



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
Phon: 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

February 23, 2017

Madison County Board of Supervisors
Attn: Ms. Cynthia Parker
P. O. Box 608
Canton, MS 39046

RE: Madison County Library System Audit for FY 2015 – 2016

Dear Ms. Parker,

I am pleased to provide you with the enclosed FY 2015 – 2016 audit report for the Madison County Library System. Fortenberry & Ballard PC, an independent public accounting firm, performed the 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.

It is the auditor's opinion that the financial statements present fairly, in all material respects, the respective financial position of the Madison County Library System, as of September 30, 2016 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

If you have any questions, please call (601) 859-7733, Ext. 102 or email mstanford@mcls.ms.

We greatly appreciate the continued support of the Madison County Board of Supervisors.

Sincerely,

A handwritten signature in blue ink that reads "Monica Stanford". The signature is written in a cursive, flowing style.

Monica Stanford
Business Manager



Audited Financial Statements
For the Year Ended September 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

Madison County Library System
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Trustees
Madison County Library System

Report on the Financial Statements

We have audited the accompanying financial statements of the Madison County Library System, a component unit of Madison County, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Madison County Library System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Madison County Library System, as of September 30, 2016 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the Schedule of Library's Proportionate Share of the Net Pension Liability and the Schedule of Library's Contributions on pages 8 to 12 and 29 to 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the Madison County Library System Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 9, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2016

The following discussion and analysis of Madison County Library System's financial performance provides an overview of the Library's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the Library's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the Library's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$141,503, which represents a 20% decrease from fiscal year 2015. Total net position for 2015 decreased \$1,967,097, including a prior period adjustment of (\$1,954,459) which represents a 158% decrease from fiscal year 2014.
- Operating revenues amounted to \$1,997,019 and \$2,009,751, or 91% and 95% of all revenues for fiscal years 2016 and 2015, respectively. Non-operating revenues accounted for \$185,626, or 9% of total revenues for 2016, and \$109,016, or 5% of total revenues for 2015.
- The Library had \$2,324,148 and \$2,131,405 in expenses for fiscal years 2016 and 2015; Operating expenses of \$2,161,062 accounted for 93% of total expenses in fiscal year 2016 and operating expenses of \$1,752,571, accounted for 82% of total expenses in the previous fiscal year. Non-operating expenses for fiscal year 2016 and 2015 were as follows: \$163,086 and \$378,834, respectively.
- Among the major funds, the General Fund had \$2,324,148 in expenses and \$2,131,405, in expenses for 2015. Of these expenses, 93% were operating in 2016 and 82% were operating expenses in 2015.
- Capital assets, net of accumulated depreciation, decreased by \$5,838 for 2016 and increased by \$5,721 for 2015. The increase for 2016 was due primarily to the purchase of laptops, scanners, i-pads and other items.
- Net pension liability increased 22% to \$3,028,944 in 2016 compared to \$2,489,206 in 2015. Deferred outflows related to pension accounted for \$691,206 in 2016 and \$439,869 in the previous year. Deferred inflows related to pensions amounted to \$27,630 in the current year and \$30,583 for the previous year.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Library's basic financial statements, which include the basic financial statements and the notes to the financial statements. This report also contains required supplementary information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities provide the reader with a broad overview of the Library's finances. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the Library's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the Library's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents a budgetary comparison schedule, the Schedule of the Library's Proportionate Share of the New Pension Liability, and Schedule of Library Contributions as required supplementary information. The Library adopts an annual operating budget. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Net Position

Net Position may serve over time as a useful indicator of the Library's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$861,374 as of September 30, 2016.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2016

The Library's financial position is a product of several financial transactions including the net result of activities, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the Library's net position at September 30, 2016 and September 30, 2015.

Table 1
Condensed Statement of Net Position

	September 30, 2016	September 30, 2015	Percentage Change
Current assets	\$ 371,742	282,539	32%
Restricted assets	559,000	491,000	14%
Capital assets, net	595,402	589,564	1%
Total assets	1,526,144	1,363,103	12%
Deferred outflows of resources	691,206	439,869	57%
Current liabilities	22,150	3,054	625%
Net pension liability	3,028,944	2,489,206	22%
Total liabilities	3,051,094	2,492,260	22%
Deferred inflows of resources	27,630	30,583	(10)%
Net position:			
Net investment in capital assets	595,402	589,564	1%
Restricted	559,000	491,000	14%
Unrestricted	(2,015,776)	(1,800,435)	(12)%
Total net position	\$ (861,374)	(719,871)	20%

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (2,015,776)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>2,365,368</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 349,592</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- Increase in net capital assets in the amount of \$5,838.
- The increase in current liabilities mainly due to payroll related items.

Changes in net position

The Library's total revenues for the fiscal years ended September 30, 2016 and September 30, 2015 were \$2,182,745 and \$2,118,767, respectively. The total cost of all programs and services was \$2,324,148 for 2016 and \$2,131,405 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended September 30, 2016 and September 30, 2015.

Madison County Library System
 Management's Discussion and Analysis
 For the Year Ended September 30, 2016

Table 2
Changes in Net Position

	Year Ended September 30, 2016	Year Ended September 30, 2015	Percentage Change
Revenues:			
Operating revenues	\$ 1,997,019	2,009,751	(1)%
Non-operating revenues	185,626	109,016	70%
Total revenues	<u>2,182,645</u>	<u>2,118,767</u>	3%
Expenses:			
Operating expenses	2,161,062	1,752,571	23%
Non-operating expenses	163,086	378,834	(57)%
Total expenses	<u>2,324,148</u>	<u>2,131,405</u>	9%
Increase (Decrease) in net position	<u>(141,503)</u>	<u>(12,638)</u>	1020%
Net Position, beginning	(719,871)	1,247,226	(158)%
Prior period adjustment		<u>(1,954,459)</u>	100%
Net Position, July 1, as restated	<u>(719,871)</u>	<u>(707,233)</u>	2%
Net Position, June 30	<u>\$ (861,374)</u>	<u>(719,871)</u>	20%

BUDGETARY HIGHLIGHTS

During the year, the Library revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the Madison County Library System.

A schedule showing the original and final budget amounts compared to the Library's actual financial activity is provided in this report as required supplementary information.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2016

CAPITAL ASSETS

Capital Assets. As of September 30, 2016, the Library's total capital assets were \$4,807,307, including reading materials, furniture and fixtures, office equipment, computer equipment, and vehicles. This amount represents an increase of \$230,127 from 2015. Total accumulated depreciation as of September 30, 2016, was \$4,212,235, and total depreciation expense for the year was \$224,289, resulting in total net capital assets of \$595,402.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>	<u>Percentage</u> <u>Change</u>
Reading materials	\$ 485,244	451,080	8%
Furniture and fixtures	19,319	25,063	(23)%
Office equipment	3,951	5,078	(22)%
Computer equipment	72,800	91,907	(21)%
Vehicles	14,088	16,436	(14)%
Total	<u>\$ 595,402</u>	<u>589,564</u>	<u>1%</u>

Additional information on the Library's capital assets can be found in Note 3 included in this report.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the office of the Madison County Library System, 102 Priestley Street, Canton, MS 39046.

FINANCIAL STATEMENTS

MADISON COUNTY LIBRARY SYSTEM

Statement of Net Position
September 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$	371,742
Restricted cash		559,000
Total current assets		930,742

Non-current assets:

Capital assets, net of accumulated depreciation:

Reading Materials		485,244
Furniture and fixtures		19,319
Office equipment		3,951
Computer equipment		72,800
Vehicles		14,088
Total non-current assets		595,402

Total Assets		1,526,144
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Deferred Outflows of Resources

Pension related		691,206
Total Deferred Outflows of Resources		691,206

Liabilities

Current liabilities:

Accounts payable		518
Accrued expenses		21,632
Total current liabilities		22,150

Non-current liabilities:

Net pension liability		3,028,944
Total non-current liabilities		3,028,944

Total Liabilities		3,051,094
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Deferred Inflows of Resources

Pension related		27,630
Total Deferred Inflows of Resources		27,630

Net Position

Net investment in capital assets		595,402
Restricted:		
Expendable:		
Unemployment		12,926
Building repair		
Other		546,074
Unrestricted		(2,015,776)
Total Net Position	\$	(861,374)

MADISON COUNTY LIBRARY SYSTEM

Statement of Activities
For the Year Ended September 30, 2016

Operating Revenues:	
Auditorium Use Fees	\$ 1,530
City of Canton	94,545
City of Madison	100,000
City of Ridgeland	107,500
Copies	36,775
Faxes	20,527
Madison County	1,494,897
MLC - Personnel Grant	140,145
Town of Flora	1,100
Total Operating Revenues	<u>1,997,019</u>
Operating Expenses:	
Salaries - payroll	1,117,978
Benefits	477,071
Salaries - payroll tax	83,513
Repairs and maintenance	12,655
Automation	7,901
Postage and shipping	4,746
Office supplies	30,301
Janitorial supplies	3,862
Professional fees	7,038
Insurance	39,660
Office equipment	1,037
Automobile	2,812
Staff development and training	4,888
Telephone	7,627
Utilities	55,053
Library programs	10,221
SIRSI maintenance	40,101
Contractual services	2,121
Dues	1,981
Summer reading donation	1,900
Telecommunications	23,617
Travel	690
Depreciation	224,289
Total Operating Expenses	<u>2,161,062</u>
Operating Income (Loss)	<u>(164,043)</u>
Non-Operating Income (Expenses):	
Donations	4,000
Friends of the Library Donations	5,357
Fines	33,512
Grants	133,884
Lost Books	1,932
Miscellaneous	5,976
Interest	965
Donations	(5,080)
LSTA Grant	(3,592)
Health insurance	(113,305)
Life insurance	(1,817)
MLC Grant	(3,500)
Miscellaneous	(3,371)
Restricted funds	(29,162)
Staff fund	(3,259)
Total Non-Operating Income (Expenses)	<u>22,540</u>
Change in Net Position	<u>(141,503)</u>
Net Position, Beginning	<u>(719,871)</u>
Net Position, Ending	<u>(861,374)</u>

MADISON COUNTY LIBRARY SYSTEM

Statement of Cash Flows
For the Year Ended September 30, 2016

Cash Flows from Operating Activities

Receipts from customers	\$	58,932
Receipts from other governments		1,798,042
Other operating cash receipts		140,145
Payments to employees		(1,374,536)
Payments to suppliers of goods or services		(143,067)
Other operating cash payments		(114,626)
Net Cash Provided (Used) by Operating Activities		364,890

Cash Flows from Non-Capital Related Financing Activities

Donations		4,277
Grants		126,792
Other		(109,494)
Net Cash Provided (Used) by Non-Capital Related Financing Activities		21,575

Cash Flows from Capital Related Financing Activities

Acquisition of capital assets		(230,127)
Total Cash Flows from Capital Related Financing Activities		(230,127)

Cash Flows from Investing Activities

Interest earned		965
Total Cash Flows from Investing Activities		965

Net Increase (Decrease) in Cash and Cash Equivalents		157,303
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Cash and Cash Equivalents, Beginning		773,439
Cash and Cash Equivalents, Ending	\$	930,742

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)		\$ (164,043)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation		224,289
Change in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in receivables		100
Decrease (increase) in deferred outflows		(251,337)
Increase (decrease) in payables		518
Increase (decrease) in accrued expenses		18,578
Increase (decrease) in net pension liability		539,738
Increase (decrease) in deferred inflows		(2,953)
Net Cash Provided by Operating Activities	\$	364,890

Madison County Library System
Notes to the Financial Statements
For the Year Ended September 30, 2016

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Madison County Library System have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Library's accounting policies are described below.

A. Reporting Entity

The Library located in central Mississippi near the state capital, Jackson, is one of the forty-seven public library systems in the state of Mississippi. The Library provides library resources and services necessary to meet the informational, recreational and cultural needs of the public.

Madison County Library System is a joint city-county public library system and a component unit of Madison County, Mississippi. The Library is governed by an administrative Board of Library Trustees, consisting of nine members: one from each of the four cities in Madison County: Canton, Camden, Flora and Ridgeland, and one appointee from each of the five county supervisors' districts.

B. Basis of Accounting

The Library's basic financial statements consists of the Statement of Net Position, the Statement of Activities and the Statement of Cash Flows. These statements provide a more detailed level of financial information.

The Statement of Net Position presents the financial condition of the Library at year end. The Statement of Activities presents a comparison between operating revenues, non-operating revenues and operating expenses and non-operating expenses for the Library's activities.

C. Measurement Focus and Basis of Accounting

In the Statement of Net Position and Statement of Activities, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, all certificates of

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

deposit and cash equivalents with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

E. Capital Assets

Capital assets, which include vehicles, furniture and furnishings and library materials are capitalized at their estimated depreciable values. Library materials over 5 years have been deemed to be fully depreciated and neither the cost nor the accumulated depreciation is included. Depreciation is calculated on a straight-line basis for vehicles and equipment and furnishings over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Vehicles	5
Equipment and furnishings	5
Library materials	5

F. Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The Library's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

NOTE 2 - CASH AND CASH EQUIVALENTS

The collateral pledged for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

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 Deposit Insurance Corporation.

At September 30, 2016 the carrying amount of the Library's deposits with financial institutions reported was \$930,742 and the bank balance was \$837,129. Of the bank balances, \$750,000 was covered by federal depository insurance and the remainder of \$87,129 was collateralized with securities by the pledging financial institution's agent in the Library's name.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Library does not have a deposit policy for custodial credit risk. 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 Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Library. As of June 30, 2016, none of the Library's bank balance of \$837,129 was exposed to custodial credit risk.

NOTE 3 - CAPITAL ASSETS

Capital assets consist primarily of library materials, furniture, fixtures, equipment and vehicles that are being depreciated on the straight-line basis over estimated useful lives of five years. The changes in the capital assets accounts were as follows:

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

	Beginning Balance	Additions	Ending Balance
Depreciable capital assets:			
Reading materials	\$ 3,285,387	210,262	3,495,649
Furniture and fixtures	738,260	5,788	744,048
Office equipment	212,056		212,056
Computer equipment	288,458	14,077	302,535
Vehicles	53,349		53,349
Total depreciable capital assets	<u>4,577,510</u>	<u>230,127</u>	<u>4,807,637</u>
Less accumulated depreciation for:			
Reading materials	2,834,307	176,098	3,010,405
Furniture and fixtures	713,197	11,532	724,729
Office equipment	206,978	1,127	208,105
Computer equipment	196,551	33,184	229,735
Vehicles	36,913	2,348	39,261
Total accumulated depreciation	<u>3,987,946</u>	<u>224,289</u>	<u>4,212,235</u>
Total depreciable assets, net	<u>589,564</u>	<u>5,838</u>	<u>595,402</u>
Total capital assets, net	<u>\$ 589,564</u>	<u>5,838</u>	<u>595,402</u>

NOTE 4 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The Library contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 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

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

creditable service for employees who became members 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 creditable 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 Adjustment (COLA) payment is made to 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 members 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. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the Library is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 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 Library's contributions (employer share only) to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$169,782, \$160,208, and \$158,889, respectively, equal to 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 Library reported a liability of \$3,028,944 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, 2016, the Library's proportion was 0.016957 percent, which was an increase of 0.000854 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2015, the Library recognized pension expense of \$412,509. 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 the Financial Statements
For the Year Ended September 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,276	
Net difference between projected and actual earnings on pension plan investments	384,995	
Change of assumptions	214,437	8,048
Changes in proportion and differences between Library contributions and proportionate share of contributions	(36,910)	19,582
Library contributions subsequent to the measurement date	40,408	
Total	<u>\$ 691,206</u>	<u>27,630</u>

\$40,408 reported as deferred outflows of resources related to pensions resulting from Library 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:

Year ended June 30:		
2016	\$	232,338
2017		208,740
2018		122,253
2019		59,837
Total	\$	<u>623,168</u>

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	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

The actuarial assumptions used in the June 30, 2016 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1%	-0.50%
Total	<u>100%</u>	

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 (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 Library'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

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Library's proportionate share of the net pension liability	\$ 3,883,785	\$ 3,028,944	\$ 2,319,703

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

NOTE 6 - 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 unaudited combined statement of the Friends' organizations is as follows:

Condensed Statement of Net Position

	Camden	Canton	Flora	Ridgeland	Madison	Total
Assets						
Cash	\$ 590	4,752	6,119	20,786	25,048	57,295
Net Position						
Net Position	\$ 590	4,752	6,119	20,786	25,048	57,295

Condensed Statement of Activities

	Camden	Canton	Flora	Ridgeland	Madison	Total
Revenues	\$	350	992	14,450	11,966	27,758
Expenses	102		668	3,636	7,780	12,186
Change in net position	(102)	350	324	10,814	4,186	15,572
Net Position, Beginning	692	10,203	5,796	50,479	20,862	88,032
Net Position, Ending	\$ 590	10,553	6,120	61,293	25,048	103,604

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

NOTE 7 - GRANT AWARDS

The following is a summary, by subgrant number, of all funds received from the Mississippi Library Commission for the year ended September 30, 2016.

Funding Source: State

SH16-360-26-0	Health Insurance Grant	\$	96,298
SH17-360-26-0	Health Insurance Grant		27,056
SL16-361-26-0	Life Insurance Grant		1,547
SL17-361-26-0	Life Insurance Grant		425
SP16-362-26-0	Personnel Grant		107,601
SP17-362-26-0	Personnel Grant		32,544

Funding Source: Federal

FFD16-241-26-0	Focused Development Grant		1,492
FIT14-000-26-0	ILL Transport Year 3		1,465
FPD16-245-26-0	Skills Development Grant		3,500
FSR17-247-26-0	Services/Resources Sharing Grant		2,100
Total		\$	<u>274,028</u>

NOTE 8 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 9 - ECONOMIC DEPENDENCE

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

NOTE 10 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. The Library carries

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2016

commercial insurance for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 11 - CONTINGENCIES

Federal Grants - The Library has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from the grantor audit may become a liability of the Library.

Litigation - The Library is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the Library with respect to the various proceedings.

NOTE 12 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Madison County Library System evaluated the activity of the Library through the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY LIBRARY SYSTEM

Required Supplementary Information

**Statement of Actual and Budgeted Revenues and Expenses
For the Year Ended September 30, 2016**

	Actual	Budgeted	Variance Favorable (Unfavorable)
Revenues:			
Auditorium use fees	\$ 1,530	900	630
City of Canton	94,545	92,000	2,545
City of Madison	100,000	100,000	-
City of Ridgeland	107,500	107,500	-
Copy and fax	57,302	45,000	12,302
Madison County	1,494,897	1,413,000	81,897
Personnel grant	140,145	149,135	(8,990)
Town of Flora	1,100	1,200	(100)
Rollover from prior year		5,000	(5,000)
Total Revenues	1,997,019	1,913,735	83,284
Expenses:			
Salaries - payroll	1,117,978	1,144,290	26,312
Benefits	477,071	261,480	(215,591)
Salaries - payroll tax	83,513		(83,513)
Repairs and maintenance	12,655	14,800	2,145
Automation	7,901	15,000	7,099
Postage and shipping	4,746	5,000	254
Office supplies	30,301	29,500	(801)
Janitorial supplies	3,862	4,000	138
Professional fees	7,038	6,500	(538)
Insurance	39,660	40,000	340
Office equipment	1,037	9,000	7,963
Automobile	2,812	3,000	188
Staff development and training	4,888	10,000	5,112
Telephone	7,627	6,500	(1,127)
Utilities	55,053	73,165	18,112
Library programs	10,221	217,000	206,779
SIRSI maintenance	40,101	41,000	899
Contractual services	2,121	2,500	379
Dues	1,981	2,000	19
Summer reading donation	1,900	10,000	8,100
Telecommunications	23,617	15,000	(8,617)
Travel	690	4,000	3,310
Donations	5,080		(5,080)
LSTA Grant	3,592		(3,592)
Health insurance	113,305		(113,305)
Life insurance	1,817		(1,817)
MLC Grant	3,500		(3,500)
Miscellaneous	3,371		(3,371)
Restricted funds	29,162		(29,162)
Staff fund	3,259		(3,259)
Total Expenses	2,099,859	1,913,735	(186,124)
Net Change in Net Position	(102,840)	-	102,840

Madison Library Library SystemSchedule of the Library's Proportionate Share of the Net Pension Liability
PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability (asset) \$	3,028,944	2,489,206	1,994,180
Library's proportionate share of the net pension liability (asset)	0.016957%	0.016103%	0.016429%
Library's covered - employee payroll	1,077,987	1,017,194	1,008,819
Library's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	280.98%	244.71%	197.67%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the Library has only presented information for the years in which information is available.

Madison Library Library System
 Schedule of the Library's Contributions
 PERS
 Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 169,783	160,208	158,889
Contributions in relation to the contractually required contribution	169,783	160,208	158,889
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Library's covered - employee payroll	1,077,987	1,017,194	1,008,819
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the Library has only presented information for the years in which information is available.

Madison County Library System

Notes to the Supplementary Information
For the Year Ended September 30, 2016

Budgetary Comparison Schedule

1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variance between the original budget and the final budget, and variances between the final budget and the actual data.

2) Budget Amendments and Revisions

The budget is adopted by the Library and filed with the taxing authority. Amendments can be made on the approval of the Library board. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Change of Benefit Terms

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Change of Assumptions

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Trustees
Madison County Library System

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 Madison County Library System, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Madison County Library System's basic financial statements, and have issued our report thereon dated December 9, 2016.

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 9, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Madison County Library System
Schedule of Findings and Responses
For the Year Ended September 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.