

AUDITED STATEMENT OF CASH RECEIPTS AND CASH
DISBURSEMENTS LAWRENCE COUNTY PUBLIC LIBRARY
CONSTRUCTION PROJECT
AND
INDEPENDENT AUDITOR'S REPORTS

For the Period July 1, 2006 to June 30, 2010



WELLS & COMPANY, P.S.C.

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**LAWRENCE COUNTY PUBLIC LIBRARY
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INDEPENDENT AUDITOR'S REPORT

Kentucky Department for Libraries and Archives
Board of Trustees, Lawrence County Public Library
Louisa, Kentucky

We have audited the accompanying statement of cash receipts and cash disbursements of the Lawrence County Public Library Construction Project of the Lawrence County Public Library for the project period July 1, 2006 to June 30, 2010. This financial statement is the responsibility of the management of the Lawrence County Public Library. Our responsibility is to express an opinion on this statement of cash receipts and cash disbursements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Lawrence County Public Library Construction Project and are not intended to present fairly the financial position and results of operations of the Lawrence County Public Library in conformity with generally accepted accounting principles in the United States of America.

In our opinion, the financial statement referred to in the first paragraph present fairly, in all material respects, the cash receipts and cash disbursements of the Lawrence County Public Library Construction Project of the Lawrence County Public Library as of June 30, 2010 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010, on our consideration of the Lawrence County Public Library's internal control over financial reporting and 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 should be considered in assessing the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees, and the Kentucky Department for Libraries and Archives and is not intended to be used and should not be used by anyone other than these specified parties.

Wells & Company, P.S.C.

Certified Public Accountants
Paintsville, Kentucky
November 22, 2010

**LAWRENCE COUNTY PUBLIC LIBRARY
LAWRENCE COUNTY PUBLIC LIBRARY CONSTRUCTION PROJECT
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Period July 1, 2006 to June 30, 2010**

Receipts:

Bond proceeds, net of discount	\$2,851,200
KDLA Grant (debt retirement assistance)	300,000
Local matching	846,019
Investment income	<u>13,899</u>
 Total receipts	 <u>4,011,118</u>

Disbursements:

Construction	3,077,745
Architect's fees	226,719
Land acquisition and improvements	70,112
Furniture and equipment	98,505
Moving	9,100
Bond issue costs	52,100
Debt service:	
Interest expense	110,181
Principal retirement	<u>95,000</u>
 Total disbursements	 <u>3,739,462</u>
 Excess of receipts over disbursements	 <u><u>\$ 271,656</u></u>

See accompanying notes to financial statements.

**LAWRENCE COUNTY PUBLIC LIBRARY
LAWRENCE COUNTY PUBLIC LIBRARY CONSTRUCTION PROJECT
NOTES TO FINANCIAL STATEMENT
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Lawrence County Public Library (Library) is a special taxing district created under Kentucky Revised Statutes 65.005.

BASIS OF PRESENTATION

This financial statement has been prepared on the cash basis of accounting.

SCOPE OF FINANCIAL STATEMENT

The financial statement in this report covers only the allocations of the Lawrence County Library Construction Project. All other operations of the Library are not included in these financial statements.

NOTE 2 – CASH IN BANK

Cash at June 30, 2010 was as follows:

Construction Escrow – U S Bank	\$121,540
Bond Sinking Fund – U S Bank	116
KDLA Grant Funds Reserved – Inez Deposit Bank	<u>150,000</u>
	<u>\$271,656</u>

NOTE 3 – SUBSEQUENT EVENT

The \$150,000 of reserved grant funds was subsequently transferred to the bond sinking fund on July 1, 2010 as part of check #15256 in the amount of \$164,105. Bond payment was made out of the sinking fund on July 1, 2010 in the amount of \$164,090 (\$100,000 – principal and \$64,090 – interest). A transaction fee was \$15.



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**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**

Kentucky Department for Libraries and Archives
Board of Trustees, Lawrence County Public Library
Louisa, Kentucky

We have audited the accompanying statement of cash receipts and cash disbursements of the Lawrence County Public Library Construction Project of the Lawrence County Public Library as of June 30, 2010, and have issued our report thereon dated November 22, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lawrence County Public Library's internal control over financial reporting as a basis for designing our auditing procedures 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 Lawrence County Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County Public Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in 2010-1 below we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in 2010-1 to be a material weakness.

2010-1 Segregation of Duties

Condition: Presently, the Library has an absence of appropriate segregation of duties consistent with appropriate internal control objectives.

Criteria: The Library should have appropriate segregation of duties to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

Cause of Condition: Due to its small size and budget restrictions the Library has limited options for establishing an adequate segregation of duties.

Recommendation: Board of Trustees should continue its strong oversight.

Management Comment: Management of the Library concurs with the finding and will continue strong oversight.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lawrence County Public Library Construction Project statement of cash receipts and cash disbursements is free of 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*.

The Lawrence County Public Library's response to the findings identified in our audit is described above. We did not audit the Lawrence County Public Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, and the Kentucky Department for Libraries and Archives and is not intended to be used and should not be used by anyone other than these specified parties.

Wells & Company, PSC
Certified Public Accountants
Paintsville, Kentucky
November 22, 2010