net position - ending	\$ 27,122,094	\$ 23,212,995	\$ 3,909,099	17%	

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 96% of the Library's total general revenue. The property tax revenue source increased approximately 12% due to increased property values and growth in Fayette County.

The personnel expense represents approximately 55% of total expenses.

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2023**

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 2023 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 \$8,424,977, which was \$10,329,521 better than budget. The Library's actual expenses, overall, were over budget by \$2,933,362. These variances are primarily due to the Marksbury Family Branch construction project. There is \$7,144,464 remaining to be spent from the \$10,028,533 in proceeds from debt issuance. The Branch will be complete next fiscal year. Additionally, \$1,557,742 in debt proceeds were used to pay off the original debt on the Eastside Branch. A 2023 budget comparison and analysis is presented in Table A-3 on page 9. Personnel expenditures were under budget by \$515,606 due to unfilled positions. The majority of positions were filled by the end of the fiscal year.

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2023**

BUDGET HIGHLIGHTS (Continued)

TABLE A-3 2023 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	\$ -	\$ 25,736	\$ 25,736
Grants, other	305,000	1,305,000	1,000,000
LFUCG tax revenue	19,901,922	19,901,926	4
Contributions	1,822,000	1,778,111	(43,889)
Enterprise fund revenue	380,500	378,562	(1,938)
Investment income (loss)	50,000	678,568	628,568
Rental income	5,000	-	(5,000)
Miscellaneous	44,000	117,137	73,137
	<u>22,508,422</u>	<u>24,185,040</u>	<u>1,676,618</u>
EXPENSES			
Personnel	10,872,130	10,356,522	515,608
Operating expenses	3,042,978	2,941,859	101,119
Library materials	2,587,249	2,454,985	132,264
Foundation expenses	65,000	41,466	23,534
Grant Expenses/foundation gift	-	52,389	(52,389)
Depreciation/interest- enterprise	272,900	335,430	(62,530)
Enterprise expenses	329,300	253,892	75,408
Capital purchases	5,171,558	7,661,467	(2,489,909)
Debt service	2,071,851	3,224,471	(1,152,620)
Friends donation	-	23,847	(23,847)
	<u>24,412,966</u>	<u>27,346,328</u>	<u>(2,933,362)</u>
Expenditures over support and revenues	(1,904,544)	(3,161,288)	(1,256,744)
Other financing/capital			
Proceeds from issuance of debt	-	11,586,265	11,586,265
Other financing/capital	-	11,586,265	11,586,265
Changes in fund balances	(1,904,544)	8,424,977	10,329,521
Fund balances-beginning of year	<u>20,579,491</u>	<u>20,579,491</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 18,674,947</u></u>	<u><u>\$ 29,004,468</u></u>	<u><u>\$ 10,329,521</u></u>

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2023**

CAPITAL ASSETS

The Library's governmental activities invested a total of \$7,661,467 in capital assets purchased including construction in progress related to 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 2023, the Library recorded a right-of-use asset net of amortization of \$387,736 and \$400,277 in lease liabilities.

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, 2023 amounted to \$1,820,203. 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 \$1,595,664 at June 30, 2023.

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 \$355,417 at June 30, 2023.

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 had 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 had a fixed rate of 2.78%. During fiscal year 2023, the construction lease was paid off by the debt issuance proceeds from the Marksbury Branch financing with Truist Bank.

On August 17, 2022, the Library closed on financing for the development of the Marksbury Village Branch with Truist Bank. The note is a twenty-year loan for \$11,586,265 at a fixed rate of 3.13%. Per the agreement, \$1,557,742 of the proceeds was used to pay off the existing construction lease with Kentucky Bank. The outstanding balance of the loan was \$10,802,006 at June 30, 2023.

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.

**Lexington Public Library
Management's Discussion and Analysis (Continued)
June 30, 2023**

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.

FUTURE OUTLOOK

Lexington Public Library remains in a stable financial position that will allow it to continue to pursue its mission to connect people, inspire ideas, and transform lives in the Lexington community. The support provided by its Board, City Council, and countless stakeholders in the community have made it possible for the library to earn the reputation of an organization that positively transforms lives. The Lexington Public Library recognizes that accomplishments in the past must be followed by thoughtful, intentional action in the future if it wishes to maintain the reputation that many have worked hard to build.

Recognizing the significant change over the last 4 years in the way the community interacts, the Lexington Public Library will embark on a strategic visioning process in late 2023 to identify the programs and services that will best serve the public over the next 3 years. The team will be conducting surveys and eliciting ideas from the greater Lexington community to understand the ever changing needs of its constituents and key stakeholders.

While change is constant and it remains critical to understand how to meet our community needs today and going into a new future, Lexington Public Library believes it has the right team, resources, culture, and passion to follow our vision and execute our mission going forward.

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, 2023
(With Comparative Totals as of June 30, 2022)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION
June 30, 2023
(With Comparative Totals as of June 30, 2022)

	Governmental Activities	Business-Type Activities	2023 Total	2022 Totals
ASSETS				
Current assets				
Cash and cash equivalents - unrestricted	\$ 7,499,750	\$ 20,474	\$ 7,520,224	\$ 12,820,283
Cash and cash equivalents - restricted	562,144	-	562,144	642,137
Investments - unrestricted	12,779,105	-	12,779,105	5,340,230
Investments - restricted	6,242,699	-	6,242,699	176,266
Accounts receivable				
Other	113,953	1,189	115,142	19,797
Pledges receivable	949,937	-	949,937	-
Interfund balances	1,214,164	(1,214,164)	-	-
Prepaid expenses	89,701	-	89,701	44,300
Total current assets	<u>29,451,453</u>	<u>(1,192,501)</u>	<u>28,258,952</u>	<u>19,043,013</u>
Noncurrent assets				
Capital assets				
Nondepreciable	15,657,399	-	15,657,399	8,725,864
Depreciable, net	14,401,750	4,220,070	18,621,820	19,491,108
Right-of-use assets, net	387,736	-	387,736	487,054
Total capital assets	<u>30,446,885</u>	<u>4,220,070</u>	<u>34,666,955</u>	<u>28,704,026</u>
Pledges receivable net, less current portion	1,426,107	-	1,426,107	-
Total noncurrent assets	<u>31,872,992</u>	<u>4,220,070</u>	<u>36,093,062</u>	<u>28,704,026</u>
Total assets	<u>61,324,445</u>	<u>3,027,569</u>	<u>64,352,014</u>	<u>47,747,039</u>
Deferred Outflows of Resources				
Actuarially determined outflow - pension	1,885,368	-	1,885,368	790,407
Actuarially determined outflow - OPEB	1,669,949	-	1,669,949	1,761,039
Contributions - pension	1,477,330	-	1,477,330	1,115,045
Contributions - OPEB	349,316	-	349,316	427,009
Total Deferred Outflows of Resources	<u>5,381,963</u>	<u>-</u>	<u>5,381,963</u>	<u>4,093,500</u>
Total Assets and Deferred Outflows of Resources	<u>66,706,408</u>	<u>3,027,569</u>	<u>69,733,977</u>	<u>51,840,539</u>
LIABILITIES				
Current liabilities				
Accounts payable	786,077	3,324	789,401	225,439
Accrued payroll	318,438	-	318,438	238,076
Accrued vacation	387,693	-	387,693	349,226
Payroll liabilities	158,150	-	158,150	117,846
Unearned revenue	-	531	531	2,000
Accrued interest payable	138	-	138	138
Current portion of long-term debt	1,130,458	135,283	1,265,741	723,363
Current portion of lease liability	93,504	-	93,504	93,504
Total current liabilities	<u>2,874,458</u>	<u>139,138</u>	<u>3,013,596</u>	<u>1,749,592</u>
Noncurrent liabilities				
Net pension obligation	13,747,849	-	13,747,849	12,408,742
Net OPEB liability	3,752,478	-	3,752,478	3,725,079
Lease liability	306,773	-	306,773	400,277
Bonds payable	11,622,629	1,684,920	13,307,549	5,144,044
Total noncurrent liabilities	<u>29,429,729</u>	<u>1,684,920</u>	<u>31,114,649</u>	<u>21,678,142</u>
Total liabilities	<u>32,304,187</u>	<u>1,824,058</u>	<u>34,128,245</u>	<u>23,427,734</u>
Deferred Inflows of Resources				
Deferred inflows - pension	2,098,697	-	2,098,697	2,953,843
Deferred inflows - OPEB	2,231,323	-	2,231,323	2,245,967
Total Deferred Inflows of Resources	<u>4,330,020</u>	<u>-</u>	<u>4,330,020</u>	<u>5,199,810</u>
Total Liabilities and Deferred Inflows of Resources	<u>36,634,207</u>	<u>1,824,058</u>	<u>38,458,265</u>	<u>28,627,544</u>
NET POSITION				
Net investment in				
Capital assets	23,467,444	2,399,867	25,867,311	22,349,565
Restricted for				
Grants	630,565	-	630,565	580,042
Unrestricted	5,974,192	(1,196,356)	4,777,836	283,388
Total net position	<u>\$ 30,072,201</u>	<u>\$ 1,203,511</u>	<u>\$ 31,275,712</u>	<u>\$ 23,212,995</u>

See accompanying notes.

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)

	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	2023 Total	2022 Totals
Functions/Programs								
Primary Government								
Governmental activities:								
Personnel	\$ 9,564,148	\$ -	\$ -	\$ -	\$ (9,564,148)	\$ -	\$ (9,564,148)	\$ (8,047,651)
Operating expenses	2,955,900	-	25,736	-	(2,930,164)	-	(2,930,164)	(2,293,017)
Foundation	41,466	-	-	-	(41,466)	-	(41,466)	475,994
Grant expenses	52,389	-	-	-	(52,389)	-	(52,389)	(79,511)
Friends program support	23,847	-	50,600	-	26,753	-	26,753	29,853
Books and materials	2,433,533	-	-	-	(2,433,533)	-	(2,433,533)	(2,355,416)
Depreciation/Amortization	1,499,416	-	-	-	(1,499,416)	-	(1,499,416)	(1,449,854)
Interest expense	388,426	-	-	305,000	(83,426)	-	(83,426)	128,294
Total governmental activities	<u>16,959,125</u>	<u>-</u>	<u>76,336</u>	<u>305,000</u>	<u>(16,577,789)</u>	<u>-</u>	<u>(16,577,789)</u>	<u>(13,591,308)</u>
Business-type activities:								
Printing charges and purchases	85,880	271	-	-	-	(85,609)	(85,609)	(92,771)
Parking charges	168,012	378,291	-	-	-	210,279	210,279	213,805
Interest expense	93,718	-	-	-	-	(93,718)	(93,718)	(96,266)
Depreciation/Amortization	241,712	-	-	-	-	(241,712)	(241,712)	(215,649)
Total business-type activities	<u>589,322</u>	<u>378,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,760)</u>	<u>(210,760)</u>	<u>(190,881)</u>
Total Primary Government	<u>\$ 17,548,447</u>	<u>\$ 378,562</u>	<u>\$ 76,336</u>	<u>\$ 305,000</u>	<u>(16,577,789)</u>	<u>(210,760)</u>	<u>(16,788,549)</u>	<u>(13,782,189)</u>
General Revenues:								
Property taxes for general purposes					19,901,926	-	19,901,926	17,766,972
ARPA contributions					1,000,000	-	1,000,000	-
Foundation contributions					3,153,618	-	3,153,618	-
Interest and investment earnings (loss)					677,601	917	678,518	(63,653)
Loss on disposal of equipment					-	-	-	(14,575)
E-rate revenue					29,808	-	29,808	48,000
Miscellaneous					77,800	9,596	87,396	79,983
Total general revenues					<u>24,840,753</u>	<u>10,513</u>	<u>24,851,266</u>	<u>17,816,727</u>
Change in net position					<u>8,262,964</u>	<u>(200,247)</u>	<u>8,062,717</u>	<u>4,034,538</u>
Net position - beginning					<u>21,809,237</u>	<u>1,403,758</u>	<u>23,212,995</u>	<u>19,178,457</u>
Net position - ending					<u>\$ 30,072,201</u>	<u>\$ 1,203,511</u>	<u>\$ 31,275,712</u>	<u>\$ 23,212,995</u>

See accompanying notes.

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

**June 30, 2023
(With Comparative Totals as of June 30, 2022)**

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023
(With Comparative Totals as of June 30, 2022)

	General Fund	Library Foundation	Library Collection Materials Fund	Construction Fund	2023 Total Governmental Funds	2022 Total Governmental Funds
ASSETS						
Current assets						
Cash and cash equivalents						
Unrestricted	\$ 7,326,820	\$ 172,920	\$ 10	\$ -	\$ 7,499,750	\$ 12,799,585
Restricted	355	23,308	-	538,481	562,144	642,137
Investments - unrestricted	12,553,272	225,833	-	-	12,779,105	5,340,230
Investments - restricted	-	607,257	-	5,635,442	6,242,699	176,266
Accounts receivable - other	16,187	53	-	97,713	113,953	4,569
Pledges receivable	-	949,937	-	-	949,937	-
Due from other funds	4,133,343	(615)	859,513	(4,992,241)	-	-
Due from proprietary funds	1,765,913	-	-	-	1,765,913	1,728,042
Prepaid expenses	89,702	-	-	-	89,702	44,300
	<u>\$ 25,885,592</u>	<u>\$ 1,978,693</u>	<u>\$ 859,523</u>	<u>\$ 1,279,395</u>	<u>\$ 30,003,203</u>	<u>\$ 20,735,129</u>
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable	\$ 343,359	\$ -	\$ -	442,719	\$ 786,078	\$ 225,439
Accrued payroll	318,438	-	-	-	318,438	238,076
Accrued vacation	387,693	-	-	-	387,693	349,226
Accrued interest	138	-	-	-	138	138
Payroll liabilities	158,150	-	-	-	158,150	117,846
Due to proprietary funds	551,749	-	-	-	551,749	628,671
	<u>\$ 1,759,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,719</u>	<u>\$ 2,202,246</u>	<u>\$ 1,559,396</u>
FUND BALANCES						
Restricted for:						
Foundation expenditures	\$ -	\$ 630,565	\$ -	\$ -	\$ 630,565	\$ 580,042
Committed for:						
Buildings, renewal, and replacement	8,750,000	-	-	-	8,750,000	6,000,000
New branch	2,600,000	-	-	-	2,600,000	4,000,000
Emergency fund	1,000,000	-	-	-	1,000,000	1,000,000
Assigned for:						
Book purchases	-	-	859,523	-	859,523	718,069
Lexington Public Library Foundation	-	1,348,128	-	-	1,348,128	435,373
Unassigned	11,776,065	-	-	836,676	12,612,741	6,442,249
	<u>24,126,065</u>	<u>1,978,693</u>	<u>859,523</u>	<u>836,676</u>	<u>27,800,957</u>	<u>19,175,733</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,885,592</u>	<u>\$ 1,978,693</u>	<u>\$ 859,523</u>	<u>\$ 1,279,395</u>	<u>\$ 30,003,203</u>	<u>\$ 20,735,129</u>

See accompanying notes.

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
June 30, 2023

Total Fund Balances	\$ 27,800,957
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.	30,059,149
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	387,736
Noncurrent pledge receivables used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	1,426,107
Deferred outflows of resources are amortized over time and, Therefore, are not reported in the governmental funds.	5,381,963
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(13,747,849)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(3,752,478)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,330,020)
Short-term and long-term debt is not due and payable in the current period and, Therefore, is not reported in the governmental funds.	(12,753,087)
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>(400,277)</u>
Net Position of Governmental Activities	<u><u>\$ 30,072,201</u></u>

See accompanying notes.

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

**Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)

	General Fund	Library Foundation	Library Collection Materials Fund	Construction Fund	2023 Totals Governmental Funds	2022 Totals Governmental Funds
SUPPORT						
Grants						
Ky Dept. of Libraries and Archives	\$ 25,736	\$ -	\$ -	\$ -	\$ 25,736	\$ 38,681
State Aid Grant	305,000	-	-	-	305,000	305,000
Federal Grants	-	-	-	1,000,000	1,000,000	-
LFUCG appropriation						
Unrestricted	17,305,487	-	-	-	17,305,487	15,439,520
Restricted	-	-	2,596,439	-	2,596,439	2,327,452
Donations						
Foundation (restricted)	-	1,621,691	-	-	1,621,691	451,379
Foundation (unrestricted)	-	105,820	-	-	105,820	54,859
Friends (unrestricted)	50,600	-	-	-	50,600	40,000
Total support	17,686,823	1,727,511	2,596,439	1,000,000	23,010,773	18,656,891
REVENUE						
Investment income (loss)						
Unrestricted	429,722	40,280	-	-	470,002	(64,569)
Restricted	-	-	-	207,649	207,649	-
Miscellaneous	107,541	-	-	-	107,541	51,234
Total revenue	537,263	40,280	-	207,649	785,192	(13,335)
Total support and revenue	18,224,086	1,767,791	2,596,439	1,207,649	23,795,965	18,643,556
EXPENDITURES						
Salaries and employee benefits	10,356,522	-	-	-	10,356,522	8,497,057
Operating expenditures	2,941,859	-	-	-	2,941,859	2,943,779
Books and materials	-	-	2,454,985	-	2,454,985	2,350,328
Library Corporation payments	-	-	-	-	-	-
Friends program support	23,847	-	-	-	23,847	10,147
Grant expenditures/foundation gifts	52,389	-	-	-	52,389	79,511
Foundation expenditures	-	41,466	-	-	41,466	30,234
Capital expenditures	729,932	-	-	6,931,535	7,661,467	1,409,120
Debt service	121,241	-	-	255,873	377,114	164,480
Total expenditures	14,225,790	41,466	2,454,985	7,187,408	23,909,649	15,484,656
Support and revenue over expenditures	3,998,296	1,726,325	141,454	(5,979,759)	(113,684)	3,158,900
OTHER FINANCING SOURCES (USES)						
Transfers	(812,672)	(763,047)	-	1,575,719	-	-
Proceeds from issuance of debt	1,557,742	-	-	10,028,523	11,586,265	-
Debt issuance costs	-	-	-	(96,759)	(96,759)	-
Principal payments on debt	(1,966,342)	-	-	(784,256)	(2,750,598)	(573,568)
Lease right-of-use financing	-	-	-	-	-	544,270
Net other financing (use) sources	(1,221,272)	(763,047)	-	10,723,227	8,738,908	(29,298)
Net change in fund balances	2,777,024	963,278	141,454	4,743,468	8,625,224	3,129,602
Fund balances - beginning	21,349,041	1,015,415	718,069	(3,906,792)	19,175,733	16,046,131
Fund balances - ending	\$ 24,126,065	\$ 1,978,693	\$ 859,523	\$ 836,676	\$ 27,800,957	\$ 19,175,733

See accompanying notes.

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	8,625,224
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</p> <p>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.</p>		
Purchase of capital assets		7,661,467
Depreciation expense		(1,400,100)
Revenue recongized from pledge receivables that is not included in the Governmental Funds		1,426,107
Amortization expense on right-of-use assets net of lease payments not included in the Governmental Funds		(5,814)
Pension expense related to long-term Net Pension Obligations that is not included in the Governmental Funds		973,285
OPEB expense related to long-term Net OPEB Liability that is not included in the Governmental Funds		(181,538)
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.		(11,586,265)
Bond Proceeds Less Bond Issuance Costs		
Bond principal payments		2,750,598
Change in Net Position of Governmental Activities	\$	8,262,964

See accompanying notes.

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

June 30, 2023
(With Comparative Totals as of June 30, 2022)

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023
(With Comparative Totals as of June 30, 2022)

	Enterprise Fund	Parking Fund	2023 Total Proprietary Fund	2022 Total Proprietary Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,070	\$ 19,404	\$ 20,474	\$ 20,698
Accounts receivable	-	1,189	1,189	15,228
Due from general fund	551,749	-	551,749	628,671
Total current assets	552,819	20,593	573,412	664,597
Noncurrent assets				
Capital assets, net of depreciation	-	4,220,070	4,220,070	4,419,190
Total assets	<u>\$ 552,819</u>	<u>\$ 4,240,663</u>	<u>\$ 4,793,482</u>	<u>\$ 5,083,787</u>
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	\$ -	\$ 3,324	\$ 3,324	\$ -
Unearned revenue	-	531	531	2,000
Due to general fund	-	1,765,913	1,765,913	1,728,042
Current portion of long-term debt	-	135,283	135,283	129,784
Total current liabilities	-	1,905,051	1,905,051	1,859,826
Long-term debt	-	1,684,920	1,684,920	1,820,203
Total liabilities	-	3,589,971	3,589,971	3,680,029
Net position				
Invested in capital assets, net of related debt	-	2,399,867	2,399,867	2,469,203
Unrestricted	552,819	(1,749,175)	(1,196,356)	(1,065,445)
Total net position	552,819	650,692	1,203,511	1,403,758
TOTAL LIABILITIES AND NET POSITION	<u>\$ 552,819</u>	<u>\$ 4,240,663</u>	<u>\$ 4,793,482</u>	<u>\$ 5,083,787</u>

See accompanying notes.

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

**Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)

	Enterprise Fund	Parking Fund	2023 Total Proprietary Fund	2022 Total Proprietary Fund
Operating revenues				
Copy sales	\$ 271	\$ -	\$ 271	\$ -
Parking garage	-	378,291	378,291	347,543
Miscellaneous revenue	9,586	10	9,596	76,749
Total operating revenues	<u>9,857</u>	<u>378,301</u>	<u>388,158</u>	<u>424,292</u>
Operating expenses				
Operating expenses	85,880	168,012	253,892	226,509
Depreciation	-	241,712	241,712	215,649
Total operating expenses	<u>85,880</u>	<u>409,724</u>	<u>495,604</u>	<u>442,158</u>
Total operating loss	<u>(76,023)</u>	<u>(31,423)</u>	<u>(107,446)</u>	<u>(17,866)</u>
Nonoperation revenues and (expenses)				
Interest income	600	317	917	917
Interest expense	-	(93,718)	(93,718)	(96,266)
Total nonoperation revenues (expenses)	<u>600</u>	<u>(93,401)</u>	<u>(92,801)</u>	<u>(95,349)</u>
Change in net position	(75,423)	(124,824)	(200,247)	(113,215)
Total net position-beginning	<u>628,242</u>	<u>775,516</u>	<u>1,403,758</u>	<u>1,516,973</u>
TOTAL NET POSITION-ENDING	<u>\$ 552,819</u>	<u>\$ 650,692</u>	<u>\$ 1,203,511</u>	<u>\$ 1,403,758</u>

See accompanying notes.

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

**Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2023
(With Comparative Totals for the year ended June 30, 2022)

	Enterprise Fund	Parking Fund	2023 Total Proprietary Fund	2022 Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 8,358	\$ 392,370	\$ 400,728	\$ 422,731
Payments to employees	-	(40,527)	(40,527)	(31,560)
Payments to suppliers	(85,880)	(124,161)	(210,041)	(194,967)
Net cash (used in) provided by operating activities	(77,522)	227,682	150,160	196,204
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(42,592)	(42,592)	(387,169)
Borrowing of interfund liabilities	76,922	37,871	114,793	410,742
Bond principal debt paid	-	(129,784)	(129,784)	(124,411)
Interest paid on capital debt	-	(93,718)	(93,718)	(96,266)
Net cash provided by (used in) capital and related financing activities	76,922	(228,223)	(151,301)	(197,104)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	600	317	917	917
Net cash provided by investing activities	600	317	917	917
Net (decrease) increase in cash and cash equivalents	-	(224)	(224)	17
Balances-beginning of year	1,070	19,628	20,698	20,681
BALANCES-END OF THE YEAR	\$ 1,070	\$ 19,404	\$ 20,474	\$ 20,698
Reconciliation of operating income to net cash (used in) provided by operating activities				
Operating loss	\$ (76,023)	\$ (31,423)	\$ (107,446)	\$ (17,866)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	241,712	241,712	215,649
Changes in asset and liabilities				
Accounts receivable	-	14,039	14,039	(1,598)
Accounts payable	-	3,324	3,324	(18)
Unearned revenue	(1,499)	30	(1,469)	37
Net cash (used in) provided by operating activities	\$ (77,522)	\$ 227,682	\$ 150,160	\$ 196,204

See accompanying notes.

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LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 and the modified accrual basis of accounting. 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. The 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 and the modified accrual basis of accounting. 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, 2023

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 \$5,001,869 and investments of \$14,019,935, which consist of equities and mutual funds, which are carried at market value (see Note 4). Fair value approximates carrying amounts for certificates of deposit.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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, 2022.

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, 2022.

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, 2023

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.

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, obligations of corporations of the United States, 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, securities issued by a state or local government, shares of mutual funds and exchange traded funds, individual equity securities, and individual high-quality corporate bonds. 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, 2023 was \$8,082,368. The carrying amount of the Library's investments at June 30, 2023 was \$19,021,804.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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, 2023, 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, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposits	\$ 5,001,869	\$ 5,001,869	\$ -	\$ -
Money market funds	9,059,292	9,059,292	-	-
Equity securities	587,920	587,920	-	-
Mutual funds	232,375	232,375	-	-
Municipal bonds	696,820	-	696,820	-
Corporate bonds	3,443,528	-	3,443,528	-
	<u>\$ 19,021,804</u>	<u>\$ 14,881,456</u>	<u>\$ 4,140,348</u>	<u>\$ -</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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 Statues 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, 2023

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2023 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	29,804,816	158,667	-	29,963,483
Furniture/equipment	11,380,653	571,265	(105,703)	11,846,215
Totals at cost	41,255,748	729,932	(105,703)	41,879,977
Less: accumulated depreciation	26,183,830	1,400,100	(105,703)	27,478,227
Depreciable capital assets, net	\$ 15,071,918	\$ (670,168)	\$ -	\$ 14,401,750
Nondepreciable capital assets				
Land	\$ 4,295,424	\$ -	\$ -	\$ 4,295,424
Construction in progress	3,939,529	6,931,535	-	10,871,064
Artistic clock	490,911	-	-	490,911
	\$ 8,725,864	\$ 6,931,535	\$ -	\$ 15,657,399
Right-of-use assets	\$ 544,270	-	-	\$ 544,270
Totals at cost	544,270	-	-	544,270
Less: accumulated amortization	57,216	99,318	-	156,534
Right-of-use assets, net	\$ 487,054	\$ (99,318)	\$ -	\$ 387,736
Capital assets, net	\$ 24,284,836	\$ 6,162,049	\$ -	\$ 30,446,885
<u>Business-type Activities</u>				
Furniture/equipment	\$ 89,676	\$ -	\$ -	\$ 89,676
Parking garage & improvements	6,119,833	42,592	-	6,162,425
Totals at cost	6,209,509	42,592	-	6,252,101
Less: accumulated depreciation	1,790,319	241,712	-	2,032,031
Depreciable capital assets, net	\$ 4,419,190	\$ (199,120)	\$ -	\$ 4,220,070
Capital assets, net	\$ 4,419,190	\$ (199,120)	\$ -	\$ 4,220,070

Depreciation expense was charged as follows:

Governmental Activities

Total Depreciation Expense - Governmental Activities \$ 1,400,100

Business-Type Activities

Total Depreciation Expense - Business-type Activities \$ 241,712

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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, 2023

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, 2023, employer contributions for the Library were \$1,691,354 (\$1,477,330 pension and \$214,024 insurance) based on a rate of 26.79% (23.40% pension and 3.39% 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, 2021) to the measurement date using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

Actuarial assumptions. The total pension liability as of June 30, 2023, 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 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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
Equity		
Public Equity	4.45%	50.00%
Private Equity	10.15%	10.00%
Fixed Income		
Core Fixed Income	28.00%	10.00%
Specialty Credit	2.28%	10.00%
Cash	-0.91%	0.00%
Inflation Protected		
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
		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 29 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	\$ 17,183,105	\$ 13,747,849	\$ 10,906,607

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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, 2023, the Library recognized pension expense of \$504,045.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, 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
Liability experience	\$ 14,698	\$ 122,431
Investment experience	1,870,670	1,518,225
Change of assumptions	-	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	458,041
Contributions subsequent to the measurement date of June 30, 2022	<u>1,477,330</u>	<u>-</u>
Total	<u><u>\$ 3,362,698</u></u>	<u><u>\$ 2,098,697</u></u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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>
2023	\$ (384,455)
2024	(103,891)
2025	(115,529)
2026	390,546
	<u>\$ (213,329)</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, 2023

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, 2023 was 3.39% of covered payroll. Contributions to the Insurance Fund from the Library were \$214,024 for the year ended June 30, 2023. 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, 2023, the Library reported a liability of \$3,752,478 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 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, 2021) 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 2021. This method is expected to be reflective of the employers' long-term contribution effort.

For the year ended June 30, 2023, the Library recognized OPEB expense of \$530,854. At June 30, 2023, 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, 2023

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 377,718	\$ 860,530
Investment experience	698,750	546,446
Change of assumptions	593,481	489,025
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	335,322
Contributions subsequent to the measurement date of June 30, 2022	<u>349,316</u>	<u> </u>
Total	<u>\$ 2,019,265</u>	<u>\$ 2,231,323</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$349,316 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, 2023. 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,
2023	\$ (131,383)
2024	(135,626)
2025	(294,800)
2026	<u>435</u>
	<u>\$ (561,374)</u>

Actuarial assumptions. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

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 6.20% at January 1, 2024 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 9.00% in 2024 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, 2023

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

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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 single discount rate used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the Plan's anticipated long-term healthcare costs. There were no other material assumption changes.

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>
Equity		
Public Equity	4.45%	50.00%
Private Equity	10.15%	10.00%
Fixed Income		
Core Fixed Income	28.00%	10.00%
Specialty Credit	2.28%	10.00%
Cash	-0.91%	0.00%
Inflation Protected		
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
		<u>100.00%</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

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

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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 5.70% 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 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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 (4.70%) or 1 percentage point higher (6.70%) than the current discount rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
Lexington Library's net OPEB liability	\$ 5,016,465	\$ 3,752,478	\$ 2,707,582

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:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Lexington Library's net OPEB liability	\$ 2,789,884	\$ 3,752,478	\$ 4,908,372

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, 2023

Note 9. Interfund Transactions

Interfund loans on the fund statements at June 30, 2023 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 5,899,256	\$ 551,749
Library Foundation	-	615
Construction	-	4,992,241
Collection Materials	859,513	-
Enterprise Fund	551,749	-
Parking Fund	-	1,765,913
	<u>\$ 7,310,518</u>	<u>\$ 7,310,518</u>

Transfers were made to move Library Foundation contributions to the general fund for operating purposes. Interfund transfers on the fund statements at June 30, 2023 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 763,047	\$ 1,575,719
Construction fund	1,575,719	-
Library Foundation	-	763,047
	<u>\$ 2,338,766</u>	<u>\$ 2,338,766</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, 2023 was 4.28%. The outstanding balance was \$1,820,203.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

Note 11. Long-term Liabilities (Continued)

A. Parking Garage Debt (Continued)

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
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>\$ 1,820,203</u>	<u>\$ 445,304</u>	<u>\$ 2,265,507</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, 2023, the effective rate was 3.89%. The outstanding balance was \$1,595,664.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
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>\$ 1,595,664</u>	<u>\$ 138,656</u>	<u>\$ 1,734,320</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 \$355,417 at June 30, 2023.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

Note 11. Long-term Liabilities (Continued)

C. Energy Project Debt (Continued)

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 95,000	\$ 14,850	\$ 109,850
2025	95,000	11,525	106,525
2026	100,000	8,200	108,200
2027	65,417	4,200	69,617
Totals	<u>\$ 355,417</u>	<u>\$ 38,775</u>	<u>\$ 394,192</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 and had a fixed rate of 2.78%. The note payable was paid in full during fiscal year 2023 with the debt issuance proceeds from the Marksbury Village Branch note with Truist Bank.

E. Marksbury Village Branch Debt

On August 17, 2022, the Library closed on financing for the Marksbury Village Branch with Truist Bank in the amount of \$11,586,265. The final maturity of the debt is May 1, 2042. The debt has a fixed rate of 3.13%. Per the agreement, \$1,557,742 of the debt proceeds was used to pay off the existing debt with Kentucky Bank. The outstanding note payable amount was \$10,802,006 at June 30, 2023.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 702,605	\$ 338,103	\$ 1,040,708
2025	726,141	316,111	1,042,252
2026	747,763	293,383	1,041,146
2027	816,977	269,978	1,086,955
2028	1,141,401	244,407	1,385,808
2029-2033	2,884,056	835,292	3,719,348
2034-2038	3,035,241	379,928	3,415,169
2039-2042	747,822	59,419	807,241
Totals	<u>\$ 10,802,006</u>	<u>\$ 2,736,621</u>	<u>\$ 13,538,627</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

Note 11. Long-term Liabilities (Continued)

F. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2023, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt obligations	\$ 3,469,920	\$ 11,586,265	\$ 2,658,515	\$ 12,397,670	\$ 1,035,458
Energy project bond	447,500	-	92,083	355,417	95,000
Governmental activities Long-term liabilities	<u>\$ 3,917,420</u>	<u>\$ 11,586,265</u>	<u>\$ 2,750,598</u>	<u>\$ 12,753,087</u>	<u>\$ 1,130,458</u>
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt obligations	\$ 1,949,987	\$ -	\$ 129,784	\$ 1,820,203	\$ 135,283
Business-type activities Long-term liabilities	<u>\$ 1,949,987</u>	<u>\$ -</u>	<u>\$ 129,784</u>	<u>\$ 1,820,203</u>	<u>\$ 135,283</u>

Note 12. Leases Payable

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, 2023, the lease liability was as follows:

Governmental Activities	Beginning Lease Liability	Reduction	Ending Balance	Implied Interest	Annual Lease Payments*
Building Lease	\$ 493,781	\$ 93,504	\$ 400,277	\$ 12,542	\$ 106,046
Governmental activities Lease liabilities	<u>\$ 493,781</u>	<u>\$ 93,504</u>	<u>\$ 400,277</u>	<u>\$ 12,542</u>	<u>\$ 106,046</u>

*Annual Lease Payment = Receivable Reduction + Implied Interest

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

Note 12. Leases Payable (Continued)

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, 2023, 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, 2023, 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	Governmental Activities		
	Principal	Interest	Total
June 30			
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
2028	52,437	3,963	56,400
Thereafter	114,033	3,467	117,500
Totals	<u>\$ 400,277</u>	<u>\$ 37,657</u>	<u>\$ 437,934</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, 2023 was \$387,693.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

Note 14. Pledges Receivable

Pledges receivable consist of the following at June 30, 2023:

Receivable in less than one year	\$ 949,937
Receivable in one to five years	<u>1,546,981</u>
 Total pledges receivable	 2,496,918
 Less allowance for uncollectible pledges	 -
Less discount to net present value	<u>120,874</u>
 Pledges receivable, net	 <u><u>\$ 2,376,044</u></u>

Discount to net present value rates were 4.51% for the year ended June 30, 2023. No allowance for uncollectible pledges is considered necessary as management considers all pledges to be fully collectible.

Note 15. Future Accounting Pronouncements

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. The Library has begun its evaluation of the impact of the standard and currently anticipates an immaterial impact to the financial statements upon adoption.

Note 16. Construction Commitments

As of June 30, 2023, the Library had outstanding construction commitments of approximately \$7.1 million. These outstanding commitments will be paid with the remaining proceeds from the Marksbury debt issuance.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2023

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION - GENERAL FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
Grants				
KY Dept. of Libraries and Archives	\$ -	\$ -	\$ 25,736	\$ 25,736
Grants, other	305,000	305,000	305,000	-
LFUCG appropriation				
Unrestricted	15,992,286	17,314,673	17,305,487	(9,186)
Donations				
Restricted	25,000	25,000	50,600	25,600
Total support	<u>16,322,286</u>	<u>17,644,673</u>	<u>17,686,823</u>	<u>42,150</u>
REVENUE				
Interest earned				
Unrestricted	50,000	50,000	429,722	379,722
Rental income	5,000	5,000	-	(5,000)
Miscellaneous	44,000	44,000	107,541	63,541
Total revenue	<u>99,000</u>	<u>99,000</u>	<u>537,263</u>	<u>438,263</u>
Total support and revenue	16,421,286	17,743,673	18,224,086	480,413
EXPENDITURES				
Salaries wages and employee benefits	10,785,047	10,872,130	10,356,522	515,608
Operating expenses	3,039,561	3,042,978	2,941,859	101,119
Friends program support	-	-	23,847	(23,847)
Grant expense	65,000	65,000	52,389	12,611
Interest expense	200,000	255,870	-	255,870
Debt Service	340,108	340,108	121,241	218,867
Total expenses	<u>14,429,716</u>	<u>14,576,086</u>	<u>13,495,858</u>	<u>1,080,228</u>
Support and revenue over expenses	1,991,570	3,167,587	4,728,228	1,560,641
OTHER FINANCING SOURCES(USES)				
Principal payment on debt	(1,731,743)	(1,731,743)	(1,966,342)	(234,599)
Purchases of property & equipment	(1,184,650)	(2,046,810)	(729,932)	1,316,878
Proceeds from issuance of debt	-	-	1,557,742	1,557,742
Transfers	140,000	140,000	(812,672)	(952,672)
Net increase in fund balances	<u>(784,823)</u>	<u>(470,966)</u>	<u>2,777,024</u>	<u>3,247,990</u>
Fund balances-				
beginning of year	<u>21,349,041</u>	<u>21,349,041</u>	<u>21,349,041</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 20,564,218</u></u>	<u><u>\$ 20,878,075</u></u>	<u><u>\$ 24,126,065</u></u>	<u><u>\$ 3,247,990</u></u>

See independent auditor's report.

**LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION - LIBRARY FOUNDATION
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
Donations				
Restricted	\$ 1,575,000	\$ 1,575,000	\$ 1,621,691	\$ 46,691
Unrestricted	82,000	82,000	105,820	23,820
Total support	1,657,000	1,657,000	1,727,511	70,511
REVENUE				
Unrestricted	-	-	40,280	40,280
Total support and revenue	1,657,000	1,657,000	1,767,791	110,791
EXPENDITURES				
Foundation	64,500	64,500	41,466	23,034
Total expenses	64,500	64,500	41,466	23,034
Support and revenue over expenses	1,592,500	1,592,500	1,726,325	133,825
OTHER FINANCING SOURCES				
Transfers	(1,565,000)	(1,565,000)	(763,047)	801,953
Net (decrease) increase in fund balances	27,500	27,500	963,278	935,778
Fund balances- beginning of year	1,015,415	1,015,415	1,015,415	-
FUND BALANCES-END OF YEAR	<u>\$ 1,042,915</u>	<u>\$ 1,042,915</u>	<u>\$ 1,978,693</u>	<u>\$ 935,778</u>

See independent auditor's report.

**REQUIRED SUPPLEMENTAL INFORMATION - LIBRARY COLLECTION MATERIALS FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable) Favorable Budget</u>
SUPPORT				
LFUCG appropriations	\$ 2,410,774	\$ 2,587,249	\$ 2,596,439	\$ 9,190
Total support	<u>2,410,774</u>	<u>2,587,249</u>	<u>2,596,439</u>	<u>9,190</u>
Total support and revenue	2,410,774	2,587,249	2,596,439	9,190
EXPENSES				
Operating expenses	-	-	-	-
Books and materials	<u>2,410,774</u>	<u>2,587,249</u>	<u>2,454,985</u>	<u>132,264</u>
Total expenses	<u>2,410,774</u>	<u>2,587,249</u>	<u>2,454,985</u>	<u>132,264</u>
Net increase in fund balances	-	-	141,454	141,454
Fund balances- beginning of year	<u>584,275</u>	<u>584,275</u>	<u>718,069</u>	<u>133,794</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 584,275</u></u>	<u><u>\$ 584,275</u></u>	<u><u>\$ 859,523</u></u>	<u><u>\$ 275,248</u></u>

See independent auditor's report.

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	\$ 7,229,013,000
Employer's Proportion (Percentage) of Net Pension Liability	0.22275%	0.22096%	0.23211%	0.22132%	0.22051%	0.21311%	0.20591%	0.19462%	0.19018%
Employer's Proportion (Amount) of Net Pension Liability	\$ 7,227,000	\$ 9,500,354	\$ 11,428,207	\$ 12,954,365	\$ 13,429,732	\$ 14,988,121	\$ 15,792,743	\$ 12,408,742	\$ 13,747,849
Employer's Covered-Employer payroll	\$ 5,110,035	\$ 5,528,083	\$ 5,381,520	\$ 5,381,520	\$ 5,380,130	\$ 5,266,825	\$ 4,969,464	\$ 5,267,106	\$ 6,313,378
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%	240.72%	249.62%	284.58%	317.80%	235.59%	217.76%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146,000	\$ 6,440,800,000	\$ 6,141,394,419	\$ 6,687,237,000	\$ 7,018,963,000	\$ 7,159,921,000	\$ 7,027,327,000	\$ 8,565,652,000	\$ 7,963,586,000
Total Pension's Plan Pension Liability	\$ 9,772,523,000	\$ 10,740,325,000	\$ 11,065,012,656	\$ 12,540,545,000	\$ 13,109,268,000	\$ 14,192,966,000	\$ 14,697,244,000	\$ 14,941,437,000	\$ 15,192,599,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.48%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%

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 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>	<u>2023</u>
Actuarially determined contribution	\$ 659,719	\$ 667,068	\$ 750,722	\$ 791,368	\$ 872,657	\$ 1,016,498	\$ 959,108	\$ 1,115,045	\$ 1,477,330
Contributions in relation to the actuarially determined contribution	<u>659,719</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>	<u>1,477,330</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	5,381,520	5,380,130	5,266,825	4,969,464	5,267,106	6,313,378
Contributions as a percentage covered- employee payroll	12.91%	12.07%	13.95%	14.71%	16.22%	19.30%	19.30%	21.17%	23.40%

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, 2023**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
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 period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.0%
Asset Valuation Method	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
PLAN FISCAL YEAR ENDING JUNE 30**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</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	\$ 1,973,514,000
Employer's Proportion (Percentage) of Net OPEB Liability	0.221317%	0.220500%	0.213063%	0.205878%	0.190142%	0.190142%
Employer's Proportion (Amount) of Net OPEB Liability	\$ 4,449,229	\$ 3,914,936	\$ 3,583,624	\$ 4,971,328	\$ 3,725,079	\$ 3,752,478
Employer's Covered-Employer payroll	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825	\$ 4,969,464	\$ 5,267,106	\$ 6,313,378
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%	100.04%	70.72%	59.44%
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	\$ 3,079,984,000
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	\$ 5,053,498,000
Total Insurance Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	52.40%	57.62%	60.44%	51.67%	62.91%	60.95%

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>	<u>2023</u>
Actuarially determined contribution	\$ 256,867	\$ 282,995	\$ 250,701	\$ 236,546	\$ 304,439	\$ 214,024
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>	<u>214,024</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,465,250	\$ 5,380,130	\$ 5,266,825	\$ 4,969,472	\$ 5,267,106	\$ 6,313,378
Contributions as a percentage covered- employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%

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, 2023**

The following actuarial methods and assumptions, were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2021
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 period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over Separate closed 20-year amortization bases</i>
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 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 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. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

**LEXINGTON PUBLIC LIBRARY
SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2023

LEXINGTON PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Pass-through to Sub-recipients</u>
U. S Department of Treasury				
Passed through Lexington-Fayette Urban County, Government				
Coronavirus State and Local Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund	21.027	LF00193482	\$ 1,000,000	-
Total U.S. Department of Treasury			<u>1,000,000</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,000,000</u>	
Total Amount Distributed to Subrecipients				<u>\$ -</u>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

LEXINGTON PUBLIC LIBRARY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the Federal award activity of the Lexington Public Library, under programs of the federal government for the year ended June 30, 2023 in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of Lexington Public Library, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lexington Public Library.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note C - Indirect Cost Rate

Lexington Public Library has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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, 2023, 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 8, 2023.

Report on 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.

**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)**

Report on 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 statements. 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 8, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees of
Lexington Public Library

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lexington Public Library's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lexington Public Library's major federal programs for the year ended June 30, 2023. Lexington Public Library's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lexington Public Library complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lexington Public Library and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Lexington Public Library's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lexington Public Library's federal programs.

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lexington Public Library's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lexington Public Library's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Lexington Public Library's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lexington Public Library's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lexington Public Library's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MCM CPAs & Advisors LLP

Lexington, Kentucky
September 8, 2023

LEXINGTON PUBLIC LIBRARY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X no
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of Uniform Guidance? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

Section II - Financial Statement Findings

No matters were reported.

Section III - Major Federal Award Findings and Questioned Costs

No matters were reported.

LEXINGTON PUBLIC LIBRARY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

None - no single audit required in the prior year.