



Madison County
LIBRARY SYSTEM
Knowledge • Community • Imagination

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

May 25, 2021

Madison County Board of Supervisors
P.O. Box 608
Canton, MS 39046

RE: Audit Report for Fiscal Year 2019-2020

To Whom It May Concern:

Enclosed is our Audit Report for Fiscal Year 2019-2020.

Please let me know if you have any questions.

Sincerely,

Monica Stanford
Business Manager

Enclosure





Audited Financial Statements
For the Year Ended September 30, 2020

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, 2020, 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, 2020, 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, the Schedule of Library's Proportionate Share of the Net Pension Liability, Schedule of Library's Contributions (PERS), the Schedule of Library's Proportionate Share of the Net OPEB Liability, Schedule of Library's Contributions (OPEB) on pages 7 to 12 and 34 to 43, respectively, 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 April 22, 2021, 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 solely to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison County Library System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County Library System's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 22, 2021

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2020

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, 2020. 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 2020 decreased \$189,616, including a prior period adjustment of (\$51,821), which represents a 17% decrease from fiscal year 2019. Total net position for 2019 increased \$42,824, which represents a 4% increase from fiscal year 2018.
- Operating revenues amounted to \$2,189,140 and \$2,141,536, or 88% and 85% of all revenues for fiscal years 2020 and 2019, respectively. Non-operating revenues accounted for \$307,651, or 12% of total revenues for 2020, and \$376,413, or 15% of total revenues for 2019.
- The Library had \$2,634,586 and \$2,475,125 in expenses for fiscal years 2020 and 2019; Operating expenses of \$2,491,679 accounted for 95% of total expenses in fiscal year 2020 and operating expenses of \$2,345,805 accounted for 95% of total expenses in the previous fiscal year. Non-operating expenses for fiscal year 2020 and 2019 were as follows: \$142,907 and \$129,320, respectively.
- Capital assets, net of accumulated depreciation, decreased by \$43,425 for 2020 and increased by \$170,975 for 2019. The decrease for 2020 was due primarily to the increase in accumulated depreciation.
- Net pension liability increased 13% to \$3,412,577 in 2020 compared to \$3,032,856 in 2019. Deferred outflows related to pension accounted for \$439,589 in 2020 and \$316,938 in the previous year. Deferred inflows related to pensions amounted to \$76,365 in the current year and \$161,312 for the previous year.
- Net OPEB liability totaled \$192,708 in 2020. Deferred outflows related to OPEB totaled \$45,646. Deferred inflows related to OPEB totaled \$46,377 in the current year.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2020

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.

Financial Statements

The financial statements are designed to provide the reader with a broad overview of the Library's finances. These statements consist of the Statement of Net Position, the Statement of Activities, and the Statement of Cash Flows which 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.

The Statement of Cash Flows provides information about cash receipts, cash payments, and the net change in cash resulting from the operating, investing, and financing activities of the Library during the year.

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 Net Pension Liability, Schedule of Library Contributions (PERS), the Schedule of the Library's Proportionate Share of the Net OPEB Liability, and Schedule of Library Contributions (OPEB) as required supplementary information. The Library adopts an annual operating budget. A budgetary comparison schedule has been provided as required by the Governmental Accounting Standards Board.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2020

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 \$1,333,300 as of September 30, 2020.

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, 2020 and September 30, 2019.

Table 1
Condensed Statement of Net Position

| | <u>September 30, 2020</u> | <u>September 30, 2019</u> | Percentage Change |
|---------------------------------------|---------------------------|---------------------------|------------------------------|
| Current assets | \$ 440,280 | 397,116 | 11% |
| Restricted assets | 769,181 | 695,703 | 11% |
| Capital assets, net | <u>850,969</u> | <u>894,394</u> | (5)% |
| Total assets | <u>2,060,430</u> | <u>1,987,213</u> | 4% |
| Deferred outflows of resources | <u>485,235</u> | <u>350,799</u> | 38% |
| Current liabilities | 150,938 | 66,192 | 128% |
| Net pension liability | 3,412,577 | 3,032,856 | 13% |
| Net OPEB liability | <u>192,708</u> | <u>201,562</u> | (4)% |
| Total liabilities | <u>3,756,223</u> | <u>3,300,610</u> | 14% |
| Deferred inflows of resources | <u>122,742</u> | <u>181,086</u> | (32)% |
| Net position: | | | |
| Net investment in capital assets | 850,969 | 894,394 | (5)% |
| Restricted | 769,181 | 695,703 | 11% |
| Unrestricted | <u>(2,953,450)</u> | <u>(2,733,781)</u> | (8)% |
| Total net position (deficit) | <u>\$ (1,333,300)</u> | <u>(1,143,684)</u> | (17)% |

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2020

Additional information on unrestricted net position:

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

| | | |
|---|----|-------------|
| Total unrestricted net position (deficit) | \$ | (2,953,450) |
| Less unrestricted deficit in net position resulting from recognition of the net pension and net OPEB liability including the related deferred outflows and deferred inflows | | 3,242,792 |
| Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect | \$ | 289,342 |

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

- Decrease in net capital assets in the amount of \$43,425 including a prior period adjustment of \$2,171.

Changes in net position

The Library's total revenues for the fiscal years ended September 30, 2020 and September 30, 2019 were \$2,496,791 and \$2,517,949, respectively. The total cost of all programs and services was \$2,634,586 for 2020 and \$2,475,125 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended September 30, 2020 and September 30, 2019.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2020

Table 2
Changes in Net Position

| | Year Ended September 30, 2020 | Year Ended September 30, 2019 | Percentage Change |
|--|-------------------------------------|-------------------------------------|----------------------|
| Revenues: | | | |
| Operating revenues | \$ 2,189,140 | 2,141,536 | 2% |
| Non-operating revenues | <u>307,651</u> | <u>376,413</u> | (18)% |
| Total revenues | <u>2,496,791</u> | <u>2,517,949</u> | (1)% |
| Expenses: | | | |
| Operating expenses | 2,491,679 | 2,345,805 | 6% |
| Non-operating expenses | <u>142,907</u> | <u>129,320</u> | 11% |
| Total expenses | <u>2,634,586</u> | <u>2,475,125</u> | 6% |
| Increase (Decrease) in net position | <u>(137,795)</u> | <u>42,824</u> | (422)% |
| Net Position (Deficit), Beginning, as previously reported | (1,143,684) | (1,186,508) | 4% |
| Prior period adjustments | <u>(51,821)</u> | | N/A |
| Net Position (Deficit), Beginning, as restated | <u>(1,195,505)</u> | <u>(1,186,508)</u> | (1)% |
| Net Position (Deficit), Ending | <u>\$ (1,333,300)</u> | <u>(1,143,684)</u> | (17)% |

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 actual and budgeted amounts, along with its corresponding variance, is provided in this report as required supplementary information.

**Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2020**

CAPITAL ASSETS

Capital Assets. As of September 30, 2020, the Library's total capital assets were \$6,096,118, including reading materials, furniture and fixtures, office equipment, computer equipment, and vehicles. This amount represents an increase of \$262,123 from 2019. Total accumulated depreciation as of September 30, 2020, was \$5,245,149, and total depreciation expense for the year was \$347,224, resulting in total net capital assets of \$850,969.

**Table 4
Capital Assets, Net Accumulated Depreciation**

| | <u>September 30, 2020</u> | <u>September 30, 2019</u> | <u>Percentage Change</u> |
|------------------------|---------------------------|---------------------------|------------------------------|
| Reading materials | \$ 649,639 | 683,895 | (5)% |
| Furniture and fixtures | 35,437 | 31,090 | 14% |
| Office equipment | 5,395 | 8,315 | (35)% |
| Computer equipment | 55,721 | 28,535 | 95% |
| Vehicles | 104,777 | 142,559 | (27)% |
| Total | \$ 850,969 | 894,394 | (5)% |

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
(a component unit of Madison County, Mississippi)

Statement of Net Position
September 30, 2020

Assets

Current assets:

| | | |
|---------------------------|----|-----------|
| Cash and cash equivalents | \$ | 374,185 |
| Restricted cash | | 769,181 |
| Accounts receivable | | 66,095 |
| Total current assets | | 1,209,461 |

Non-current assets:

Capital assets, net of accumulated depreciation:

| | | |
|--------------------------|--|---------|
| Reading materials | | 649,639 |
| Furniture and fixtures | | 35,437 |
| Office equipment | | 5,395 |
| Computer equipment | | 55,721 |
| Vehicles | | 104,777 |
| Total non-current assets | | 850,969 |

| | | |
|--------------|--|-----------|
| Total Assets | | 2,060,430 |
|--------------|--|-----------|

Deferred Outflows of Resources

| | | |
|--------------------------------------|--|---------|
| Deferred outflows - pensions | | 439,589 |
| Deferred outflows - OPEB | | 45,646 |
| Total Deferred Outflows of Resources | | 485,235 |

Liabilities

Current liabilities:

| | | |
|---------------------------|--|---------|
| Accounts payable | | 10,336 |
| Accrued expenses | | 140,602 |
| Net OPEB liability | | 7,882 |
| Total current liabilities | | 158,820 |

Non-current liabilities:

| | | |
|-------------------------------|--|-----------|
| Net OPEB liability | | 184,826 |
| Net pension liability | | 3,412,577 |
| Total non-current liabilities | | 3,597,403 |

| | | |
|-------------------|--|-----------|
| Total Liabilities | | 3,756,223 |
|-------------------|--|-----------|

Deferred Inflows of Resources

| | | |
|-------------------------------------|--|---------|
| Deferred inflows - pensions | | 76,365 |
| Deferred inflows - OPEB | | 46,377 |
| Total Deferred Inflows of Resources | | 122,742 |

Net Position

| | | |
|----------------------------------|----|-------------|
| Net investment in capital assets | | 850,969 |
| Restricted: | | |
| Expendable: | | |
| Unemployment | | 15,000 |
| Other | | 754,181 |
| Unrestricted | | (2,953,450) |
| Total Net Position (Deficit) | \$ | (1,333,300) |

MADISON COUNTY LIBRARY SYSTEM
(a component unit of Madison County, Mississippi)

Statement of Activities
For the Year Ended September 30, 2020

| | |
|---|------------------------------|
| Operating Revenues: | |
| Auditorium Use Fees | \$ 850 |
| City of Canton | 99,344 |
| City of Madison | 100,000 |
| City of Ridgeland | 110,000 |
| Town of Flora | 1,200 |
| Copies | 21,170 |
| Faxes | 10,989 |
| Madison County | 1,729,049 |
| CARES ACT Grant | 4,787 |
| MLC - Personnel Grant | 111,751 |
| Total Operating Revenues | <u><u>2,189,140</u></u> |
| Operating Expenses: | |
| Salaries - payroll | 1,225,097 |
| Benefits | 391,106 |
| Salaries - payroll tax | 89,490 |
| Repairs and maintenance | 35,355 |
| Automation | 17,010 |
| Postage and shipping | 2,109 |
| Office supplies | 33,100 |
| Janitorial supplies | 8,705 |
| Professional fees | 9,105 |
| Insurance | 37,748 |
| Automobile | 4,957 |
| Staff development and training | 3,217 |
| Telephone | 9,491 |
| Utilities | 72,459 |
| Library programs | 17,295 |
| SIRSI maintenance | 31,046 |
| Contractual services | 3,423 |
| Dues | 1,909 |
| Telecommunications | 148,592 |
| Travel | 3,241 |
| Depreciation | 347,224 |
| Total Operating Expenses | <u><u>2,491,679</u></u> |
| Operating Income (Loss) | <u><u>(302,539)</u></u> |
| Non-Operating Income (Expenses): | |
| E-Rate Reimbursement | 133,071 |
| Donations received | 4,168 |
| Friends of the Library Donations | 8,894 |
| Fines | 6,168 |
| Lost Books | 906 |
| Grants | 4,698 |
| Miscellaneous | 256 |
| Interest | 1,214 |
| Donations made | (8,965) |
| LSTA Grant | 15,790 |
| Health insurance | (131,869) |
| Life insurance | (2,073) |
| MLC Grant | 132,486 |
| Total Non-Operating Income (Expenses) | <u><u>164,744</u></u> |
| Change in Net Position | <u><u>(137,795)</u></u> |
| Net Position (Deficit), Beginning, as previously reported | (1,143,684) |
| Prior period adjustment | (51,821) |
| Net Position (Deficit), Beginning, restated | <u>(1,195,505)</u> |
| Net Position (Deficit), Ending | <u><u>\$ (1,333,300)</u></u> |

MADISON COUNTY LIBRARY SYSTEM
(a component unit of Madison County, Mississippi)

Statement of Cash Flows

For the Year Ended September 30, 2020

Cash Flows from Operating Activities

| | |
|--|----------------|
| Cash received from customers | \$ (27,819) |
| Cash received from grants | 111,751 |
| Cash payments to employees | (1,438,116) |
| Cash payments to suppliers for goods or services | (217,018) |
| Other cash receipts (payments) | 1,763,900 |
| Net Cash Provided (Used) by Operating Activities | <u>192,698</u> |

Cash Flows from Non-Capital Related Financing Activities

| | |
|--|----------------|
| Operating grants received | 286,045 |
| Donations | (4,797) |
| Receipts from / payments to others | (117,718) |
| Net Cash Provided (Used) by Non-Capital Related Financing Activities | <u>163,530</u> |

Cash Flows from Capital Related Financing Activities

| | |
|--|------------------|
| Acquisition of capital assets | (301,628) |
| Net Cash Provided (Used) by Capital Related Financing Activities | <u>(301,628)</u> |

Cash Flows from Investing Activities

| | |
|--|--------------|
| Interest earned | 1,214 |
| Net Cash Provided (Used) by Investing Activities | <u>1,214</u> |

| | |
|--|---------------|
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>55,814</u> |
|--|---------------|

| | |
|--------------------------------------|---------------------|
| Cash and Cash Equivalents, Beginning | 1,087,552 |
| Cash and Cash Equivalents, Ending | <u>\$ 1,143,366</u> |

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

| | |
|---|---------------------|
| Operating Income (Loss) | \$ <u>(302,539)</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | |
| Depreciation | 347,224 |
| Change in assets, deferred outflows, liabilities and deferred inflows: | |
| Decrease (increase) in receivables | (60,828) |
| Decrease (increase) in deferred outflows | (134,436) |
| Increase (decrease) in payables | 9,312 |
| Increase (decrease) in accrued expenses | 21,442 |
| Increase (decrease) in net pension liability | 379,721 |
| Increase (decrease) in net OPEB liability | (8,854) |
| Increase (decrease) in deferred inflows | (58,344) |
| Net Cash Provided by Operating Activities | <u>\$ 192,698</u> |

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

Madison County Library System
Notes to the Financial Statements
For the Year Ended September 30, 2020

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

Madison County Library System, a political subdivision, is a joint city-county public library system. 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.

Madison County Library System

Notes to the Financial Statements For the Year Ended September 30, 2020

D. Cash and Cash Equivalents

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

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

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 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, 2020 the carrying amount of the Library's deposits with financial institutions reported was \$1,143,366 and the bank balance was \$1,065,417. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder of \$815,417 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 September 30, 2020, none of the Library's bank balance of \$1,065,417 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, 2020

| | Beginning Balance | Additions | Deletions | Adjustments | Ending Balance |
|---|----------------------|-----------------|---------------|--------------|-------------------|
| Depreciable capital assets: | | | | | |
| Reading materials | \$ 4,314,297 | 238,927 | | | 4,553,224 |
| Furniture and fixtures | 783,695 | 15,916 | | | 799,611 |
| Office equipment | 218,313 | 931 | | | 219,244 |
| Computer equipment | 275,429 | 45,854 | 12,350 | 2,714 | 311,647 |
| Vehicles | 242,261 | | 29,869 | | 212,392 |
| Total depreciable capital assets | 5,833,995 | 301,628 | 42,219 | 2,714 | 6,096,118 |
| Less accumulated depreciation for: | | | | | |
| Reading materials | 3,630,402 | 273,183 | | | 3,903,585 |
| Furniture and fixtures | 752,605 | 11,569 | | | 764,174 |
| Office equipment | 209,998 | 3,851 | | | 213,849 |
| Computer equipment | 246,894 | 20,839 | 12,350 | 543 | 255,926 |
| Vehicles | 99,702 | 37,782 | 29,869 | | 107,615 |
| Total accumulated depreciation | 4,939,601 | 347,224 | 42,219 | 543 | 5,245,149 |
| Total depreciable assets, net | 894,394 | (45,596) | 0 | 2,171 | 850,969 |
| Total capital assets, net | \$ 894,394 | (45,596) | 0 | 2,171 | 850,969 |

NOTE 4 - 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 benefit 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 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.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

Participating members who are vested and retire at or after 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 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, 2020, 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, 2020 was 17.40% 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 years ending September 30, 2020, 2019, and 2018 were \$205,838, \$184,345, and \$168,667 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, 2020, the Library reported a liability of \$3,412,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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. The Library's proportionate share used to calculate the September 30, 2020 net pension liability was 0.017628 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.000388 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

For the year ended September 30, 2020, the Library recognized pension expense of \$377,961. At September 30, 2020 the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 29,571 | |
| Net difference between projected and actual earnings on pension plan investments | 145,852 | |
| Change of assumptions | 18,670 | |
| Changes in the proportion and differences between the Library's contributions and proportionate share of contributions | 193,899 | 76,365 |
| Library contributions subsequent to the measurement date | 51,597 | |
| Total | \$ 439,589 | 76,365 |

\$51,597 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, 2021. 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 ending September 30: | Amount |
|---------------------------|------------|
| 2021 | \$ 83,708 |
| 2022 | 104,708 |
| 2023 | 78,039 |
| 2023 | 45,172 |
| Total | \$ 311,627 |

Actuarial Assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Madison County Library System

Notes to the Financial Statements For the Year Ended September 30, 2020

| | |
|---------------------------|---|
| Inflation | 2.75 percent |
| Salary increases | 3.00 - 18.25 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimates 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 most recent 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 |
|----------------------|-------------------|--|
| Domestic Equity | 27.00% | 4.90% |
| International Equity | 22.00% | 4.75 |
| Global Equity | 12.00% | 5.00 |
| Fixed Income | 20.00% | 0.5 |
| Real Estate | 10.00% | 4.00 |
| Private Equity | 8.00% | 6.25 |
| Cash | 1.00% | 0 |
| 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 (17.40%).

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

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 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 | \$ 4,417,160 | \$ 3,412,577 | \$ 2,583,390 |

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 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan.

Plan Description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees’ Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et. seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees’ Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when

Madison County Library System

Notes to the Financial Statements For the Year Ended September 30, 2020

premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the Library were \$0 for the year ended September 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At September 30, 2020, the Library reported a liability of \$192,708 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the Library's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the Library's proportion was 0.02476308 percent. This was an increase of 0.00100913 percent from the proportionate share as of the measurement date of June 30, 2019.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

For the year ended September 30, 2020, the Library recognized OPEB expense of \$5,964. At September 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 246 | \$ 33,536 |
| Net difference between projected and actual investment earnings on OPEB Plan Investments | 6 | |
| Change of assumptions | 29,920 | 8,144 |
| Changes in proportion and differences between Library contributions and proportionate share of contributions | 15,474 | 4,697 |
| Total | \$ 45,646 | \$ 46,377 |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending September 30: | |
|---------------------------|-----------------|
| 2021 | \$ (1,015) |
| 2022 | (1,015) |
| 2023 | 28 |
| 2024 | 1,650 |
| 2025 | (379) |
| Total | \$ (731) |

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------|---|
| Inflation | 2.75 percent |
| Salary increases | 3.00% - 18.25 percent, including wage inflation |

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

Municipal Bond Index Rate

| | |
|------------------------|-------|
| Measurement Date | 2.19% |
| Prior Measurement Date | 3.50% |

Year FNP is projected to be depleted

| | |
|------------------------|------|
| Measurement Date | 2020 |
| Prior Measurement Date | 2019 |

Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation

| | |
|------------------------|-------|
| Measurement Date | 2.19% |
| Prior Measurement Date | 3.50% |

Health Care Cost Trends

| | |
|--|----------------------------------|
| Medicare Supplement Claims Pre-Medicare | 7.00 decreasing to 4.50% by 2030 |
|--|----------------------------------|

Mortality rates were based on the PubS H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study dated April 2, 2019.

The long-term investment rate of return, net of OPEB Plan investment expense, including inflation, was 4.50%.

Discount rate. The discount rates of 2.19% used to measure the total OPEB liability at June 30, 2020, respectively, was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for June 30, 2020 total OPEB liability.

Sensitivity of the Library's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Library's proportionate share of the net OPEB liability, as well as what the Library's proportionate share of the net OPEB liability would

Madison County Library System

Notes to the Financial Statements For the Year Ended September 30, 2020

be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage point higher (3.19 percent) than the current discount rate:

| | 1% Decrease (1.19%) | Discount Rate (2.19%) | 1% Increase (3.19%) |
|--------------------|---------------------------|-----------------------------|---------------------------|
| Net OPEB liability | \$ 212,956 | \$ 192,708 | \$ 175,341 |

Sensitivity of the Library's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the Library's proportionate share of the net OPEB liability, as well as what the Library's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates Current | 1% Increase |
|--------------------|----------------|---|----------------|
| Net OPEB liability | \$ 177,937 | \$ 192,708 | \$ 209,444 |

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

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 | Library Foundation | Total |
|---------------------|--------|--------|-------|-----------|---------|-----------------------|---------|
| Assets | | | | | | | |
| Cash | \$ 182 | 7,006 | 4,884 | 9,831 | 27,560 | 3,752 | 53,215 |
| Investments | | | | 65,633 | | | 65,633 |
| Total Assets | 182 | 7,006 | 4,884 | 75,464 | 27,560 | 3,752 | 118,848 |
| Net Position | \$ 182 | 7,006 | 4,884 | 75,464 | 27,560 | 3,752 | 118,848 |

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

Condensed Statement of Activities

| | Camden | Canton | Flora | Ridgeland | Madison | Library Foundation | Total |
|-------------------------|--------|--------|-------|-----------|---------|--------------------|--------|
| Revenues | \$ | 12 | 636 | 5,747 | 6,042 | 745 | 13,182 |
| Expenses | | 102 | 666 | 2,824 | 13,815 | | 17,407 |
| Change in net position | | (102) | 12 | (30) | 2,923 | (7,773) | 745 |
| Net Position, Beginning | | 284 | 6,994 | 4,914 | 72,541 | 35,333 | 3,007 |
| Net Position, Ending | \$ | 182 | 7,006 | 4,884 | 75,464 | 27,560 | 3,752 |

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, 2020.

Funding Source: State

| | | |
|-------------------|------------------------|------------|
| SH20-360-26-0 | Health Insurance Grant | \$ 108,113 |
| SH21-360-26-0 | Health Insurance Grant | 22,302 |
| SL20-361-26-0 | Life Insurance Grant | 1,731 |
| SL21-361-26-0 | Life Insurance Grant | 340 |
| SP20-362-26-0 | Personnel Grant | 80,655 |
| SP20-OTP-362-26-0 | Personnel Grant | 3,964 |
| SP21-362-26-0 | Personnel Grant | 27,131 |

Funding Source: Federal

| | | |
|-----------------|-----------------------------------|-------|
| CASUP21- 26-0 | COVID-19 - CARES Act Grant Income | 4,787 |
| FIA20 - 26-0 | Information Access | 3,000 |
| FIA21 - 26-0 | Information Access | 2,600 |
| FIC20 - 26-0 | Institutional Capacity | 3,000 |
| FIT19-1909-26-0 | ILL Transport | 1,390 |
| FPD20-26-0 | Professional Development Grant | 3,000 |

Total \$ 262,013

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

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 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 - OTHER MATTERS

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the Library is uncertain at this time. We are uncertain of what ultimate impact it will have on the operations of the Library.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

| <u>Explanation</u> | <u>Amount</u> |
|--|--------------------------|
| Adjustment was made to properly record prior year accrued payroll liabilities. | \$ (53,992) |
| Adjustments were made to properly present capital assets at year end. | <u>2,171</u> |
| Total | <u><u>\$(51,821)</u></u> |

NOTE 14 - 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, 2020**

| | Actual | Budgeted | Variance Favorable (Unfavorable) |
|---|---------------------|------------------|--|
| Operating Revenues: | | | |
| Auditorium use fees | \$ 850 | 875 | (25) |
| City of Canton | 99,344 | 100,000 | (656) |
| City of Madison | 100,000 | 100,000 | - |
| City of Ridgeland | 110,000 | 110,000 | - |
| Town of Flora | 1,200 | 1,200 | - |
| Copies and Faxes | 32,159 | 28,000 | 4,159 |
| Madison County | 1,729,049 | 1,675,300 | 53,749 |
| CARES ACT Grant | 4,787 | | 4,787 |
| MLC - Personnel Grant | 111,751 | 111,500 | 251 |
| Total Operating Revenues | 2,189,140 | 2,126,875 | 62,265 |
| Operating Expenses: | | | |
| Salaries - payroll | 1,225,097 | 1,249,000 | 23,903 |
| Benefits | 391,106 | 330,000 | (61,106) |
| Salaries - payroll tax | 89,490 | | (89,490) |
| Repairs and maintenance | 35,355 | 22,000 | (13,355) |
| Automation | 17,010 | 16,500 | (510) |
| Postage and shipping | 2,109 | 2,500 | 391 |
| Office supplies | 33,100 | 27,500 | (5,600) |
| Janitorial supplies | 8,705 | 7,000 | (1,705) |
| Professional fees | 9,105 | 8,500 | (605) |
| Insurance | 37,748 | 38,000 | 252 |
| Office equipment and furnitures | - | 17,000 | 17,000 |
| Automobile | 4,957 | 4,500 | (457) |
| Staff development and training | 3,217 | 2,100 | (1,117) |
| Telephone | 9,491 | 10,000 | 509 |
| Utilities | 72,459 | 77,500 | 5,041 |
| Library programs | 17,295 | 259,600 | 242,305 |
| SIRSI maintenance | 31,046 | 31,100 | 54 |
| Contractual services | 3,423 | 4,350 | 927 |
| Dues | 1,909 | 1,800 | (109) |
| PR/Promotional items | | 1,000 | 1,000 |
| Telecommunications | 148,592 | 150,000 | 1,408 |
| Tech services supplies | | 3,625 | 3,625 |
| Travel | 3,241 | 4,300 | 1,059 |
| Total Operating Expenses | 2,144,455 | 2,267,875 | 123,420 |
| Operating Income (Loss) | 44,685 | (141,000) | (61,155) |
| Non-Operating Income (Expenses): | | | |
| E-rate reimbursement | 133,071 | 135,000 | (1,929) |
| Donations received | 4,168 | | 4,168 |
| Friends of the Library Donations | 8,894 | | 8,894 |
| Fines | 6,168 | 6,000 | 168 |
| Lost Books | 906 | | 906 |
| Grants | 4,698 | | 4,698 |
| Miscellaneous | 256 | | 256 |
| Interest | 1,214 | | 1,214 |
| Donations | (8,965) | | (8,965) |
| LSTA Grant | 15,790 | | 15,790 |
| Health insurance | (131,869) | | (131,869) |
| Life insurance | (2,073) | | (2,073) |
| MLC Grant | 132,486 | | 132,486 |
| Total Non-Operating Income (Expenses) | 164,744 | 141,000 | 23,744 |
| Change in Net Position | 209,429 | - | (209,429) |
| Net Position (Deficit), Beginning, as previously reported | (1,143,684) | 0 | (1,143,684) |
| Prior Period Adjustments | (53,992) | 0 | (53,992) |
| Net Position (Deficit), Beginning, as restated | (1,197,676) | 0 | (1,197,676) |
| Net Position (Deficit), Ending | \$ (988,247) | 0 | (988,247) |

Madison County Library System
 Schedule of the Library's Proportionate Share of the Net Pension Liability
 Last 10 Fiscal Years*
 For the Year Ended September 30, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Library's proportion of the net pension liability (asset) | 0.017628% | 0.017240% | 0.016596% | 0.016050% | 0.016957% | 0.016103% | 0.016429% |
| Library's proportionate share of the net pension liability (asset) | \$ 3,412,577 | 3,032,856 | 2,760,408 | 2,668,055 | 3,028,944 | 2,489,206 | 1,994,180 |
| Library's covered payroll | \$ 1,173,810 | 1,122,787 | 1,059,816 | 1,029,606 | 1,084,794 | 1,006,025 | 1,004,330 |
| Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 290.73% | 270.12% | 260.46% | 259.13% | 279.22% | 247.43% | 198.56% |
| Plan fiduciary net position as a percentage of the total pension liability | 58.97% | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% | 67.21% |

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the Library has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

Madison County Library System
 Schedule of Library Contributions
 Last 10 Fiscal Years*
 For the Year Ended September 30, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 51,597 | 50,001 | 42,496 | 40,750 | 40,408 | 41,480 |
| Contributions in relation to the contractually required contribution | <u>51,597</u> | <u>50,001</u> | <u>42,496</u> | <u>40,750</u> | <u>40,408</u> | <u>41,480</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Library's covered payroll | \$ 327,600 | 317,467 | 269,816 | 258,730 | 256,559 | 263,365 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, full 10 year trend is compiled, the Library has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

Madison County Library System
Schedule of the Library's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|--------------|
| Library's proportion of the net OPEB liability | \$ 192,708 | 201,562 | 182,921 |
| Library's proportionate share of the net OPEB liability (asset) | 0.02476308% | 0.02375395% | 0.02364700% |
| Library's covered-employee payroll | 1,193,421 | 1,087,795 | 1,069,538 ** |
| Library's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 16.15% | 18.53% | 17.10% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.13% | 0.12% | 0.13% |

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 year prior to the fiscal year presented.

** The amount used to calculate this figure was based on the Plan's covered-employee payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, 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
Schedule of Library Contributions
OPEB
Last 10 Fiscal Years*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|-------------|-------------|
| Contractually required contribution | \$ - | 7,685 | - ** |
| Contributions in relation to the contractually required contribution | - | 7,685 | - ** |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Library's covered-employee payroll | \$ 1,155,921 | 1,109,799 | 1,007,776 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.69% | 0.00% |

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 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the Library has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

** The amounts reflected above only pertains to the Implicit Rate Subsidy as it relates to contributions.

Madison County Library System

Notes to the Supplementary Information
For the Year Ended September 30, 2020

Budgetary Comparison Schedule

1) **Basis of Presentation**

The Budgetary Comparison Schedule presents the original legally adopted budget, and the actual data on the GAAP basis and variances between the 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 consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

Madison County Library System

Notes to the Supplementary Information (Continued) For the Year Ended September 30, 2020

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

Madison County Library System

Notes to the Supplementary Information (Continued) For the Year Ended September 30, 2020

(2) *Changes in benefit provisions*

2016:

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.

Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 30.9 years |
| Asset valuation method | 5-year smoothed market |
| Price Inflation | 3.00 percent |
| Salary increase | 3.25 percent to 18.50 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

OPEB Schedules

(1) Changes of assumptions

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020:

The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

Madison County Library System

Notes to the Supplementary Information (Continued) For the Year Ended September 30, 2020

(2) Changes in benefit provisions

2017:
None

2018:
None

2019:
None

2020:
None

(3) *Actuarial Methods and Assumptions*

| | |
|--------------------------|---------------|
| Actuarial valuation date | June 30, 2020 |
| Measurement date | June 30, 2020 |
| Experience Study date | April 2, 2019 |

Actuarial assumptions

| | |
|--|------------------|
| Actuarial cost method: | Entry Age Normal |
| Inflation rate | 2.75% |
| Salary increases, including wage inflation | 3.00% - 18.25% |
| Long-term expected rate of return | 4.50% |
| Discount rate | 2.19% |
| Projected cash flows | NA |
| Retiree health care participation | 50% |

| | |
|------------------------------|--------------------------------------|
| Health care cost trend rates | 7.00% decreasing to 4.50% by 2030 |
|------------------------------|--------------------------------------|

REPORT 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, a component unit of Madison County, as of and for the year ended September 30, 2020, 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 April 22, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. 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 financial statements. 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
April 22, 2021

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Madison County Library System
Schedule of Findings and Responses
For the Year Ended September 30, 2020

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.

Section II: Financial Statements Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.