

LEXINGTON PUBLIC LIBRARY
Lexington, Kentucky

Financial Statements
June 30, 2015

Lexington Public Library

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June 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund, of the Lexington Public Library (Library), a component unit of Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Kentucky
Indiana
Ohio

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Library as of June 30, 2015 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.

Emphasis of Matter – New GASB Implementation

As discussed in Note 6 to the financial statements, the Library adopted Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. The implementation resulted in a restatement of prior year net position (See Note 13).

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and GASB 68 schedules on pages 3 through 9 and pages 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering the Library's internal control over financial reporting and compliance.



Lexington, Kentucky
September 4, 2015

Management's Discussion and Analysis
June 30, 2015

FINANCIAL HIGHLIGHTS

- The Library's net position increased \$819,807 during fiscal year 2015. However, it is important to note that the implementation of GASB Statement No. 68, *Accounting and financial Reporting for Pensions* – an amendment of GASB Statement No. 27 required a restatement of the June 30, 2014 balance of (\$7,456,000).
- The Library made capital investments during the fiscal year for equipment and building improvements and construction. This included construction related to the new facility that will replace the Eagle Creek Branch, improvement to the lighting in the parking garage and technology improvements. The Library allocated 12% of its tax revenues for library books and materials.
- The Library's Business-type activities had an increase in net position of \$88,947 for fiscal year 2015.

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 the budgetary comparison schedule, which is not part of the basic financial statements, of the Library. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2015
(Continued)**

GOVERNMENT-WIDE STATEMENTS (Continued)

These two statements report the net position of the Library and the changes in net position. One can think of the Library's net position - the difference between assets plus deferred outflow 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, we divide the Library into 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.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

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

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2015
(Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF NET POSITION

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

TABLE A-1 STATEMENT OF NET POSITION

	<u>Total 2015</u>
Assets	
Current and other assets	\$ 10,133,242
Net noncurrent assets	<u>24,900,018</u>
Total Assets	<u>\$ 35,033,260</u>
Deferred Outflows of Resources	
	<u>653,251</u>
Total Assets and Deferred Outflows of Resources	<u><u>35,686,511</u></u>
Liabilities	
Current liabilities	\$ 2,718,496
Long-term Liabilities	<u>16,215,875</u>
Total Liabilities	<u>18,934,371</u>
Deferred Inflows of Resources	
	<u>807,000</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>19,741,371</u></u>
Net Position	
Net investment in capital assets	15,262,505
Restricted	214,033
Unrestricted (Restated)	<u>468,602</u>
Total Net Position	<u>15,945,140</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u><u>\$ 35,686,511</u></u>

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2015
(Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

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

STATEMENT OF ACTIVITIES

TABLE A-2 STATEMENT OF ACTIVITIES

Condensed Statement of Activities

	<u>Total</u> <u>2015</u>	<u>Percent of Total</u>
Revenues		
LFUCG tax revenue	\$ 14,081,581	91%
Interest and investment earnings	63,449	0%
Capital grants and contributions	105,000	1%
Operating grants and contributions	299,314	2%
Charges for services	744,831	4%
Other revenues	114,899	1%
Total Revenue	<u>15,409,074</u>	<u>100%</u>
Expenses		
Personnel	8,334,737	57%
Operating expenses	2,320,128	16%
Grant-foundation	109,115	1%
Books & materials	1,789,578	12%
Enterprise	392,052	3%
Depreciation and amortization - general fund	1,170,174	8%
Library corporation	256,212	2%
Interest expense	217,271	1%
Total Expenses	<u>14,589,267</u>	<u>100%</u>
Change In Net Position	<u>819,807</u>	
Net Position - Beginning (Restated)	<u>15,125,333</u>	
Net Position - Ending	<u>\$ 15,945,140</u>	

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2015
(Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

STATEMENT OF ACTIVITIES

While the Statement of Net Position shows the financial position of the Library, the Statement of Activities provides answers as to the nature and source of these changes. The Library's main source of revenue, property tax, is approximately 91% of the Library's total revenue. The property tax revenue source increased approximately 2%.

The personnel expense represents approximately 57% of total expenses.

BUDGET HIGHLIGHTS

The Library adopts an annual Operating Budget following budget workshops with the Board of Trustees and a vote of the entire Board of Trustees. The operating budget includes proposed expenses and the means of financing them. The Library's operating budget is amended during the year if unusual events occurred. A fiscal year 2015 budget comparison for the current month and year to date is presented to management and the Board of Trustees as interim financial statements; however, they are not reported on nor shown on the financial statements section of this report.

The Library's actual expenses, overall, were under budget by \$812,365. A 2015 budget comparison and analysis is presented in Table A-3 on page 8.

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2015
(Continued)**

BUDGET HIGHLIGHTS (Continued)

BUDGET TO ACTUAL - 2015

TABLE A-3 2015 BUDGET TO ACTUAL

SUPPORT AND REVENUES	Budget	Actual	Budget - Postive (Negative)
KY Dept. of Libraries and Archives	\$ 118,764	\$ 121,479	\$ 2,715
Grants, other	105,000	108,068	3,068
LFUCG tax revenue	14,081,581	14,081,581	
Contributions	160,000	174,767	14,767
Enterprise fund revenue	443,500	465,724	22,224
Fines and lost books	268,823	279,107	10,284
Interest income	42,515	63,449	20,934
Rental income	2,000	10,186	8,186
Miscellaneous	45,000	104,713	59,713
Total support and revenues	<u>15,267,183</u>	<u>15,409,074</u>	<u>141,891</u>
EXPENSES			
Personnel	8,563,946	8,409,988	153,958
Operating expenses	2,372,996	2,320,128	52,868
Library materials	1,821,837	1,789,578	32,259
Foundation expenses	70,000	32,414	37,586
Grant Expenses/foundation gift		26,525	(26,525)
Depreciation/interest- enterprise	257,100	252,077	5,023
Enterprise expenses	149,300	139,975	9,325
Capital purchases	5,598,684	5,202,963	395,721
Other expenditures/expenses	256,212	256,212	
Debt service	507,468	537,033	(29,565)
Friends donation	90,000	50,176	39,824
Total expenses	<u>19,687,543</u>	<u>19,017,069</u>	<u>670,474</u>
Expenditures Over Support and Revenues	(4,420,360)	(3,607,995)	812,365
Other Financing			
Debt issuance		2,145,929	2,145,929
Net other financing		2,145,929	2,145,929
Changes in fund balances	(4,420,360)	(1,462,066)	2,958,294
Fund balances- beginning of year	<u>9,675,890</u>	<u>9,675,890</u>	
FUND BALANCES-END OF YEAR	<u><u>\$ 5,255,530</u></u>	<u><u>\$ 8,213,824</u></u>	<u><u>\$ 2,958,294</u></u>

**Lexington Public Library
Management's Discussion and Analysis
June 30, 2015
(Continued)**

CAPITAL ASSETS

The Library invested a total of \$5,328,221 in capital assets purchased and in building improvements. The Library will continue to invest in new technology and replace capital assets and study expansion plans in accordance with the Library's strategic plan. Also, the Library will be relocating the Eagle Creek Branch in fiscal year 2015.

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, 2015 amounted to \$2,702,016. This debt had an original principal balance of \$3,515,000. The debt was used to purchase the parking garage (\$3,001,000) and provide cash (\$514,000) for the renovation of the garage. This garage debt will be repaid through the operation of the parking garage.

Governmental Long-Term Debt

In September 2008, the Library closed on financing for the Northside branch with the Kentucky League of Cities. Financing consists of two notes. The first note is a twenty-year loan for \$5,200,000 at a fixed rate of 3.89%. The second note is a twenty-year loan for \$1,500,000 with a variable rate. The total balance of both loans was \$3,765,818 at June 30, 2015. During the past fiscal year the Library transferred \$256,212 to the Public Library Corporation to pay current debt service.

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%. Bond payments are due every February and August. The outstanding bond payable amount was \$1,023,750 at June 30, 2015.

On December 30, 2014, the Library closed on financing for the relocation project related to the Eagle Creek Branch with Kentucky Bank. The construction lease has a borrowing capacity of \$5,500,000. As of June 30, 2015, \$2,145,929 has been drawn on the construction lease. The construction lease has a fixed rate of 2.78%. Repayment of the lease is not due until the lease is fully paid out to the Library.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's progress in funding its obligation to provide pension benefits to its employees.

CONTACTING THE LIBRARY FINANCIAL MANAGER

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION**

June 30, 2015

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,955,874	\$ 2,070	\$ 5,957,944
Short-term investments - unrestricted	3,551,157		3,551,157
Accounts receivable			
Due from enterprise fund	245,506		245,506
Due from general fund		204,584	204,584
Other	9,939	29,964	39,903
Prepaid expenses	32,996		32,996
Other assets	101,152		101,152
Total Current Assets	9,896,624	236,618	10,133,242
Noncurrent Assets:			
Capital assets			
Nondepreciable	8,212,730		8,212,730
Depreciable, net	13,834,832	2,852,456	16,687,288
Total Noncurrent Assets	22,047,562	2,852,456	24,900,018
Total Assets	31,944,186	3,089,074	35,033,260
Deferred Outflows of Resources	653,251		653,251
Total Assets and Deferred Outflows of Resources	32,597,437	3,089,074	35,686,511
LIABILITIES			
Current Liabilities:			
Accounts payable	496,486	31	496,517
Accrued payroll	312,307		312,307
Accrued vacation	311,312		311,312
Payroll liabilities	160,512		160,512
Loss contingency	316,253		316,253
Unearned revenue		501	501
Accrued interest payable	22,366		22,366
Due to enterprise fund	204,584		204,584
Due to general fund		245,506	245,506
Current portion of long-term debt	523,638	125,000	648,638
Total Current Liabilities	2,347,458	371,038	2,718,496
Noncurrent Liabilities:			
Net pension obligation	7,227,000		7,227,000
Bonds payable	6,411,859	2,577,016	8,988,875
Total Noncurrent Liabilities	13,638,859	2,577,016	16,215,875
Total Liabilities	15,986,317	2,948,054	18,934,371
Deferred Inflows of Resources	807,000		807,000
Total Liabilities and Deferred Inflows of Resources	16,793,317	2,948,054	19,741,371
NET POSITION			
Net investment in			
Capital assets	15,112,065	150,440	15,262,505
Restricted For:			
Grants and bond	214,033		214,033
Unrestricted	478,022	(9,420)	468,602
Total Net Position	\$ 15,804,120	\$ 141,020	\$ 15,945,140

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

**LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2015
(With Comparative Totals For the Year Ended June 30, 2014)**

LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015

Functions/Programs	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Personnel	\$ 8,334,737	\$	\$	\$
Operating expenses	2,320,128			
Foundation	32,414		105,840	
Grant expenses	26,525		3,068	
Friends program support	50,176		68,927	
Construction				105,000
Books and materials	1,789,578	279,107	121,479	
Depreciation/Amortization	1,170,174			
Interest expense	217,271			
Library Corporation payments	256,212			
Total Governmental Activities	<u>14,197,215</u>	<u>279,107</u>	<u>299,314</u>	<u>105,000</u>
Business-type Activities:				
Printing charges and purchases	37,355	84,471		
Parking garage	102,620	381,253		
Operating expenses				
Interest expense	128,584			
Depreciation/Amortization	123,493			
Total Business-type Activities	<u>392,052</u>	<u>465,724</u>		
Total Primary Government	<u>\$ 14,589,267</u>	<u>\$ 744,831</u>	<u>\$ 299,314</u>	<u>\$ 105,000</u>

General Revenues:

Property taxes for general purposes
Interest and investment earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position- Beginning (Restated)

Net Position - Ending

LEXINGTON PUBLIC LIBRARY
STATEMENT OF ACTIVITIES (Continued)
For The Year Ended June 30, 2015

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (8,334,737)	\$	\$ (8,334,737)
(2,320,128)		(2,320,128)
73,426		73,426
(23,457)		(23,457)
18,751		18,751
105,000		105,000
(1,388,992)		(1,388,992)
(1,170,174)		(1,170,174)
(217,271)		(217,271)
(256,212)		(256,212)
<u>(13,513,794)</u>		<u>(13,513,794)</u>
	47,116	47,116
	278,633	278,633
	0	0
	(128,584)	(128,584)
	<u>(123,493)</u>	<u>(123,493)</u>
	<u>73,672</u>	<u>73,672</u>
<u>(13,513,794)</u>	<u>73,672</u>	<u>(13,440,122)</u>
14,081,581		14,081,581
62,549	900	63,449
100,524	14,375	114,899
<u>14,244,654</u>	<u>15,275</u>	<u>14,259,929</u>
730,860	88,947	819,807
<u>15,073,260</u>	<u>52,073</u>	<u>15,125,333</u>
<u>\$ 15,804,120</u>	<u>\$ 141,020</u>	<u>\$ 15,945,140</u>

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

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

June 30, 2015

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

ASSETS	General Fund	Library Collection Materials Fund	Construction Fund	2015 Total Governmental Funds
ASSETS				
Current Assets				
Cash and cash equivalents				
Unrestricted	\$ 5,857,685	\$	\$	\$ 5,857,685
Restricted	65,955		32,234	98,189
Short-term investments - Unrestricted	3,405,150			3,405,150
Short-term investments - Restricted	146,007			146,007
Accounts receivable - other	9,939			9,939
Due from other funds	2,791,654	553,586		3,345,240
Due from business type funds	245,506			245,506
Prepaid expenses	32,996			32,996
Other assets	101,152			101,152
	<u>101,152</u>			<u>101,152</u>
 Total assets	 <u>\$ 12,656,044</u>	 <u>\$ 553,586</u>	 <u>\$ 32,234</u>	 <u>\$ 13,241,864</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ 496,486	\$	\$	\$ 496,486
Accrued payroll	312,307			312,307
Accrued vacation	311,312			311,312
Accrued interest	22,366			22,366
Payroll liabilities	160,512			160,512
Loss contingency	316,253			316,253
Due to business type funds	204,584			204,584
Due to other funds	553,586		2,791,654	3,345,240
	<u>2,377,406</u>		<u>2,791,654</u>	<u>5,169,060</u>
Total current liabilities				
FUND BALANCES:				
Restricted for:				
Little grant	2,071			2,071
Foundation expenditures	211,962			211,962
Committed for:				
Buildings, renewal and replacement	2,000,000			2,000,000
New branch	1,000,000			1,000,000
Emergency fund	300,000			300,000
Technology Enhancements and Innovation	100,000			100,000
Assigned for:				
Book purchases		553,586		553,586
Capital construction			(2,759,420)	(2,759,420)
Unassigned	6,664,605			6,664,605
Total Fund Balances	<u>10,278,638</u>	<u>553,586</u>	<u>(2,759,420)</u>	<u>8,072,804</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,656,044</u>	<u>\$ 553,586</u>	<u>\$ 32,234</u>	<u>\$ 13,241,864</u>

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

LEXINGTON PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
June 30, 2015

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

Total Fund Balances	\$ 8,072,804
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.	22,047,562
Long-term Liability	
Deferred Outflows of Resources Are Expensed in the Current Period and, Therefore, Are Not Reported in the Governmental Funds.	653,251
Net Pension Obligation Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	(7,227,000)
Deferred Inflows of Resources Are Not Due and Payable in the Current Period and, Therefore, Are Not Reported in the Governmental Funds.	(807,000)
Short-term and Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
Bonds debt	<u>(6,935,497)</u>
Net Position Of Governmental Activities	<u>\$ 15,804,120</u>

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

For The Year Ended June 30, 2015

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2015

	<u>General Fund</u>	<u>Library Collection Materials Fund</u>	<u>Construction Fund</u>
SUPPORT			
Grants			
Ky Dept of Libraries and Archives	\$ 121,479	\$	\$
Construction grant			105,000
Grants, other	3,068		
LFUCG appropriation			
Unrestricted	12,259,744		
Restricted		1,821,837	
Donations			
Foundation (restricted)	105,840		
Friends (unrestricted)	68,927		
Total support	<u>12,559,058</u>	<u>1,821,837</u>	<u>105,000</u>
REVENUE			
Fines and lost books	279,107		
Investment income			
Unrestricted	62,549		
Rental income	10,186		
Miscellaneous	90,338		
Total revenue	<u>442,180</u>		
Total support and revenue	<u>13,001,238</u>	<u>1,821,837</u>	<u>105,000</u>
EXPENDITURES			
Salaries and employee benefits	8,409,988		
Operating expenditures	2,320,128		
Books and materials		1,789,578	
Operating sublease expenditures	256,212		
Friends program support	50,176		
Grant expenditures/foundation gifts	26,525		
Foundation expenditures	32,414		
Debt services	217,271		
Total Expenditures	<u>11,312,714</u>	<u>1,789,578</u>	
Support and revenue over expenditures	<u>1,688,524</u>	<u>32,259</u>	<u>105,000</u>
OTHER FINANCING SOURCES (USES)			
Principal payment on debt	(101,250)		(218,512)
Purchase of property and equipment	(1,157,256)		(4,045,707)
Deposit paid on new branch building			
Issurance of long-term debt			2,145,929
Net other financing (uses)	<u>(1,258,506)</u>		<u>(2,118,290)</u>
Net change in Fund Balances	430,018	32,259	(2,013,290)
Fund Balances - Beginning	<u>9,848,620</u>	<u>521,327</u>	<u>(746,130)</u>
Fund Balances - Ending	<u>\$ 10,278,638</u>	<u>\$ 553,586</u>	<u>\$ (2,759,420)</u>

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

LEXINGTON PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
For The Year Ended June 30, 2015

	2015 Totals
	<u>Governmental Funds</u>
SUPPORT	
Grants	
Ky Dept of Libraries and Archives	\$ 121,479
Construction grant	105,000
Grants, other	3,068
LFUCG appropriation	
Unrestricted	12,259,744
Restricted	1,821,837
Donations	
Foundation (restricted)	105,840
Friends (unrestricted)	68,927
Total support	<u>14,485,895</u>
REVENUE	
Fines and lost books	279,107
Investment income	
Unrestricted	62,549
Rental income	10,186
Miscellaneous	90,338
Total revenue	<u>442,180</u>
Total support and revenue	<u>14,928,075</u>
EXPENDITURES	
Salaries and employee benefits	8,409,988
Operating expenditures	2,320,128
Books and materials	1,789,578
Operating sublease expenditures	256,212
Friends program support	50,176
Grant expenditures/foundation gifts	26,525
Foundation expenditures	32,414
Debt services	217,271
Total Expenditures	<u>13,102,292</u>
Support and revenue over expenditures	<u>1,825,783</u>
OTHER FINANCING SOURCES (USES)	
Principal payment on debt	(319,762)
Purchase of property and equipment	(5,202,963)
Deposit paid on new branch building	
Issurance of long-term debt	2,145,929
Net other financing (uses)	<u>(3,376,796)</u>
Net change in Fund Balances	(1,551,013)
Fund Balances - Beginning	<u>9,623,817</u>
Fund Balances - Ending	<u>\$ 8,072,804</u>

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

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

For The Year Ended June 30, 2015

LEXINGTON PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	(1,551,013)
--	----	-------------

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciable assets		5,202,963
Depreciation expense		(1,170,174)

Pension expense related to long-term Net Pension Obligations that is not included in the Governmental Funds		75,251
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The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net position.

Bond Debt Principal Payments		(1,826,167)
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Change in Net Position of Governmental Activities	\$	<u>730,860</u>
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**LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2015

LEXINGTON PUBLIC LIBRARY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	Enterprise Fund	Parking Fund	2015 Total Proprietary Fund
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,070	\$ 1,000	\$ 2,070
Accounts receivables		29,964	29,964
Due from general fund	204,584		204,584
Prepaid expenses			
Total current assets	205,654	30,964	236,618
Noncurrent assets			
Capital assets, net of depreciation	119,569	2,732,887	2,852,456
TOTAL ASSETS	\$ 325,223	\$ 2,763,851	\$ 3,089,074
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 8	\$ 23	\$ 31
Unearned revenue		501	501
Due to general fund		245,506	245,506
Current portion of long-term debt		125,000	125,000
Total current liabilities	8	371,030	371,038
Long-term debt			
Total liabilities	8	2,948,046	2,948,054
Net position			
Invested in capital assets, net of related debt	119,569	30,871	150,440
Unrestricted	205,646	(215,066)	(9,420)
Total net position	325,215	(184,195)	141,020
TOTAL LIABILITIES AND NET POSITION	\$ 325,223	\$ 2,763,851	\$ 3,089,074

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

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

For The Year Ended June 30, 2015

LEXINGTON PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For The Year Ended June 30, 2015

	Enterprise Fund	Parking Fund	2015 Total Proprietary Fund
Operating revenues			
Video rentals and fines	\$ 32	\$	\$ 32
Copy sales	84,439		84,439
Parking garage		381,253	381,253
Miscellaneous revenue	14,345	30	14,375
Total operating revenues	<u>98,816</u>	<u>381,283</u>	<u>480,099</u>
Operating expenses			
Operating expenses	37,355	102,620	139,975
Depreciation	31,885	91,608	123,493
Total operating expenses	<u>69,240</u>	<u>194,228</u>	<u>263,468</u>
Total operating income	<u>29,576</u>	<u>187,055</u>	<u>216,631</u>
Nonoperation revenues and (expenses)			
Interest income	600	300	900
Interest expense		(128,584)	(128,584)
Total nonoperation revenues (expenses)	<u>600</u>	<u>(128,284)</u>	<u>(127,684)</u>
Change in net position	30,176	58,771	88,947
Total net position-beginning	<u>295,039</u>	<u>(242,966)</u>	<u>52,073</u>
TOTAL NET POSITION-ENDING	<u><u>\$ 325,215</u></u>	<u><u>\$ (184,195)</u></u>	<u><u>\$ 141,020</u></u>

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

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

For The Year Ended June 30, 2015

LEXINGTON PUBLIC LIBRARY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2015

	Enterprise Fund	Parking Fund	2015 Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 98,816	\$ 364,959	\$ 463,775
Payroll payments		(29,517)	(29,517)
Payments to suppliers	(37,355)	(65,312)	(102,667)
Net cash provided by operating activities	<u>61,461</u>	<u>270,130</u>	<u>331,591</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer to general fund	(62,061)	(48,305)	(110,366)
Bond principal debt paid		(93,541)	(93,541)
Interest paid on capital debt		(128,584)	(128,584)
Net cash used by capital and related financing activities	<u>(62,061)</u>	<u>(270,430)</u>	<u>(332,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>600</u>	<u>300</u>	<u>900</u>
Net cash provided by investing activities	<u>600</u>	<u>300</u>	<u>900</u>
Net increase in cash and cash equivalents			
Balances-beginning of year	<u>1,070</u>	<u>1,000</u>	<u>2,070</u>
BALANCES-END OF THE YEAR	<u><u>\$ 1,070</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 2,070</u></u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 29,576	\$ 187,055	\$ 216,631
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	31,885	91,608	123,493
Changes in asset and liabilities			
Accounts receivable		(16,324)	(16,324)
Prepaid expenses		7,791	7,791
Interest payable			
Net cash provided by operating activities	<u><u>\$ 61,461</u></u>	<u><u>\$ 270,130</u></u>	<u><u>\$ 331,591</u></u>

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

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LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Nature of Organization

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

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

Basis of Presentation

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

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

Basic Financial Statements

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

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

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

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

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

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

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

The government has no non-major governmental funds.

Proprietary Funds

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

The primary government reports the following major proprietary funds:

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

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

Blended Entity Component Unit

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

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

Short-Term Investment

Short-term investments consist of certificates of deposit with initial maturities of twelve months or less. Fair value approximates carrying amounts.

Capital Assets

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

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. The Foundation’s 2011 - 2015 tax years remain open and subject to examination.

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 of the Kentucky Retirement Systems (KRS) have been determined on the same basis (CERS) as they are reported by the KRS for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized with due and payable on accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2014.

Cash and Cash Equivalents

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

Estimates

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

Subsequent Events

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

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Balance Classification Policies and Procedures

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

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

Note 2. Cash and Investments

Kentucky Revised Statutes authorize governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

The carrying amount of the Library's cash and cash equivalents deposits at June 30, 2015 was \$5,957,944. The carrying amount of the Library's short-term investments at June 30, 2015 was \$3,551,157.

Note 3. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note 4. Lexington-Fayette Urban County Government Agreements

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

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

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Reclasss from Other Noncurrent Asset	
Primary Government:				
<u>Governmental Activities:</u>				
Depreciable capital assets				
Land improvements	\$ 70,279	\$	\$	\$ 70,279
Village branch construction	833,804	7,487		841,291
Buildings and improvements	22,859,108	311,820		23,170,928
Furniture/equipment	9,084,816	837,949		9,922,765
	<u>32,848,007</u>	<u>1,157,256</u>		<u>34,005,263</u>
Less: accumulated depreciation:	<u>19,000,257</u>	<u>1,170,174</u>		<u>20,170,431</u>
Depreciable capital assets, net	<u>\$ 13,847,750</u>	<u>\$ (12,918)</u>	<u>\$</u>	<u>\$ 13,834,832</u>
Nondepreciable capital assets				
Land	\$ 3,539,842	\$	\$	\$ 3,539,842
Construction in progress		4,045,707	150,000	4,195,707
Artistic clock	477,181			477,181
	<u>\$ 4,017,023</u>	<u>\$ 4,045,707</u>	<u>\$ 150,000</u>	<u>\$ 8,212,730</u>
Business-Type Activities:				
Furniture/equipment	\$ 159,426	\$	\$	\$ 159,426
Parking garage & improvements	3,465,758	125,258		3,591,016
	<u>3,625,184</u>	<u>125,258</u>		<u>3,750,442</u>
Less: accumulated depreciation	<u>774,492</u>	<u>123,494</u>		<u>897,986</u>
Capital assets net	<u>\$ 2,850,692</u>	<u>\$ 1,764</u>	<u>\$</u>	<u>\$ 2,852,456</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged as follows:

<u>Governmental Activities:</u>	
Total Depreciation Expense - Governmental Activities	<u>\$ 1,170,174</u>
<u>Business-Type Activities</u>	
Total Depreciation Expense - Business-Type Activities	<u>\$ 123,494</u>

Note 6. Retirement Plan

General Information about the Pension Plan

Plan description. Employees of the Library are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the KRS. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publically available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. Kentucky Revised Statue 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. 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 and the member's years of service credit. 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.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 6. Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they 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, 2015, employer contributions for the Library were \$902,985 based on a rate of 17.67% 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 (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. (See Note 13 for a restatement related to the net pension liability.)

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 percent
Salary increases	Representative values of the assumed annual rates of future salary increases from 4.75%-13.0% for nonhazardous members and 4.5%-20.0% for hazardous members, including inflation.
Investment rate of return	7.75% per annum, compounded annual for retirement and insurance benefits.

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 6. Retirement Plan (Continued)

Net Pension Liability (Continued)

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Table for other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2005 through June 30, 2008. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below.). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumptions is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	8.45%	30.00%
International Equity	8.85%	22.00%
Emerging Market Equity	10.50%	5.00%
Private Equity	11.25%	7.00%
Real Estate	7.00%	5.00%
Core US Fixed Income	5.25%	10.00%
High Yield US Fixed Income	7.25%	5.00%
Non US Fixed Income	5.50%	5.00%
Commodities	7.75%	5.00%
TIPS	5.00%	5.00%
Cash	3.25%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.75 percent based on a blending of the factors described above.

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 6. Retirement Plan (Continued)

Net Pension Liability (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Library will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Library calculated using the discount rate of 7.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Lexington Library's net pension liability	\$ 9,510,251	\$ 7,227,000	\$ 5,209,698

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

Pension expense. For the year ended June 30, 2015, the Library recognized pension expense of \$578,000.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note 7. Interfund Transactions

Interfund loans on the fund statements at June 30, 2015 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payable</u>
General Fund	\$ 3,037,160	\$ 758,170
Collection Materials	553,586	
Construction		2,791,654
Proprietary Funds	<u>204,584</u>	<u>245,506</u>
	<u>\$ 3,795,330</u>	<u>\$3,795,330</u>

Note 8. Risk Management

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

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note 9. Long-Term Liabilities

A. Parking Garage Debt

The Library purchased the Park Plaza Garage on April 29, 2005 through a competitive bid process for \$3,001,000. The Library's Board of Trustees determined that in the long-term interest of the Lexington Public Library the purchase and operation of the parking garage was required. It was also determined that an additional \$514,000 would be required to repair and improve the facility. The Library borrowed \$3,515,000 from the Kentucky League of Cities for a term of 29 years. The debt was broken down into a fixed rate loan of \$2,970,000 with a rate of 4.28% and a variable rate loan of \$545,000. The final maturity of the debt is April 21, 2034. The variable rate is based on an assumed rate that is established at the beginning of each fiscal year. The effective rate at June 30, 2015 was 3.49%. The outstanding balance was \$2,702,016.

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 125,000	\$ 83,767	\$ 208,767
2017	100,000	101,098	201,098
2018	108,585	118,881	227,466
2019	174,966	52,485	227,451
2020	114,291	111,857	226,148
2021-2025	660,394	470,029	1,130,423
2026-2030	836,865	303,133	1,139,998
2031-2034	581,915	185,968	767,883
Totals	<u>\$ 2,702,016</u>	<u>\$ 1,427,218</u>	<u>\$ 4,129,234</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note 9. Long-Term Liabilities (Continued)

B. Northside Branch Debt

The Library obtained financing for the construction of the Northside branch on September 21, 2008. The Library borrowed \$6,700,000 from the Kentucky League of Cities for a term of 20 years. The debt was broken down into a fixed rate loan of \$5,200,000 with a rate of 3.89% and a variable rate loan of \$1,500,000. The final maturity of the debt is November 1, 2027. The variable rate is based on a weekly rate that is reported to the Kentucky League of Cities by the remarketing agent. At June 30, 2015 the effective rate was 3.21%. The outstanding balance was \$3,765,818.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 248,470	\$ 174,505	\$ 422,975
2017	240,181	162,824	403,005
2018	251,433	151,572	403,005
2019	263,496	139,509	403,005
2020	275,905	127,100	403,005
2021-2025	1,957,946	487,038	2,444,984
2026-2028	528,387	15,592	543,979
Totals	<u>\$ 3,765,818</u>	<u>\$ 1,258,140</u>	<u>\$ 5,023,958</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%. Bonds payments are due every February and August. The outstanding bond payable amount was \$1,023,750 at June 30, 2015.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 75,000	\$ 35,212	\$ 110,212
2017	75,000	32,962	107,962
2018	80,000	30,712	110,712
2019	80,000	28,312	108,312
2020	85,000	25,912	110,912
2021-2025	455,000	88,438	543,438
2026-2027	173,750	12,400	186,150
Totals	<u>\$ 1,023,750</u>	<u>\$ 253,948</u>	<u>\$ 1,277,698</u>

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note 9. Long-Term Liabilities (Continued)

D. Relocation of Eagle Creek Branch Debt

On December 30, 2014, the Library closed on financing with Kentucky Bank for the relocation project related to the Eagle Creek Branch. The construction lease has a borrowing capacity of \$5,500,000. As of June 30, 2015, \$2,145,929 has been drawn on the construction lease. The construction lease has a fixed rate of 2.78%. Repayment of the lease is not required until the lease is fully accessed by the Library. The outstanding balance was \$2,145,929 at June 30, 2015.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 200,168	\$ 57,119	\$ 257,287
2017	205,804	51,483	257,287
2018	211,599	45,688	257,287
2019	217,557	39,730	257,287
2020	223,683	33,604	257,287
2021-2025	1,087,118	70,674	1,157,792
Totals	<u>\$ 2,145,929</u>	<u>\$ 298,298</u>	<u>\$ 2,444,227</u>

E. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Additional principal payment	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>						
Debt Obligations	\$ 3,984,330	\$ 2,145,929	\$ 218,512	\$	\$ 5,911,747	\$ 448,638
Bond	1,125,000		70,000	31,250	1,023,750	75,000
Governmental Activities Long-term Liabilities	<u>\$ 5,109,330</u>	<u>\$ 2,145,929</u>	<u>\$ 288,512</u>	<u>\$ 31,250</u>	<u>\$ 6,935,497</u>	<u>\$ 523,638</u>

<u>Business-Type Activities</u>	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Debt Obligations	<u>\$2,795,557</u>	<u>\$ 93,541</u>	<u>\$ 2,702,016</u>	<u>\$ 125,000</u>
Business-Type Activities Long-term Liabilities	<u>\$2,795,557</u>	<u>\$ 93,541</u>	<u>\$ 2,702,016</u>	<u>\$ 125,000</u>

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 10. 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, 2015 was \$311,312.

Note 11. Contingencies and Commitments

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

On February 21, 2014, the Fayette Circuit Court ruled that the Arbitration Panel exceeded its authority on several issues and entered an Opinion and Order reducing the award to the Plaintiff to \$256,940, representing unpaid salary for the term of the contract. The plaintiff filed an appeal with the Kentucky Court of Appeals and the Library has filed a Cross-Appeal that the award of unpaid salary for the balance of the original term of the contract is in contravention of Kentucky law. The appeal is pending in the Kentucky Court of Appeals and presently there has been no settlement conference scheduled. Because of the caseload of the Kentucky Court of Appeals it is likely that the appeal schedule will take about a year to proceed through the Court of Appeals. Counsel for the Library is unable to opine at this point as to the outcome of the appeal.

It is probable that the damages awarded for salary remaining on the contract will be upheld as well as interest damages at 8% per annum per Kentucky statute. As such, the Lexington Public Library has recorded a liability of \$316,253 for damages in the lawsuit filed by its former Director.

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

Through cancelable lease and sublease agreements, the Library is leasing the Tates Creek Branch from the Corporation for an annual rental equal to the annual debt service on the bonds. As of June 30, 2015 the Library is committed to fund a total of \$2,078,518 through fiscal year 2020 for this purpose.

LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note 12. Blended Component Unit – Lexington Public Library Foundation

GASB 61: *The Financial Reporting Entity: Omnibus* was implemented during fiscal year 2014. This statement amended the criteria for blending component units. As a result of this new evaluation, the Foundation is presented as a blended entity. The financial data of the Lexington Public Library Foundation, Inc., is reported on the Statement of Net Position and the Statement of Activities in the column labeled “Governmental Activities”. The Foundation collects restricted donations made to the Library. The primary source of revenue for the Foundation is from library patronages. The major expense for the Foundation is fundraising related expenses. The Foundation’s financial data is also included in the Balance Sheet – Governmental Funds and the Statement of Support, Revenue, Expenditures and Changes in Fund Balances – Governmental Funds in the column labeled “General Fund”.

Note 13. Restatement of Beginning Net Position Related to Fiscal Year 2014

Beginning net position for governmental activities for fiscal year 2014 was restated to implement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and record the beginning pension liability. The net position for June 30, 2013 was not restated as information was not available to allow the restatement of the 2014 financial statements as the retirement plan did not measure the pension liability as of June 30, 2013 as such, only the liability has been restated as of June 30, 2014.

Statement of Net Position

Net position - Governmental Activities, June 30, 2014, prior to restatement	\$ 22,581,333
June 30, 2014 Pension Liability	<u>(7,456,000)</u>
Net position - Governmental Activities, June 30, 2014 (Restated)	<u><u>\$ 15,125,333</u></u>

Information was not available to allow the restatement of the 2014 financial statements as the retirement plan did not measure the pension liability as of June 30, 2013.

Note 14. Deficit Fund Balance – Construction Fund

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

Note 15. Future Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value and Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

This statement establishes standards for valuation techniques to measure fair value. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

**LEXINGTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Note 15. Future Accounting Pronouncements (Continued)

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

This statement establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The Library is currently evaluating the impact that will result from adopting GASB No. 72 and GASB No. 75 and is therefore unable to disclose the impact that adopting these Standards will have on the Library's financial position and the results of its operations when the Statement is adopted.

**LEXINGTON PUBLIC LIBRARY
SUPPLEMENTAL INFORMATION**

For The Year Ended June 30, 2015

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION – GENERAL FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
For The Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT				
Grants				
KY Dept. of Libraries and Archives	\$ 118,764	\$ 118,764	\$ 121,479	\$ 2,715
Grants, other			3,068	3,068
LFUCG appropriation				
Unrestricted	12,192,293	12,259,744	12,259,744	
Donations				
Restricted	90,000	90,000	105,840	15,840
Unrestricted	70,000	70,000	68,927	(1,073)
Total support	<u>12,471,057</u>	<u>12,538,508</u>	<u>12,559,058</u>	<u>20,550</u>
REVENUE				
Fines and lost books	268,823	268,823	279,107	10,284
Interest earned				
Unrestricted	42,515	42,515	62,549	20,034
Rental income	2,000	2,000	10,186	8,186
Miscellaneous	45,000	45,000	90,338	45,338
Total revenue	<u>358,338</u>	<u>358,338</u>	<u>442,180</u>	<u>83,842</u>
Total support and revenue	<u>12,829,395</u>	<u>12,896,846</u>	<u>13,001,238</u>	<u>104,392</u>
EXPENDITURES				
Salaries wages and employee benefits	8,563,946	8,563,946	8,409,988	153,958
Operating expenses	2,372,996	2,372,996	2,320,128	52,868
Construction				
Transfer to LPL Corporation	256,212	256,212	256,212	
Grant expense/foundation gifts	90,000	90,000	26,525	63,475
Foundation	70,000	70,000	32,414	37,586
Debt Service	402,468	402,468	217,271	185,197
Friends program support			50,176	(50,176)
Total expenses	<u>11,755,622</u>	<u>11,755,622</u>	<u>11,312,714</u>	<u>442,908</u>
Support and revenue over expenses	1,073,773	1,141,224	1,688,524	547,300
Other changes				
Principal payment on debt			(101,250)	(101,250)
Purchases of property & equipment	(812,255)	(812,255)	(1,157,256)	(345,001)
Net increase in fund balances	261,518	328,969	430,018	101,049
Fund balances-				
beginning of year	<u>9,848,620</u>	<u>9,848,620</u>	<u>9,848,620</u>	
FUND BALANCES-END OF YEAR	<u>\$ 10,110,138</u>	<u>\$ 10,177,589</u>	<u>\$ 10,278,638</u>	<u>\$ 101,049</u>

LEXINGTON PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION – LIBRARY COLLECTION MATERIALS FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (Continued)
For The Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT				
LFUCG appropriations	\$ 1,821,837	\$ 1,821,837	\$ 1,821,837	\$
Total support	<u>1,821,837</u>	<u>1,821,837</u>	<u>1,821,837</u>	
REVENUE				
Interest earned				
Restricted				
Total revenue				
Total support and revenue	<u>1,821,837</u>	<u>1,821,837</u>	<u>1,821,837</u>	
EXPENSES				
Books and materials	1,821,837	1,821,837	1,789,578	32,259
Total expenses	<u>1,821,837</u>	<u>1,821,837</u>	<u>1,789,578</u>	<u>32,259</u>
Net increase in fund balances			32,259	32,259
Fund balances-				
beginning of year	<u>521,327</u>	<u>521,327</u>	<u>521,327</u>	
FUND BALANCES-END OF YEAR	<u>\$ 521,327</u>	<u>\$ 521,327</u>	<u>\$ 553,586</u>	<u>\$ 32,259</u>

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

	<u>2014</u>
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,244,377,000
Employer's Proportion (Percentage) of Net Pension Liability	0.22%
Employer's Proportion (Amount) of Net Pension Liability	\$ 7,227,000
Employer's Covered-Employer payroll	\$ 5,110,035
Employer's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	141.43%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146
Total Pension's Plan Pension Liability	\$ 9,772,523
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%

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

	<u>2015</u>
Actuarially determined contribution	\$ 653,251
Contributions in relation to the actuarially determined contribution	653,251
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	5,123,537
Contributions as a percentage covered- employee payroll	12.75%

NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES RETIREMENT SYSTEM OF KRS INFORMATION

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the June 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation	5-year smoothed market
Inflation	4.0 percent
Salary increases	4.75% - 13.0%
Investment Rate of Return	7.75 percent, net of investment expense, including
inflation Retirement age	65 years or 27 years of service regardless of age



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

To the Board of Directors of
Lexington Public Library

We have audited, in accordance with the 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 ("the Library") as of and for the year ended June 30, 2015 and the related notes to the financial statements which collectively comprise the Library's basic financial statement and have issued our report thereon dated September 4, 2015.

Internal Control over Financial Reporting

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

**Kentucky
Indiana
Ohio**

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

Compliance and Other Matters

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

Purpose of this Report

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



Lexington, Kentucky
September 4, 2015