

LAWRENCE COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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**Kelley Galloway
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Lawrence County Public Library
Louisa, Kentucky

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Lawrence County Public Library (the "Library") as of and for the year ended June 30, 2019, 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 the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Lawrence County Public Library as of June 30, 2019 and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements. The budgetary comparison information – modified cash basis, board of trustees and administrative personnel schedule, and the insurance schedule on pages 16 through 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 25, 2019

LAWRENCE COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2019

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 5,249,655
Time deposits held to maturity, cost approximates fair value	858,465
Total current assets	6,108,120
Non-Current Assets:	
Capital assets, not being depreciated	745,697
Capital assets, net of accumulated depreciation	2,998,643
Total non-current Assets	3,744,340
TOTAL ASSETS	9,852,460
LIABILITIES	
Current Liabilities:	
Accrued payroll taxes	353
Current portion of long-term debt	-
Total current liabilities	353
Non-Current Liabilities:	
General obligation bonds, less discount	1,572,952
TOTAL LIABILITIES	1,573,305
NET POSITION	
Net investment in capital assets	2,171,388
Unrestricted	6,107,767
TOTAL NET POSITION	\$ 8,279,155

The accompanying notes to financial statements
are an integral part of this statementt.

**LAWRENCE COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Library	\$ 700,002	\$ 8,023	\$ 156,806	\$ -	\$ (535,173)
Debt Service - Interest	<u>84,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,607)</u>
Total Governmental Activities	<u>\$ 784,609</u>	<u>\$ 8,023</u>	<u>\$ 156,806</u>	<u>\$ -</u>	<u>\$ (619,780)</u>
General Revenue -					
Tax Revenue:					
Property Tax					666,584
Motor Vehicle Tax					33,045
Delinquent Tax					49,353
Unmined Mineral Tax					82,348
Franchise Tax					369,106
Telecommunications Tax					5,613
State Aid					22,297
Miscellaneous Income					9,053
Interest Income					<u>18,104</u>
Total General Revenue					<u>1,255,503</u>
CHANGES IN NET POSITION					635,723
NET POSITION-BEGINNING OF YEAR					<u>7,643,432</u>
NET POSITION-END OF YEAR					<u>\$ 8,279,155</u>

The accompanying notes to financial statements
are an integral part of this statement.

**LAWRENCE COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2019**

	<u>General Fund</u>
ASSETS	
Cash on hand	\$ 100
Cash in bank - checking	4,390,735
Cash in bank - savings	365,739
Cash in bank - money market accounts	493,081
Time deposits	<u>858,465</u>
TOTAL ASSETS	<u><u>\$ 6,108,120</u></u>
LIABILITIES	
Accrued state payroll taxes	\$ 353
Total liabilities	<u>353</u>
Fund balances	
Unassigned	<u>6,107,767</u>
Total fund balances	<u><u>6,107,767</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 6,108,120</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**LAWRENCE COUNTY PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2019**

Total governmental fund balance		\$ 6,107,767
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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 funds.		3,744,340
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds payable	(1,590,000)		
Discount on bonds payable	17,048		(1,572,952)

Net Position, end of year - Governmental Activities		\$ 8,279,155
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The accompanying notes to financial statements
are an integral part of this statement.

LAWRENCE COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund
REVENUES	
Taxes	\$ 1,206,050
State aid	22,297
Grants	156,806
Interest income	18,104
Other revenues	17,075
Total revenues	1,420,332
 EXPENDITURES	
Salaries and wages	254,104
Payroll taxes	19,846
Employee benefits	39,677
Cleaning and maintenance	21,339
Legal and professional	14,445
Newspapers, magazines, etc.	7,854
Repairs	3,033
Utilities and telephone	34,741
Bookmobile expenses	6,642
Insurance	28,244
Supplies	18,287
Postage and box rent	946
Service contracts	36,154
Software	19,055
Travel	577
Dues and subscriptions	571
Reading programs	31,339
Miscellaneous expense	8,589
Building lease expense	9,000
Capital outlay	578,852
Debt service:	
Principal retirement	140,000
Interest expense	83,210
Total expenditures	1,356,505
EXCESS OF REVENUES OVER EXPENDITURES	63,827
FUND BALANCE-BEGINNING OF YEAR	6,043,940
FUND BALANCE-END OF YEAR	\$ 6,107,767

The accompanying notes to financial statements
are an integral part of this statement.

LAWRENCE COUNTY PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT
OF ACTIVITIES - MODIFIED CASH BASIS
JUNE 30, 2019

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS \$ 63,827

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 - modified cash basis, these costs are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(159,584)
Capital outlay	592,877

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities - modified cash basis when they are incurred for the following:

Amortization of bond discount	(1,397)
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Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position - modified cash basis.

140,000

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 635,723</u></u>
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The accompanying notes to financial statements
are an integral part of this statement.

**LAWRENCE COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(1) NATURE OF ORGANIZATION

The Lawrence County Public Library (the "Library") was organized September 3, 1954 in accordance with section 173.720 of the Kentucky Revised Statutes (KRS). The Library provides library services to the citizens of Lawrence County, Kentucky and surrounding areas. The Library's major sources of funding are 14.70 cents per hundred assessed valuation of real property, 16.52 cents per hundred assessed valuation of personal property, and 2.79 cents per hundred assessed valuation of motor vehicles property tax rates levied on property in Lawrence County, Kentucky.

A summary of the more significant accounting policies of the Library are as follows:

Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. It is the Lawrence County Public Library's policy to prepare its financial statements on the modified cash basis which is a comprehensive basis of accounting that differs from generally accepted accounting principles in the United States of America. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Fund Accounting

The Library uses funds to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Library as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the Library). The statements include a statement of net position – modified cash basis and a statement of activities – modified cash basis. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Library. Governmental activities generally are financed through taxes and intergovernmental revenues. The Library had no business-type activities.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Library's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

Fund financial statements - provide information about the Library's funds. Separate statements are presented for the governmental fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The Library has one major fund, the General Fund.

General Fund - The General Fund is used to account for all financial resources of the Library.

The accounting and reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using the modified cash basis of accounting. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis. Receipts are recognized when received and disbursements are recognized when paid. This differs from U.S. generally accepted accounting principles, which requires the government-wide financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the modified cash basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from U.S. generally accepted accounting principles, which require the governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Cash and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

Kentucky Revised Statute 66.480 authorizes the Library to invest in U.S. Treasury obligations, U.S. Agency obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits, Commonwealth of Kentucky investment pool and the Kentucky League of Cities investment pool.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$1,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings and improvements	10-40
Furniture and equipment	3-10
Vehicles	5
Books	8

Restricted Assets

Assets are reported as restricted when limitation on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Fund Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the Library itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Library takes the action to remove or change the constraint;
- Assigned fund balance - amounts the Library intends to use for a specific purpose (such as encumbrances); intent can be expressed by the Library or by an official or body to which the Library delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned, and unassigned resources are available for use, it is the Library's policy to use committed and assigned resources first, then unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position reported as unrestricted is the net position that does not meet the definition of "net investments in capital assets" or "restricted net position".

The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Bond Discounts

Bond discounts are being amortized over the life of the bonds using the effective interest method.

Accrued Liabilities

All accrued liabilities related to payroll are reported in the government-wide financial statements.

Income Taxes

The Library qualifies as a local government taxing district and therefore is exempt from federal and state income taxes.

Budgeting

The Library prepares an annual budget as required by the Kentucky Revised Statutes in establishing budgetary data reflected in the financial statement. The Library's budget is approved by the Board of Trustees.

(2) COMPENSATED ABSENCES

Employees are granted vacation benefits in varying amounts depending on tenure with the Library. Sick leave accumulates on the same basis as annual leave but may not be taken until after six months of employment. Sick leave may accumulate up to 40 days.

Since the Library prepares its financial statements on the modified cash basis, as described in Note 1, no liability or expense for the estimated current portion of the unpaid compensated absences have been recorded.

(3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

<u>Governmental Activities</u>	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2019</u>
Capital Assets, Not Depreciated:				
Land	\$ 163,612	\$ -	\$ -	\$ 163,612
Construction in progress	26,704	555,381	-	582,085
Total Capital Assets, Not Depreciated	<u>190,316</u>	<u>555,381</u>	<u>-</u>	<u>745,697</u>
Capital Assets, Depreciated:				
Buildings and improvements	3,791,649	-	-	3,791,649
Land improvements	31,278	-	-	31,278
Books	571,841	23,472	-	595,313
Vehicles	155,343	-	-	155,343
Furniture and equipment	288,690	14,024	-	302,714
Total	<u>4,838,801</u>	<u>37,496</u>	<u>-</u>	<u>4,876,297</u>
Less: accumulated depreciation				
Buildings and improvements	960,241	94,672	-	1,054,913
Land improvements	9,830	2,085	-	11,915
Books	464,401	24,440	-	488,841
Vehicles	52,147	20,608	-	72,755
Furniture and equipment	231,451	17,779	-	249,230
Total accumulated depreciation	<u>1,718,070</u>	<u>159,584</u>	<u>-</u>	<u>1,877,654</u>
Total Capital Assets, Depreciated - Net	<u>3,120,731</u>	<u>(122,088)</u>	<u>-</u>	<u>2,998,643</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 3,311,047</u>	<u>\$ 433,293</u>	<u>\$ -</u>	<u>\$ 3,744,340</u>

Depreciation expense for governmental activities totaled \$159,584 for 2019.

(4) DEBT

The following is a summary of changes in long-term debt of the Library for the year ended June 30, 2019:

<i>Governmental Activities</i>	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
General Obligation Bond Series 2008	\$ 1,730,000	\$ -	\$ 140,000	\$ 1,590,000	\$ -
Discount on bonds	(18,445)	-	(1,397)	(17,048)	-
Total Governmental Activities	\$ 1,711,555	\$ -	\$ 138,603	\$ 1,572,952	\$ -

The Library remitted the required debt service payment due July 1, 2019 prior to year-end. Therefore, no amounts are due within one year of the date of the financial statements.

General Obligation Bond Series 2008

On September 1, 2008, the Library issued \$2,880,000 in General Obligation Bonds (Series 2008) with interest rates from 4.25% to 4.95%. The bonds were sold at a discount of \$28,800, which is being amortized over the life of the bonds. The proceeds were used for the construction of the new library building.

The annual requirements to amortize the indebtedness at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 38,420	\$ 38,420
2021	145,000	73,541	218,541
2022	150,000	66,718	216,718
2023	160,000	59,433	219,433
2024	165,000	51,713	216,713
2024-2029	970,000	124,610	1,094,610
	<u>\$ 1,590,000</u>	<u>\$ 414,435</u>	<u>\$ 2,004,435</u>

(5) PENSION PLAN

The Library participates in defined contribution plans for its full time employees, with the employee contributions being administered by the Kentucky Employees' Deferred Compensation Authority, and the Library's matching contributions being administered by Nationwide Retirement Solutions.

Benefit terms, including contribution requirements, are established and may be amended by the Library's Board of Trustees. For each employee in the pension plan, the Library is required to contribute 100% of participant's salary deferral contributions for each plan year, with a cap of 6% of salary deferral contributions. Employees are immediately 100% invested in their own and the Library's contributions and earnings. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2019, the Library recognized contribution expense of \$11,086.

(6) CONCENTRATION OF CREDIT RISK

The Library maintains cash balances at several local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019, additional security was pledged by one financial institution to collateralize deposits in excess of the FDIC insured amount. At June 30, 2019, the carrying amount of the Library's deposits with local banks was \$6,108,020 and the bank balances were \$6,116,066. Of the bank balances, \$482,948 was uncollateralized. The Bank balance is categorized as follows:

Amount insured by FDIC	\$ 1,480,704
Additional pledged securities	4,361,844
Uncollateralized	<u>273,518</u>
Total	<u>\$ 6,116,066</u>

(7) RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Library carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

(8) CONTINGENCIES

The Library receives funding from State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the Library for its disbursements. Continuation of the Library's grant programs is predicated upon the granters' satisfaction that the funds provided is being spent as intended and the grantors' intent to continue their programs.

(9) COMMITMENTS

The Library is obligated for commitments of various contracts in progress at June 30, 2019. A summary of these commitments is as follows:

<u>Project Description</u>	<u>Total Approved Contract</u>	<u>Paid to Date</u>	<u>Outstanding Commitment</u>
Building Renovations	\$ 3,670,800	\$ 161,709	\$ 3,509,091

SUPPLEMENTAL INFORMATION

**LAWRENCE COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019**

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 1,074,400	\$ 1,206,050	\$ 131,650
State aid	10,000	22,297	12,297
Grants	150,000	156,806	6,806.00
Interest income	16,000	18,104	2,104
Other revenue	23,900	17,075	(6,825)
Total revenues	<u>1,274,300</u>	<u>1,420,332</u>	<u>146,032</u>
EXPENDITURES			
Salaries and wages	365,000	254,104	110,896
Payroll taxes	19,200	19,846	(646)
Employee benefits	62,000	39,677	22,323
Cleaning and maintenance	25,000	21,339	3,661
Legal and professional	13,500	14,445	(945)
Newspapers, magazines, etc.	41,000	7,854	33,146
Repairs	65,000	3,033	61,967
Utilities and telephone	57,000	34,741	22,259
Bookmobile expenses	13,000	6,642	6,358
Insurance	23,000	28,244	(5,244)
Supplies	75,000	18,287	56,713
Postage and box rent	1,700	946	754
Service contracts	73,000	36,154	36,846
Software	40,000	19,055	20,945
Travel	8,000	577	7,423
Dues and subscriptions	3,500	571	2,929
Reading programs	41,000	31,339	9,661
Miscellaneous expense	60,000	8,589	51,411
Building lease expense	12,000	9,000	3,000
Capital outlay	4,620,000	578,852	4,041,148
Debt service	235,000	223,210	11,790
Contingency	150,000	-	150,000
Total expenditures	<u>6,002,900</u>	<u>1,356,505</u>	<u>4,646,395</u>
EXCESS OF REVENUES OVER EXPENDITURES	(4,728,600)	63,827	4,792,427
FUND BALANCE-BEGINNING OF YEAR	<u>6,235,905</u>	<u>6,043,940</u>	<u>(191,965)</u>
FUND BALANCE-END OF YEAR	<u>\$ 1,507,305</u>	<u>\$ 6,107,767</u>	<u>\$ 4,600,462</u>

**LAWRENCE COUNTY PUBLIC LIBRARY
BOARD OF TRUSTEES AND
ADMINISTRATIVE PERSONNEL SCHEDULE
JUNE 30, 2019**

BOARD OF TRUSTEES

<u>Name</u>
Kim Burchett
Dina Chaffin
George Oberlick
Cathi Wells

ADMINISTRATIVE PERSONNEL

<u>Name</u>	<u>Title</u>
Carlie Pelfrey	Director

**LAWRENCE COUNTY PUBLIC LIBRARY
INSURANCE SCHEDULE
JUNE 30, 2019**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Policy Expiration</u>
The Hartford	Property, Liability, and Auto	12/31/19
Seneca Insurance Company	Workers Compensation	01/22/20
Greenwich Insurance Company	Public Officials Liability	12/31/19
US Assure Insurance	Builders Risk Coverage	05/22/20



**Kelley Galloway
Smith Goolsby, PSC**

Certified Public Accountants and Advisors

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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

To the Board of Trustees of
Lawrence County Public Library
Louisa, Kentucky

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 and each major fund of the Lawrence County Public Library (the "Library") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated November 25, 2019, which includes an explanatory paragraph stating that the Library's financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (see 2019-001).

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*.

Library's Response to Findings

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and costs. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Kelley Galloway Smith Godsey, PSC

Ashland, Kentucky
November 25, 2019

LAWRENCE COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

(A) SUMMARY OF AUDIT RESULTS

- The auditor's report expresses an unmodified opinion on the financial statements of Lawrence County Public Library.
- A material weakness relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of Lawrence County Public Library were disclosed during the audit.

(B) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

SEGREGATION OF DUTIES (Finding 2019-001)

Condition: Due to the limited number of employees, an adequate segregation of duties has not been established. Specifically, the Director has duties relating to cash receipts, cash disbursements, payroll, and all other accounting and recording activities.

Criteria: Effective internal controls would dictate that many of these functions be separated in order to adequately protect the Library's assets.

Effect: An improper segregation of duties can subject the Library to intentional or unintentional losses due to errors or irregularities.

Recommendation: The Library should continue to review the internal control structure and segregate duties wherever possible.

Management's Response and Corrective Action: Management of the Library concurs with the finding and will continue strong oversight.