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FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS



Audited Financial Statements
For the Year Ended September 30, 2021

Fortenberry & Ballard, PC
Certified Public Accountants

Madison County Library System
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
AUDITED FINANCIAL STATEMENTS	
Statement of Net Position	15
Statement of Activities	16
Statement of Cash Flows	17
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Actual and Budgeted Revenues and Expenses	36
Schedule of Library's Proportionate Share of the Net Pension Liability	37
Schedule of Library's Contributions (PERS)	38
Schedule of Library's Proportionate Share of the Net OPEB Liability	39
Schedule of Library's Contributions (OPEB)	40
Notes to the Required Supplementary Information	41
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	47
SCHEDULE OF FINDINGS AND RESPONSES	50

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, 2021, 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.

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, 2021, 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 8 to 13 and 36 to 45, 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 May 25, 2022, 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
May 25, 2022

Certified Public Accountants

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2021

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, 2021. 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 2021 increased \$37,992, including a prior period adjustment of \$6,784, which represents a 3% increase from fiscal year 2020. 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.
- Operating revenues amounted to \$2,186,088 and \$2,189,140, or 88% and 88% of all revenues for fiscal years 2021 and 2020, respectively. Non-operating revenues accounted for \$303,713, or 12% of total revenues for 2021, and \$307,651, or 12% of total revenues for 2020.
- The Library had \$2,458,593 and \$2,634,586 in expenses for fiscal years 2021 and 2020; Operating expenses of \$2,313,562 accounted for 94% of total expenses in fiscal year 2021 and operating expenses of \$2,491,679 accounted for 95% of total expenses in the previous fiscal year. Non-operating expenses for fiscal year 2021 and 2020 were as follows: \$145,031 and \$142,907, respectively.
- Capital assets, net of accumulated depreciation, decreased by \$105,879 for 2021 and decreased by \$43,425 for 2020. The decrease for 2021 was due primarily to the increase in accumulated depreciation.
- Net pension liability decreased 23% to \$2,630,771 in 2021 compared to \$3,412,577 in 2020. Deferred outflows related to pension accounted for \$530,599 in 2021 and \$439,589 in the previous year. Deferred inflows related to pensions amounted to \$956,789 in the current year and \$76,365 for the previous year.
- Net OPEB liability totaled \$168,821 in 2021. Deferred outflows related to OPEB totaled \$49,193. Deferred inflows related to OPEB totaled \$61,455 in the current year.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2021

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, 2021

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 \$1,295,308 as of September 30, 2021.

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, 2021 and September 30, 2020.

Table 1
Condensed Statement of Net Position

	<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>Percentage Change</u>
Current assets	\$ 461,715	440,280	5%
Restricted assets	897,882	769,181	17%
Capital assets, net	<u>745,090</u>	<u>850,969</u>	(12)%
Total assets	<u>2,104,687</u>	<u>2,060,430</u>	2%
Deferred outflows of resources	<u>579,792</u>	<u>485,235</u>	19%
Current liabilities	161,951	150,938	7%
Net pension liability	2,630,771	3,412,577	(23)%
Net OPEB liability	<u>168,821</u>	<u>192,708</u>	(12)%
Total liabilities	<u>2,961,543</u>	<u>3,756,223</u>	(21)%
Deferred inflows of resources	<u>1,018,244</u>	<u>122,742</u>	730%
Net position:			
Net investment in capital assets	745,090	850,969	(12)%
Restricted	897,882	769,181	17%
Unrestricted	<u>(2,938,280)</u>	<u>(2,953,450)</u>	1%
Total net position (deficit)	<u>\$ (1,295,308)</u>	<u>(1,333,300)</u>	3%

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2021

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)	\$ (2,938,280)
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	3,238,044
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 299,764

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 \$105,879.

Changes in net position

The Library's total revenues for the fiscal years ended September 30, 2021 and September 30, 2020 were \$2,489,801 and \$2,496,791, respectively. The total cost of all programs and services was \$2,458,593 for 2021 and \$2,634,586 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended September 30, 2021 and September 30, 2020.

Madison County Library System
Management's Discussion and Analysis
For the Year Ended September 30, 2021

Table 2
Changes in Net Position

	Year Ended September 30, 2021	Year Ended September 30, 2020	Percentage Change
Revenues:			
Operating revenues	\$ 2,186,088	2,189,140	0%
Non-operating revenues	303,713	307,651	(1)%
Total revenues	2,489,801	2,496,791	0%
Expenses:			
Operating expenses	2,313,562	2,491,679	(7)%
Non-operating expenses	145,031	142,907	1%
Total expenses	2,458,593	2,634,586	(7)%
Increase (Decrease) in net position	31,208	(137,795)	(123)%
Net Position (Deficit), Beginning, as previously reported	(1,333,300)	(1,143,684)	(17)%
Prior period adjustments	6,784	(51,821)	113%
Net Position (Deficit), Beginning, as restated	(1,326,516)	(1,195,505)	(11)%
Net Position (Deficit), Ending	\$ (1,295,308)	(1,333,300)	3%

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, 2021

CAPITAL ASSETS

Capital Assets. As of September 30, 2021, the Library's total capital assets were \$6,339,156, including reading materials, furniture and fixtures, office equipment, computer equipment, and vehicles. This amount represents an increase of \$243,038 from 2020. Total accumulated depreciation as of September 30, 2021, was \$5,594,066, and total depreciation expense for the year was \$348,917, resulting in total net capital assets of \$745,090.

Table 4
Capital Assets, Net Accumulated Depreciation

		<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>Percentage Change</u>
Reading materials	\$	596,912	649,639	(8)%
Furniture and fixtures		25,718	35,437	(27)%
Office equipment		2,109	5,395	(61)%
Computer equipment		38,740	55,721	(30)%
Vehicles		81,611	104,777	(22)%
Total	\$	<u><u>745,090</u></u>	<u><u>850,969</u></u>	<u><u>(12)%</u></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
(a component unit of Madison County, Mississippi)

Statement of Net Position
September 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$	412,445
Restricted cash		897,882
Accounts receivable		49,270
Total current assets		1,359,597

Non-current assets:

Capital assets, net of accumulated depreciation:

Reading materials	596,912
Furniture and fixtures	25,718
Office equipment	2,109
Computer equipment	38,740
Vehicles	81,611
Total non-current assets	745,090

Total Assets	2,104,687
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Deferred Outflows of Resources

Deferred outflows - pensions	530,599
Deferred outflows - OPEB	49,193
Total Deferred Outflows of Resources	579,792

Liabilities

Current liabilities:

Accounts payable	19,485
Accrued expenses	142,466
Net OPEB liability	7,234
Total current liabilities	169,185

Non-current liabilities:

Net OPEB liability	161,587
Net pension liability	2,630,771
Total non-current liabilities	2,792,358

Total Liabilities	2,961,543
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Deferred Inflows of Resources

Deferred inflows - pensions	956,789
Deferred inflows - OPEB	61,455
Total Deferred Inflows of Resources	1,018,244

Net Position

Net investment in capital assets	745,090
Restricted:	
Expendable:	
Unemployment	15,000
Other	882,882
Unrestricted	(2,938,280)
Total Net Position (Deficit)	\$ (1,295,308)

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

Statement of Activities
For the Year Ended September 30, 2021

Operating Revenues:	
Auditorium Use Fees	\$ 125
City of Canton	92,416
City of Madison	100,000
City of Ridgeland	110,000
Town of Flora	1,200
Copies	20,311
Faxes	14,604
Madison County	1,738,907
MLC - Personnel Grant	108,525
Total Operating Revenues	<u><u>2,186,088</u></u>
Operating Expenses:	
Salaries - payroll	1,202,641
Benefits	239,804
Salaries - payroll tax	88,200
Repairs and maintenance	51,205
Automation	16,823
Postage and shipping	3,803
Office supplies	28,979
Janitorial supplies	4,699
Professional fees	15,644
Insurance	42,026
Automobile	4,285
Staff development and training	1,505
Telephone	8,458
Utilities	74,671
Library programs	24,889
SIRSI maintenance	30,576
Contractual services	3,034
Dues	2,387
Telecommunications	120,597
Travel	419
Depreciation	348,917
Total Operating Expenses	<u><u>2,313,562</u></u>
Operating Income (Loss)	<u>(127,474)</u>
Non-Operating Income (Expenses):	
E-Rate Reimbursement	133,182
Donations received	17,820
Friends of the Library Donations	321
Lost Books	1,397
Grants	1,000
Miscellaneous	4,101
Interest	1,360
Donations made	(2,017)
LSTA Grant	2,248
Health insurance	(140,914)
Life insurance	(2,100)
MLC Grant	142,284
Total Non-Operating Income (Expenses)	<u><u>158,682</u></u>
Change in Net Position	<u><u>31,208</u></u>
Net Position (Deficit), Beginning, as previously reported	(1,333,300)
Prior period adjustment	6,784
Net Position (Deficit), Beginning, restated	<u>(1,326,516)</u>
Net Position (Deficit), Ending	<u><u>\$ (1,295,308)</u></u>

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

Statement of Cash Flows
For the Year Ended September 30, 2021

Cash Flows from Operating Activities	
Cash received from customers	\$ 51,865
Cash received from grants	108,525
Cash payments to employees	(1,440,409)
Cash payments to suppliers for goods or services	(227,285)
Other cash receipts (payments)	1,758,621
Net Cash Provided (Used) by Operating Activities	<u>251,317</u>
Cash Flows from Non-Capital Related Financing Activities	
Operating grants received	278,714
Donations	15,803
Receipts from / payments to others	(137,195)
Net Cash Provided (Used) by Non-Capital Related Financing Activities	<u>157,322</u>
Cash Flows from Capital Related Financing Activities	
Acquisition of capital assets	(243,038)
Net Cash Provided (Used) by Capital Related Financing Activities	<u>(243,038)</u>
Cash Flows from Investing Activities	
Interest earned	1,360
Net Cash Provided (Used) by Investing Activities	<u>1,360</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>166,961</u>
Cash and Cash Equivalents, Beginning	1,143,366
Cash and Cash Equivalents, Ending	<u>\$ 1,310,327</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ <u>(127,474)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	348,917
Change in assets, deferred outflows, liabilities and deferred inflows:	
Decrease (increase) in receivables	16,825
Decrease (increase) in deferred outflows	(87,773)
Increase (decrease) in payables	9,149
Increase (decrease) in accrued expenses	1,864
Increase (decrease) in net pension liability	(781,806)
Increase (decrease) in net OPEB liability	(23,887)
Increase (decrease) in deferred inflows	895,502
Net Cash Provided by Operating Activities	<u>\$ 251,317</u>

Madison County Library System
Notes to the Financial Statements
For the Year Ended September 30, 2021

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

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 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, 2021

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 equipment 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
Furniture and equipment	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, 2021

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, 2021 the carrying amount of the Library's deposits with financial institutions reported was \$1,310,327 and the bank balance was \$1,284,777. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder of \$1,034,777 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, 2021, none of the Library's bank balance of \$1,284,777 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, 2021

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Depreciable capital assets:			
Reading materials	\$ 4,553,224	224,768	4,777,992
Furniture and equipment	799,611		799,611
Office equipment	219,244		219,244
Computer equipment	311,647		311,647
Vehicles	212,392	18,270	230,662
Total depreciable capital assets	<u>6,096,118</u>	<u>243,038</u>	<u>6,339,156</u>
Less accumulated depreciation for:			
Reading materials	3,903,585	277,495	4,181,080
Furniture and equipment	764,174	9,719	773,893
Office equipment	213,849	3,286	217,135
Computer equipment	255,926	16,981	272,907
Vehicles	107,615	41,436	149,051
Total accumulated depreciation	<u>5,245,149</u>	<u>348,917</u>	<u>5,594,066</u>
Total depreciable assets, net	<u>850,969</u>	<u>(105,879)</u>	<u>745,090</u>
Total capital assets, net	<u>\$ 850,969</u>	<u>(105,879)</u>	<u>745,090</u>

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, 2021

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, 2021, 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, 2021 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, 2021, 2020, and 2019 were \$203,643, \$205,838, and \$184,345 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, 2021, the Library reported a liability of \$2,630,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 net pension liability was 0.01799 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.000171 percent from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

For the year ended September 30, 2021, the Library recognized pension expense of \$211,250. At September 30, 2021 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	\$ 41,892	
Net difference between projected and actual earnings on pension plan investments		956,789
Change of assumptions	202,175	
Changes in the proportion and differences between the Library's contributions and proportionate share of contributions	237,215	
Library contributions subsequent to the measurement date	49,317	
Total	<u>\$ 530,599</u>	<u>956,789</u>

\$49,317 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30:</u>	<u>Amount</u>
2022	\$ (47,723)
2023	(74,392)
2024	(117,301)
2025	(236,091)
Total	<u>\$ (475,507)</u>

Actuarial Assumptions. The total pension liability in the June 30, 2021 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, 2021

Inflation	2.40 percent
Salary increases	2.65 - 17.90 percent, including inflation
Investment rate of return	7.55 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 100% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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%	4.60%
International Equity	22.00%	4.50
Global Equity	12.00%	4.80
Fixed Income	20.00%	(0.25)
Real Estate	10.00%	3.75
Private Equity	8.00%	6.00
Cash Equivalents	1.00%	(1.00)
Total	<u>100%</u>	

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

Discount Rate. The discount rate used to measure the total pension liability was 7.55 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%). 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 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Library's proportionate share of the net pension liability	\$ 3,725,787	\$ 2,630,771	\$ 1,728,389

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/>.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

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 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, 2021.

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

At September 30, 2021, the Library reported a liability of \$168,821 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021,

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

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, 2021, the Library's proportion was 0.02622739 percent. This was an increase of 0.00146431 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended September 30, 2021, the Library recognized OPEB expense of (\$5,572). At September 30, 2021, 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	\$ 184	\$ 52,788
Net difference between projected and actual investment earnings on OPEB Plan Investments	8	
Change of assumptions	27,342	5,710
Changes in proportion and differences between Library contributions and proportionate share of contributions	21,659	2,957
Total	\$ 49,193	\$ 61,455

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:	
2022	\$ (3,659)
2023	(2,585)
2024	(858)
2025	(2,947)
2026	(2,213)
Total	\$ (12,262)

Madison County Library System

Notes to the Financial Statements For the Year Ended September 30, 2021

Actuarial assumptions. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	2.65% - 17.90%
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TOL were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2021 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.

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 be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 186,861	\$ 168,821	\$ 153,571

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	\$ 156,372	\$ 168,821	\$ 182,909

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:

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

Condensed Statement of Net Position

	Camden	Canton	Flora	Ridgeland	Madison	Library Foundation	Total
Assets							
Cash	\$ 10	7,256	4,709	9,894	24,776		46,645
Investments				66,357			66,357
Total Assets	10	7,256	4,709	76,251	24,776	0	113,002
Net Position	\$ 10	7,256	4,709	76,251	24,776	0	113,002

Condensed Statement of Activities

	Camden	Canton	Flora	Ridgeland	Madison	Library Foundation	Total
Revenues	\$	250	290	2,663	2,857	350	6,410
Expenses		172	465	1,876	5,641	4,102	12,256
Change in net position		(172)	250	(175)	787	(2,784)	(3,752)
Net Position, Beginning		182	7,006	4,884	75,464	27,560	3,752
Net Position, Ending	\$	10	7,256	4,709	76,251	24,776	0

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

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, 2021.

Funding Source: State

SH21-360-26-0	Health Insurance Grant	\$	117,827
SH22-360-26-0	Health Insurance Grant		22,368
SL21-361-26-0	Life Insurance Grant		1,758
SL22-361-26-0	Life Insurance Grant		332
SP21-362-26-0	Personnel Grant		81,394
SP21-362-26-0	Personnel Grant		27,131

Funding Source: Federal

FIT19-1909-26-0	ILL Transport		2,248
Total		\$	<u>253,058</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.

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

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.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

<u>Explanation</u>	<u>Amount</u>
Adjustment was made to properly record prior year deferred outflow related to OPEB.	<u>\$ 6,784</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

Madison County Library System

Notes to the Financial Statements
For the Year Ended September 30, 2021

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, 2021

	Actual	Budgeted	Variance Favorable (Unfavorable)
Operating Revenues:			
Auditorium use fees	\$ 125	500	(375)
City of Canton	92,416	100,000	(7,584)
City of Madison	100,000	100,000	-
City of Ridgeland	110,000	110,000	-
Town of Flora	1,200	1,200	-
Copies and Faxes	34,915	24,000	10,915
Madison County	1,738,907	1,715,300	23,607
MLC - Personnel Grant	108,525	108,524	1
Total Operating Revenues	2,186,088	2,159,524	26,564
Operating Expenses:			
Salaries - payroll	1,202,641	1,260,000	57,359
Benefits	239,804	340,000	100,196
Salaries - payroll tax	88,200		(88,200)
Repairs and maintenance	51,205	24,500	(26,705)
Automation	16,823	17,500	677
Postage and shipping	3,803	5,000	1,197
Office supplies	28,979	23,200	(5,779)
Janitorial supplies	4,699	6,000	1,301
Professional fees	15,644	8,500	(7,144)
Insurance	42,026	40,000	(2,026)
Office equipment and furnitures		13,500	13,500
Automobile	4,285	5,000	715
Staff development and training	1,505	1,500	(5)
Telephone	8,458	8,500	42
Utilities	74,671	75,500	829
Library programs	24,889	267,624	242,735
SIRSI maintenance	30,576	30,600	24
Contractual services	3,034	10,000	6,966
Dues	2,387	2,400	13
PR/Promotional items		500	500
Telecommunications	120,597	150,000	29,403
Tech services supplies		4,200	4,200
Travel	419	500	81
Total Operating Expenses	1,964,645	2,294,524	329,879
Operating Income (Loss)	221,443	(135,000)	(303,315)
Non-Operating Income (Expenses):			
E-rate reimbursement	133,182	135,000	(1,818)
Donations received	17,820		17,820
Friends of the Library Donations	321		321
Fines			-
Lost Books	1,397		1,397
Grants	1,000		1,000
Miscellaneous	4,101		4,101
Interest	1,360		1,360
Donations	(2,017)		(2,017)
LSTA Grant	2,248		2,248
Health insurance	(140,914)		(140,914)
Life insurance	(2,100)		(2,100)
MLC Grant	142,284		142,284
Total Non-Operating Income (Expenses)	158,682	135,000	23,682
Change in Net Position	380,125	-	(380,125)
Net Position (Deficit), Beginning, as previously reported	(1,333,300)	0	(1,333,300)
Prior Period Adjustments	6,784	0	6,784
Net Position (Deficit), Beginning, as restated	(1,326,516)	0	(1,326,516)
Net Position (Deficit), Ending	\$ (946,391)	0	(946,391)

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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Library's proportion of the net pension liability (asset)	0.017799%	0.017628%	0.017240%	0.016596%	0.016050%	0.016957%	0.016103%	0.016429%
Library's proportionate share of the net pension liability (asset)	\$ 2,630,771	3,412,577	3,032,856	2,760,408	2,668,053	3,028,944	2,489,206	1,994,180
Library's covered payroll	\$ 1,183,466	1,173,810	1,122,787	1,039,816	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	222.29%	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	70.44%	58.97%	61.39%	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, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 49,317	51,597	50,001	42,496	40,750	40,408	41,480
Contributions in relation to the contractually required contribution	49,317	51,597	50,001	42,496	40,750	40,408	41,480
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
Library's covered payroll	\$ 313,124	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%	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 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 the Library's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Library's proportion of the net OPEB liability	\$ 168,821	192,708	201,562	182,921
Library's proportionate share of the net OPEB liability (asset)	0.02622739%	0.02476308%	0.02375395%	0.02364700%
Library's covered-employee payroll	1,246,902	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	13.54%	16.15%	18.53%	17.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	6,784 ***	7,685	- **
Contributions in relation to the contractually required contribution	-	6,784	7,685	- **
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Library's covered-employee payroll	\$ 1,177,931	1,155,921	1,109,799	1,007,776
Contributions as a percentage of covered-employee payroll	0.00%	0.59%	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.

*** Amount was presented as a prior period adjustment for what was supposed to be recognized as an additional Deferred Outflow of Resources in the prior year

Madison County Library System

Notes to the Supplementary Information
For the Year Ended September 30, 2021

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, 2021

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%.

2021

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

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.

Madison County Library System

Notes to the Supplementary Information (Continued) For the Year Ended September 30, 2021

For females, 84% of female rates up to age 72, 100% for ages above 76. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

For males, 13% of male rates at all ages.
For females, 121% of female rates at all ages.
Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
The expectation of contingent annuitant mortality was based on the PubS.H-2010(B)

Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.
For females, 110% of female rates at all ages.
Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
The price inflation assumption was reduced from 2.75% to 2.40%.
The wage inflation assumption was reduced from 3.00% to 2.65%.
The investment rate of return assumption was changed from 7.75% to 7.55%.
The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
The percentage of active member deaths assumed to be in the line of duty was decrease from 6% to 4%.

(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:

Madison County Library System

Notes to the Supplementary Information (Continued) For the Year Ended September 30, 2021

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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.

2021:

The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

(2) Changes in benefit provisions

2017:

None

2018:

None

2019:

None

2020:

None

Madison County Library System

Notes to the Supplementary Information (Continued)
For the Year Ended September 30, 2021

2021:
None

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions (Schedule A) are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Actuarial valuation date	June 30, 2021
Measurement date	June 30, 2021
Experience study date	April 20, 2021
Actuarial assumptions	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40%
Salary increases, including wage inflation	2.65% to 17.90%
Long-term expected rate of return	4.50%
Discount rate	2.13%
Projected cash flows	N/A
Retiree health care participation	50%
Health care cost trend rates	6.50% 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, 2021, 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 May 25, 2022.

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.

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
May 25, 2022

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Madison County Library System
Schedule of Findings and Responses
For the Year Ended September 30, 2021

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*.