



Headquarters:

102 Priestley St.
Canton, MS 39046
Phone: 601-859-7733
FAX: 601-859-0014

Branch Libraries:

Camden Public Library

116 Parkside Avenue
P.O. Box 159
Camden, MS 39045
Phone/FAX: 662-468-0309

Canton Public Library

102 Priestley Street
Canton, MS 39046
Phone: 601-859-3202
FAX: 601-859-2728

Flora Public Library

144 Clark Street
P.O. Box 356
Flora, MS 39071
Phone: 601-879-8835
FAX: 601-879-3934

Madison Public Library

994 Madison Avenue
P.O. Box 1153
Madison, MS 39130
Phone: 601-856-2749
FAX: 601-856-2681

Ridgeland Public Library

397 Highway 51 North
Ridgeland, MS 39157
Phone: 601-856-4536
FAX: 601-856-3748

March 31, 2016

Madison County Board of Supervisors
125 West North Street
PO Box 608
Canton, MS 39046

Ladies and Gentlemen:

Enclosed is a copy of the Madison County Library System 2015 audit.
Please feel free to contact me with any questions or concerns.

I would like to take this opportunity to thank you for your continued support of the library system. Together we provide an invaluable asset and services to our communities.

Sincerely,

A handwritten signature in cursive script that reads "Tonja Johnson".

Tonja Johnson, MLIS
Director, Madison County Library System

Butchart, Ellzey & Associates

A Professional Corporation

Thomas B. Butchart, CPA, MBT
William S. Ellzey, CPA

March 22, 2016

To The Board of Trustees
Madison County Library System
Canton, Mississippi

We have audited the financial statements of Madison County Library System, for the year ended September 30, 2015, and have issued our report thereon dated March 22, 2016. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 1, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Madison County Library System, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Telephone (601) 948-4694
Fax (601) 859-3260

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 22, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and Madison County Library System and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Butchart, Fllzey & Associates
Canton, Mississippi

MADISON COUNTY LIBRARY SYSTEM

AUDIT REPORT

SEPTEMBER 30, 2015 and 2014

MADISON COUNTY LIBRARY SYSTEM

AUDIT REPORT

SEPTEMBER 30, 2015 and 2014

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Butchart, Ellzey & Associates

A Professional Corporation

Thomas B. Butchart, CPA, MBT
William S. Ellzey, CPA

EXHIBIT A

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Madison County Library System
Canton, Mississippi
Report on the Financial Statements

We have audited the accompanying financial statements of Madison County Library System, a component unit of Madison County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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

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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 of 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 financial position for the primary government of Madison County Library System as of September 30, 2015 and 2014, and the results of its operation and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Statements 1 through 4 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 the 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 March 22, 2016, on our consideration of Madison County 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 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 Madison County Library System's internal control over financial reporting and compliance.

Butchart, Fllzey & Associates

Canton, Mississippi
March 22, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of The Madison County Library System financial performance provides an overview of the System's financial activities for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

The System's net assets significantly decreased as a result of a prior period adjustment for 2015. Please see Note 7 for details. The System's net assets increased by \$49,369 for 2014.

The expenses exceeded revenues by \$12,638 for 2015 and the revenues exceeded expenses by \$49,369 for 2014.

The budgeted expenditures of the system increased from \$1,558,809 to \$1,752,571. The budgeted income increased from \$1,844,373 to \$1,950,801. The revenue increase is mainly due to additional funding from Madison County.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Assets and Statements of Activities (see pages 7 and 9) provide information about the activities of the System as a whole and present a longer term view of the System's finances. The detail financial statements included in this report are details of expenses, grants and other non-operating or non-budgeted revenues and expenses. The Statements of Cash Flows present the cash that is generated from the operations of the System and the use of said cash. The main non cash items are depreciation on capital assets.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation. The condensed comparative information is presented as follows:

<u>Net Assets</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 282,539	\$ 258,010
Non-current assets	1,080,564	991,842
Total Assets	<u>\$1,363,103</u>	<u>\$1,249,852</u>
Deferred Outflows	439,869	-0-

EXHIBIT B
(continued)

Current Liabilities	\$ 3,054	\$ 2,626
Long Term Liabilities	<u>2,489,206</u>	<u>-0-</u>
Total Liabilities	\$2,492,260	\$ 2,626
Deferred Inflows	30,583	-0-
Net Assets:		
Invested in Capital Assets	\$ 589,564	\$ 583,843
Restricted	491,000	407,999
Unrestricted	<u>(1,800,435)</u>	<u>255,384</u>
Total Net Assets	<u>\$ (719,871)</u>	<u>\$1,247,226</u>

<u>Activities</u>	<u>2015</u>	<u>2014</u>
Budgeted operating revenue	\$1,950,801	\$1,844,373
Non budgeted operating revenue	58,950	59,107
Non operating revenue	<u>\$ 109,016</u>	<u>\$ 120,907</u>
Total Revenue	<u>\$2,118,767</u>	<u>\$2,024,387</u>
Budgeted operating expenditures	\$1,752,571	\$1,558,809
Non-operating expenditures	<u>378,834</u>	<u>416,209</u>
	<u>2,131,405</u>	<u>1,975,018</u>
Excess Revenue (Expenditures)	<u>(\$ 12,638)</u>	<u>\$ 49,369</u>

The decrease in the net assets is due to the expenses over revenues that incurred in the year ended September 30, 2015.

ANALYSIS OF THE SYSTEM'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial position of the System is comparable with the prior year. The budgeted operating transfers from the cities and Madison County have increased by approximately \$100,227 and budgeted operating expenses have increased by \$193,762. The System is highly dependent upon contributions from Madison County and the local Cities. Changes in this contribution level could have a major impact on the System.

ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

Page 26 of the annual report details the budget to actual comparison. Actual revenue was more than budgeted revenue due mainly to the contributions from Madison County and copy and fax income. Budgeted expenses are somewhat higher than actual due mainly to library materials and salaries. Social Security and retirement and utilities are in total over the budgeted amounts.

The System budgets annually the acquisition of capital assets including furniture, equipment, and books. Due to the requirements of GASB #34, these assets are then capitalized and depreciated as fixed assets, much like the accounting would be for a profit making venture.

SIGNIFICANT CAPITAL ASSET ACTIVITY

The most significant ongoing capital asset acquisition is the ongoing purchase of books by the System. All periodicals are treated as period expenses. The System purchased various fixed assets during the year of \$231,867. Depreciable library materials purchased totaled \$196,155 of the total additions. The balance of \$35,712 in additions was mainly additional computer and office equipment and furniture.

SIGNIFICANT CHANGES IN MAINTENANCE EXPENSES

There are no significant changes in maintenance expenses.

FUTURE OPERATIONS

The operation of the Camden facility will require new expenses as it continues to grow. Management estimated that these expenses can be easily handled in the budgetary requests currently going to Madison County.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, contributors, and other interested parties with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tonja Johnson (Director) or Monica Stanford (Business Manager) at the Madison County Library System, 102 Priestley Street, Canton, Mississippi, 39046.

MADISON COUNTY LIBRARY SYSTEM

STATEMENTS OF NET ASSETS

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 282,439	\$ 257,885
Accounts Receivable	100	125
TOTAL CURRENT ASSETS	<u>\$ 282,539</u>	<u>\$ 258,010</u>
<u>NON-CURRENT ASSETS</u>		
Cash - restricted (Note 2)	\$ 491,000	\$ 407,999
Capital Assets - net	589,564	583,843
TOTAL NONCURRENT ASSETS	<u>\$ 1,080,564</u>	<u>\$ 991,842</u>
TOTAL ASSETS	<u>\$ 1,363,103</u>	<u>\$ 1,249,852</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pensions (Note 7)	\$ 439,869	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 439,869</u>	<u>\$ -</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Payroll related withholdings and payables	\$ 3,054	\$ 2,626
TOTAL CURRENT LIABILITIES	<u>\$ 3,054</u>	<u>\$ 2,626</u>
<u>LONG-TERM LIABILITIES</u>		
Net Pension Liability (Note 7)	\$ 2,489,206	\$ -
TOTAL LONG-TERM LIABILITIES	<u>\$ 2,489,206</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 2,492,260</u>	<u>\$ 2,626</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pensions (Note 7)	\$ 30,583	\$ -
TOAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 30,583</u>	<u>\$ -</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 589,564	\$ 583,843
Restricted (Note 2)	491,000	407,999
Unrestricted	<u>(1,800,435)</u>	<u>255,384</u>
TOTAL NET ASSETS	<u>\$ (719,871)</u>	<u>\$ 1,247,226</u>

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

MADISON COUNTY LIBRARY SYSTEM
ANALYSIS OF CHANGES IN NET ASSETS

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net Assets, beginning of year, as previously stated	\$ 1,247,226	\$ 1,197,857
Prior period adjustment (Note 7)	<u>(1,954,459)</u>	<u>-</u>
Net Assets, beginning of year, as previously stated	\$ (707,233)	\$ 1,197,857
Excess of revenues (expenditures)	<u>(12,638)</u>	<u>49,369</u>
Net Assets, end of year	<u>\$ (719,871)</u>	<u>\$ 1,247,226</u>

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

MADISON COUNTY LIBRARY SYSTEMSTATEMENTS OF ACTIVITIES

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>OPERATING REVENUE</u>		
County contributions	\$ 1,446,012	\$ 1,363,497
City of Canton contributions	95,476	87,464
State Personnel Grant- SP15 -362-26-0 and SP 16-362-26-0	146,287	144,046
City of Ridgeland contributions	107,500	102,500
City of Madison contributions	100,000	95,000
Town of Flora contributions	1,200	1,500
Auditorim use fees	1,415	1,015
Copies and faxes	<u>52,911</u>	<u>49,351</u>
TOTAL BUDGETED OPERATING REVENUE	<u>\$ 1,950,801</u>	<u>\$ 1,844,373</u>
Lost books, interest, donations, fines and miscellaneous income	<u>\$ 58,950</u>	<u>\$ 59,107</u>
TOTAL NON-BUDGETED OPERATING REVENUE	<u>\$ 58,950</u>	<u>\$ 59,107</u>
TOTAL OPERATING REVENUE	<u>\$ 2,009,751</u>	<u>\$ 1,903,480</u>
<u>NON-OPERATING REVENUE</u>		
Mississippi Library Commission & Other Grants	<u>109,016</u>	<u>120,907</u>
TOTAL NON-OPERATING REVENUE	<u>\$ 109,016</u>	<u>\$ 120,907</u>
TOTAL REVENUE	<u>\$ 2,118,767</u>	<u>\$ 2,024,387</u>
<u>OPERATING EXPENDITURES - BUDGETED</u>		
	<u>1,752,571</u>	<u>1,558,809</u>
EXCESS OPERATING REVENUE	<u>\$ 366,196</u>	<u>\$ 465,578</u>
<u>NON-OPERATING EXPENDITURES</u>		
	<u>378,834</u>	<u>416,209</u>
EXCESS REVENUE (EXPENDITURES)	<u>\$ (12,638)</u>	<u>\$ 49,369</u>

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

MADISON COUNTY LIBRARY SYSTEM

STATEMENTS OF OPERATING EXPENDITURES

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>BUDGETED OPERATING EXPENSES</u>		
Salaries	\$ 1,062,608	\$ 1,058,824
Social security, retirement and benefits paid	253,484	263,431
PERS pension adjustment	125,461	-
Building repairs and maintenance	28,178	14,885
Automation expense	9,531	9,777
Overdrive	28,696	-
Postage	3,617	5,934
Supplies - office and processing	24,539	22,455
Supplies - janitorial	3,621	3,311
Audit	4,000	4,000
Insurance - building and contents	39,572	35,926
Office equipment upkeep	1,221	1,081
Auto and travel/training for staff	5,038	8,663
Staff Development	914	1,876
Telephone	29,618	24,595
Utilities	71,688	60,543
Library programs	7,764	2,244
SIRSI - maintenance	40,800	27,000
Outside services	3,661	1,271
Dues - professional	748	590
Summer Reading	3,375	7,992
Office supplies - tech services	4,437	4,411
	<u>\$ 1,752,571</u>	<u>\$ 1,558,809</u>
Staff Fund Expense	\$ 2,011	\$ 1,341
Donations Expense	6,072	13,936
MS Arts Comm Grant	1,000	-
LSTA Focused Develop Grant Exp	1,508	-
Health Insurance Grant Expense	111,072	112,140
Life Insurance Grant Expense	1,743	1,644
Miscellaneous - nonbudgeted	5,732	6,147
Depreciation Expense	226,094	226,119
ALA S/R Resource Grant - nonbudgeted	-	188
Keats Grant Expense - nonbudgeted	-	423
MLC Skills Development	2,966	2,003
Restricted Funds - nonbudgeted	20,636	52,268
	<u>\$ 378,834</u>	<u>\$ 416,209</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 378,834</u>	<u>\$ 416,209</u>
TOTAL EXPENDITURES	<u>\$ 2,131,405</u>	<u>\$ 1,975,018</u>

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

MADISON COUNTY LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Excess revenue (expenditures)	\$ (12,638)	\$ 49,369
Depreciation	226,094	226,119
Non-cash pension expense	125,461	
(Increase) decrease in accounts receivable	25	(125)
Increase (decrease) in payroll related withholdings and payables	<u>428</u>	<u>(13,633)</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	<u>\$ 339,370</u>	<u>\$ 261,730</u>
<u>CASH FLOWS FROM INVESTMENT ACTIVITIES</u>		
Purchase of fixed assets	<u>\$ (231,815)</u>	<u>\$ (246,101)</u>
<u>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</u>	<u>\$ 107,555</u>	<u>\$ 15,629</u>
<u>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>\$ 665,884</u>	<u>\$ 650,255</u>
<u>CASH AND EQUIVALENTS AT END OF YEAR</u>	<u>\$ 773,439</u>	<u>\$ 665,884</u>

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

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Madison County Library System is a component unit of Madison County, Mississippi. It operates five libraries providing services to the residents of Madison County. The Board is appointed on a rotating basis by the cities of Canton, Ridgeland, Madison and Flora and Madison County Board of Supervisors.

Revenues and expenditures are accounted for using the modified accrual basis of accounting.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2 – RESTRICTED FUNDS

	<u>2015</u>	<u>2014</u>
Unemployment insurance fund	<u>\$ 7,285</u>	<u>\$ 7,218</u>
Other Restricted Funds	<u>\$ 483,715</u>	<u>\$ 400,781</u>
	<u>\$ 491,000</u>	<u>\$ 407,999</u>

NOTE 3 – ECONOMIC DEPENDENCY

The Library receives a substantial amount of its support from federal, state, and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities.

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE 4 – RELATED ENTITIES

The Madison County Library System has related entities known as the Friends of the Library. These are non-profit organizations which raise funds to assist in various expenses of the Library. A condensed and combined financial statement of the Friends organizations is as follows:

<u>Statement of Net Assets</u>	<u>2015</u>	<u>2014</u>
Cash in Banks	<u>\$88,032</u>	<u>\$87,095</u>
Fund Balance	<u>\$88,032</u>	<u>\$87,095</u>
 <u>Statement of Changes in Net Assets</u>		
Income received	\$24,385	\$34,287
Expenses paid	<u>23,448</u>	<u>27,608</u>
Income Received over Expenses Paid	<u>\$ 937</u>	<u>\$ 6,679</u>

NOTE 5 – ADOPTION OF GASB 34

The Madison County Library System has adopted the provisions of Governmental Accounting Standards Board Statement 34, which requires the capitalization of infrastructure and other fixed asset costs as assets of the fund, at their estimated depreciable values. The major classes of assets of the Library system are furniture, equipment, and library materials. All assets are estimated to have a 5 year useful life and straight line over that period has been assumed. Equipment, furniture, computer equipment, and other miscellaneous equipment purchased has been depreciated over the assumed life of 5 years and placed on the financial statements at the estimated book value. Library materials over 5 years have been deemed to be fully depreciated and neither the cost nor the accumulated depreciation is shown.

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE 5 – ADOPTION OF GASB 34 - CONTINUED

The details of the assets and accumulated depreciation added to the financial statements are as follows:

	<u>2015 COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Library Materials	\$3,285,387	(\$2,834,307)	\$451,080
Furniture & Fixtures	738,260	(713,197)	25,063
Office Equipment	212,056	(206,978)	5,078
Computer and related equipment	288,458	(196,551)	91,907
Miscellaneous equipment	<u>53,349</u>	<u>(36,913)</u>	<u>16,436</u>
	<u>\$4,577,510</u>	<u>(\$3,987,946)</u>	<u>\$589,564</u>

	<u>2014 COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Library Materials	\$3,089,233	(\$2,671,570)	\$417,663
Furniture & Fixtures	726,476	(699,678)	26,798
Office Equipment	244,769	(244,769)	-0-
Computer and related equipment	816,623	(701,360)	115,263
Miscellaneous equipment	<u>78,294</u>	<u>(54,175)</u>	<u>24,119</u>
	<u>\$4,955,395</u>	<u>(\$4,371,552)</u>	<u>\$583,843</u>

Fully depreciated assets amounted to \$3,429,909 as of September 30, 2015 and \$3,856,220 as of September 30, 2014.

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE 6 – CASH, OTHER DEPOSITS AND INVESTMENTS

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislative and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The Madison County Library System pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the entity at fiscal year-end.

The carrying amount of the Madison County Library System's deposits with financial institutions was \$736,004 and the bank balance was \$773,439 for 2015 and \$617,586 and \$665,884, for 2014.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the Madison County Library System's deposits may not be returned to it. The Madison County Library System does not have a deposit policy for custodial credit risk. As of September 30, 2015, none of the entities' bank balance of \$736,004 or \$617,586 for 2014 was exposed to custodial credit risk.

Uninsured/Uncollateralized	\$	-0-
Uninsured and collateral held by pledging bank's trust department not in entities name		-0-
Total	\$	<u>-0-</u>

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The Madison County Library System contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became member of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011) plus 2.5 percent for each additional year of credible service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living (COLA) payment is made to

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became member of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the Madison County Library System is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Madison County Library System's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$160,208, \$158,889 and \$153,965, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the Madison County Library System reported a liability of \$2,489,207 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Library's proportion was .016 percent.

For the year ended September 30, 2015, the Library recognized a pension expense of \$285,669. At September 30, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 38,308	\$ -0-
Net difference between projected and actual earnings on pension plan investments	\$ 145,645	\$ -0-
Changes of assumptions	\$ 214,437	\$ -0-
Changes in proportion and differences between Library contributions and proportionate share of contributions	\$ -0-	\$ 30,583
Library contributions subsequent to the measurement date	<u>\$ 41,480</u>	<u>\$ -0-</u>
Total	<u>\$ 439,870</u>	<u>\$ 30,583</u>

\$41,480 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

Year Ended September 30:

2016	\$	118,331
2017		118,331
2018		94,733
2019		36,411
2020		-0-
Thereafter		-0-

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, Including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, set forward two years for males.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation. The target asset allocated and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	<u>1</u>	(0.50)
Total	100%	

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 plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity of the Madison County Library's proportionate share of the net pension liability to changes in the discount rate. The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability 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% Discount (6.75%)	Current Discount Rate (7.75 %)	1% Increase (8.75%)
Library's proportionate share of the net pension liability	\$3,281,002	\$2,489,206	\$1,832,164

MADISON COUNTY LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

SUPPLEMENTARY FINANCIAL INFORMATION

Butchart, Ellzey & Associates

A Professional Corporation

Thomas B. Butchart, CPA, MBT
William S. Ellzey, CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Madison County Library System
Canton, Mississippi

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The other data presented in the following section of this report are presented for supplementary analysis purposes. They have been subjected to the audit procedures applied in the audits of the basic financial statements and are, in our opinion, fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

Butchart, Ellzey & Associates

Canton, Mississippi
March 22, 2016

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MADISON COUNTY LIBRARY SYSTEMSUPPLEMENTARY SCHEDULE OF INSURANCE COVERAGE

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Fire and extended coverage - building and contents	\$ 3,019,800	\$ 3,019,800
General liability:		
General liability	1,000,000	1,000,000
Boiler & Machinery	100% Replacement	100% Replacement
Commercial Auto:		
Liability	500,000	500,000
Commercial Crime	62,000	62,000
Liability - Library Board of Directors and staff	\$ 1,000,000	\$ 1,000,000
Workmen's compensation	<u>STATUTORY</u>	<u>STATUTORY</u>

MADISON COUNTY LIBRARY SYSTEM

SUPPLEMENTAL STATEMENTS OF ACTUAL AND BUDGETED REVENUES AND EXPENSES

For the Year Ended September 30, 2015

	ACTUAL <u>2015</u>	BUDGETED <u>2015</u>
<u>BUDGETED REVENUE</u>		
Madison County	\$ 1,446,012	\$ 1,350,000
City of Canton	95,476	92,000
Town of Flora	1,200	-
City of Madison	100,000	100,000
City of Ridgeland	107,500	107,500
State Personnel Grant	146,287	144,000
Auditorium Use Fees	1,415	900
Copies & Faxes	<u>\$ 52,911</u>	<u>\$ 45,000</u>
TOTAL BUDGETED REVENUE	<u>\$ 1,950,801</u>	<u>\$ 1,839,400</u>
<u>BUDGETED EXPENSES</u>		
Salaries	\$ 1,062,608	\$ 1,115,392
Social security and retirement	253,484	252,696
PERS pension adjustment	125,461	-
Building maintenance	28,178	10,000
Furniture and Equipment	-	6,000
Library materials	-	200,000
Overdrive	28,696	30,000
Postage	3,617	7,000
Supplies - janitorial	3,621	3,000
Supplies - office	24,539	22,000
Dues - professional	748	600
Audit	4,000	4,000
Insurance	39,572	37,000
Office equipment upkeep	1,221	1,500
Automobile, Travel & Staff training	5,038	13,500
Staff Development	914	2,000
Telephone	29,618	31,500
Utilities - Canton	62,824	53,000
Utilities - Camden	8,864	10,000
Library programs	7,764	800
SIRSI maintenance	40,800	40,800
Summer Reading	3,375	7,612
Outside services	3,661	1,000
Supplies - tech services	4,437	5,000
Automation expense	<u>\$ 9,531</u>	<u>\$ 15,000</u>
TOTAL BUDGETED OPERATING EXPENSES	<u>\$ 1,752,571</u>	<u>\$ 1,869,400</u>
EXCESS INCOME OVER (UNDER) EXPENSE	\$ 198,230	\$ (30,000)
Add: items budgeted but capitalized:		
Furniture and equipment	35,712	6,000
Library materials	<u>\$ 196,155</u>	<u>\$ 200,000</u>
BUDGETED INCOME OVER EXPENSE ON STATEMENT OF ACTIVITIES	<u>\$ 430,097</u>	<u>\$ 176,000</u>

MADISON COUNTY LIBRARY SYSTEMSUPPLEMENTAL SCHEDULES OF REVENUES

For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>MISSISSIPPI LIBRARY COMMISSION</u>		
Health Insurance Grant-SH15-360-26-0 and SH16-360-26-0	\$ 100,392	\$ 112,852
Life Insurance Grant-SL15-361-26-0 and SL16-361-26-0	1,571	1,694
Resource Sharing-FIT14-000-26-0	1,578	1,861
Skills Development-FPD15-245-26-0	2,966	3,500
Focused Development-FFD16-26-0	-	-
	<u>\$ 106,507</u>	<u>\$ 119,907</u>

Butchart, Ellzey & Associates

A Professional Corporation

Thomas B. Butchart, CPA, MBT
William S. Ellzey, CPA

STATEMENT 4

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*

Board of Trustees
Madison County Library System
Canton, Mississippi

We have audited the financial statements of the Madison County Library System as of and for the year ended September 30, 2015, and have issued our report thereon dated March 22, 2016. 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 Madison County Library System'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 Madison County Library System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Madison County Library System's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Madison County Library System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

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accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Madison County Library System's financial statement that is more than inconsequential will not be prevented or detected by the Madison County Library System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Madison County Library System's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County Library System's financial statements are 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 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 Audit Standards*.

This report is intended solely for the information and use of management, others within the organization and state governing bodies, and is not intended to be and should not be used by anyone other than these specified parties.

Butchart, Fllzey & Associates

Canton, Mississippi
March 22, 2016

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