

**LAWRENCE COUNTY PUBLIC LIBRARY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2021**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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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, 2021, 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, 2021 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 December 2, 2021, 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 Gallaway Smith Goodley, PSC*

Ashland, Kentucky  
December 2, 2021

**LAWRENCE COUNTY PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,905,995
Time deposits held to maturity, cost approximates fair value	885,959
Total current assets	2,791,954
Non-Current Assets:	
Capital assets, not being depreciated	163,612
Capital assets, net of accumulated depreciation	7,498,730
Total non-current Assets	7,662,342
<b>TOTAL ASSETS</b>	<b>10,454,296</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accrued payroll taxes	\$ 351
Current portion of long-term debt	-
Total current liabilities	351
Non-Current Liabilities:	
General obligation bonds	1,227,000
<b>TOTAL LIABILITIES</b>	<b>1,227,351</b>
<b>NET POSITION</b>	
Net investment in capital assets	6,435,342
Unrestricted	2,791,603
<b>TOTAL NET POSITION</b>	<b>\$ 9,226,945</b>

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

**LAWRENCE COUNTY PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Library	\$ 790,636	\$ 3,069	\$ 151,750	\$ -	\$ (635,817)
Debt Service - Interest	86,402	-	-	-	(86,402)
Total Governmental Activities	<u>\$ 877,038</u>	<u>\$ 3,069</u>	<u>\$ 151,750</u>	<u>\$ -</u>	<u>\$ (722,219)</u>
General Revenue -					
Tax Revenue:					
Property Tax					663,661
Motor Vehicle Tax					33,629
Delinquent Tax					75,672
Unmined Mineral Tax					60,827
Franchise Tax					236,330
Telecommunications Tax					5,703
Miscellaneous Income					10,446
Interest Income					15,053
Total General Revenue					<u>1,101,321</u>
CHANGE IN NET POSITION					379,102
NET POSITION-BEGINNING OF YEAR					<u>8,847,843</u>
NET POSITION-END OF YEAR					<u>\$ 9,226,945</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, 2021**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash on hand	\$ 100
Cash in bank - checking	1,680,538
Cash in bank - savings	225,357
Time deposits	<u>885,959</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,791,954</u></u>
<b>LIABILITIES</b>	
Accrued state payroll taxes	\$ 351
Total liabilities	<u>351</u>
<b>FUND BALANCES</b>	
Unassigned	<u>2,791,603</u>
Total fund balances	<u>2,791,603</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,791,954</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, 2021**

Total governmental fund balance	\$ 2,791,603
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.	7,662,342
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	<u>(1,227,000)</u>
Net Position, end of year - Governmental Activities	<u><u>\$ 9,226,945</u></u>

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, 2021**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 1,075,822
Grants	151,750
Interest income	15,053
Other revenues	13,515
Total revenues	1,256,140
<b>EXPENDITURES</b>	
Salaries and wages	236,521
Payroll taxes	18,750
Employee benefits	50,699
Cleaning and maintenance	31,048
Legal and professional	41,240
Newspapers, magazines, etc.	3,840
Repairs	11,854
Utilities and telephone	49,438
Bookmobile expenses	1,677
Insurance	27,645
Supplies	18,161
Postage and box rent	479
Service contracts	29,172
Software	20,356
Dues and subscriptions	1,895
Reading programs	19,384
Miscellaneous expense	8,153
Capital outlay	1,380,489
Debt service:	
Principal retirement	1,615,000
Interest expense	70,817
Total expenditures	3,636,618
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(2,380,478)
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from issuance of debt	1,397,000
Total other financing sources and uses	1,397,000
<b>NET CHANGE IN FUND BALANCE</b>	(983,478)
<b>FUND BALANCE-BEGINNING OF YEAR</b>	3,775,081
<b>FUND BALANCE-END OF YEAR</b>	\$ 2,791,603

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, 2021**

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS \$ (983,478)

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	(231,800)
Capital outlay	1,391,965

Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.

Bond proceeds	(1,397,000)
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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	(15,585)
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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.

<u>1,615,000</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 379,102</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, 2021**

**(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 14.30 cents per hundred assessed valuation of real property, 14.70 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 has been recorded.

### (3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

<u>Governmental Activities</u>	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2021</u>
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 163,612	\$ -	\$ -	\$ 163,612
Construction in progress	3,445,092	1,353,405	(4,798,497)	-
<b>Total Capital Assets, Not Depreciated</b>	<u>3,608,704</u>	<u>1,353,405</u>	<u>(4,798,497)</u>	<u>163,612</u>
<b>Capital Assets, Depreciated:</b>				
Buildings and improvements	3,791,649	-	-	3,791,649
Land improvements	31,278	4,493,374	-	4,524,652
Books	642,900	27,067	-	669,967
Vehicles	155,343	-	-	155,343
Furniture and equipment	310,794	316,616	-	627,410
Total	<u>4,931,964</u>	<u>4,837,057</u>	<u>-</u>	<u>9,769,021</u>
Less: accumulated depreciation				
Buildings and improvements	1,149,585	150,827	-	1,300,412
Land improvements	14,000	2,085	-	16,085
Books	515,367	28,637	-	544,004
Vehicles	93,363	20,608	-	113,971
Furniture and equipment	266,176	29,643	-	295,819
Total accumulated depreciation	<u>2,038,491</u>	<u>231,800</u>	<u>-</u>	<u>2,270,291</u>
<b>Total Capital Assets, Depreciated - Net</b>	<u>2,893,473</u>	<u>4,605,257</u>	<u>-</u>	<u>7,498,730</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 6,502,177</u>	<u>\$ 5,958,662</u>	<u>\$ (4,798,497)</u>	<u>\$ 7,662,342</u>

Depreciation expense for governmental activities totaled \$231,800 for 2021.

#### (4) DEBT

The following is a summary of changes in long-term debt of the Library for the year ended June 30, 2021:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bond Series 2008	\$ 1,445,000	\$ -	\$1,445,000	\$ -	\$ -
General Obligation Refunding Bond Series 2021	-	1,397,000	170,000	1,227,000	-
Discount on bonds	(15,585)	-	(15,585)	-	-
<b>Total Governmental Activities</b>	<b>\$ 1,429,415</b>	<b>\$ 1,397,000</b>	<b>\$1,599,415</b>	<b>\$ 1,227,000</b>	<b>\$ -</b>

The Library remitted the required debt service payment due July 1, 2021 prior to year-end. Therefore, no amounts are due within one year of the date of the financial statements.

#### General Obligation Refunding Bond Series 2021

On May 13, 2021, the Library issued \$1,397,000 in refunding bonds with an average rate of 1.82% to advance refund the series 2008 bonds with an average rate of 4.80%. The Library reduced its total debt service payments over the following 8 years by \$256,000 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$234,000.

The annual requirements to amortize the indebtedness at June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 11,166	\$ 11,166
2023	167,000	20,812	187,812
2024	167,000	17,772	184,772
2025	172,000	14,687	186,687
2026	176,000	11,520	187,520
2027-2029	545,000	15,007	560,007
	<u>\$ 1,227,000</u>	<u>\$ 90,964</u>	<u>\$ 1,317,964</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, 2021, the Library recognized contribution expense of \$11,370.

**(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, 2021, additional security was pledged by the financial institutions to collateralize deposits in excess of the FDIC insured amount. At June 30, 2021, the carrying amount of the Library's deposits with local banks was \$2,791,954 and the bank balances were \$2,972,208. Of the bank balances, none was uncollateralized. The Bank balance is categorized as follows:

Amount insured by FDIC	\$ 841,101
Additional pledged securities	2,131,107
Uncollateralized	-
Total	<u>\$ 2,972,208</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.



**SUPPLEMENTAL INFORMATION**

**LAWRENCE COUNTY PUBLIC LIBRARY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	\$ 1,097,500	\$ 1,097,500	\$ 1,075,822	\$ (21,678)
Grants	150,000	150,000	151,750	1,750
Interest income	15,700	15,700	15,053	(647)
Other revenue	15,100	15,100	13,515	(1,585)
Total revenues	<u>1,278,300</u>	<u>1,278,300</u>	<u>1,256,140</u>	<u>(22,160)</u>
<b>EXPENDITURES</b>				
Salaries and wages	310,000	310,000	236,521	73,479
Payroll taxes	22,000	22,000	18,750	3,250
Employee benefits	52,000	52,000	50,699	1,301
Cleaning and maintenance	25,000	25,000	31,048	(6,048)
Legal and professional	16,500	16,500	41,240	(24,740)
Newspapers, magazines, etc.	18,500	18,500	3,840	14,660
Repairs	11,000	11,000	11,854	(854)
Utilities and telephone	41,000	41,000	49,438	(8,438)
Bookmobile expenses	13,500	13,500	1,677	11,823
Insurance	37,500	37,500	27,645	9,855
Supplies	64,800	64,800	18,161	46,639
Postage and box rent	1,700	1,700	479	1,221
Service contracts	50,250	50,250	29,172	21,078
Software	40,000	40,000	20,356	19,644
Travel	3,000	3,000	-	3,000
Dues and subscriptions	1,500	1,500	1,895	(395)
Reading programs	32,000	32,000	19,384	12,616
Miscellaneous expense	20,500	20,500	8,153	12,347
Capital outlay	2,540,000	890,000	1,380,489	(490,489)
Debt service	240,000	240,000	1,685,817	(1,445,817)
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>3,640,750</u>	<u>1,990,750</u>	<u>3,636,618</u>	<u>(1,645,868)</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(2,362,450)	(712,450)	(2,380,478)	(1,668,028)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	-	-	1,397,000	1,397,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>1,397,000</u>	<u>1,397,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,362,450)	(712,450)	(983,478)	(271,028)
<b>FUND BALANCE-BEGINNING OF YEAR</b>	<u>4,623,732</u>	<u>2,994,728</u>	<u>3,775,081</u>	<u>780,353</u>
<b>FUND BALANCE-END OF YEAR</b>	<u>\$ 2,261,282</u>	<u>\$ 2,282,278</u>	<u>\$ 2,791,603</u>	<u>\$ 509,325</u>

**LAWRENCE COUNTY PUBLIC LIBRARY  
BOARD OF TRUSTEES AND  
ADMINISTRATIVE PERSONNEL SCHEDULE  
JUNE 30, 2021**

**BOARD OF TRUSTEES**

<u>Name</u>
Kim Burchett
John Osborn
Marc Lester
Cathi Wells
Susie Chambers

**ADMINISTRATIVE PERSONNEL**

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

**LAWRENCE COUNTY PUBLIC LIBRARY  
INSURANCE SCHEDULE  
JUNE 30, 2021**

<b><u>Insurance Company</u></b>	<b><u>Coverage</u></b>	<b><u>Policy Expiration</u></b>
The Hartford	Property, Liability, and Auto	12/31/21
Accident Fund National Insurance Company	Workers Compensation	01/22/22
Greenwich Insurance Company	Public Officials Liability	12/31/21
Western Surety Company	Fidelity Bond	07/31/22

**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, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated December 2, 2021, 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 2021-001).

## **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 Gallaway Smith Goodby, PSC*

Ashland, Kentucky  
December 2, 2021

**LAWRENCE COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**(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 2021-001)

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.