

**FIRST REGIONAL LIBRARY
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2015**

William H. Polk & Co.
Certified Public Accountant
A Professional Association
105 Public Square
Batesville, MS 38606

**FIRST REGIONAL LIBRARY
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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WILLIAM H. POLK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

A Professional Association

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION

BATESVILLE:
105 PUBLIC SQUARE
BATESVILLE, MISSISSIPPI 38606
TELEPHONE (662) 563-8661
FAX (662) 563-8666

HERNANDO:
2540 HIGHWAY 51 SOUTH
HERNANDO, MISSISSIPPI 38632
TELEPHONE (662) 563-8661
FAX (662) 563-8666

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
First Regional Library
Hernando, Mississippi

We have audited the accompanying financial statements of First Regional Library (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements.

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. 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 auditors' 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.

Basis for Qualified Opinion

As explained in Note 15 to the financial statements, management has chosen not to adopt GASB 68 "Accounting and Financial Reporting for Pensions" which is used to improve accounting and financial reporting for pensions. The effects on the accompanying financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of First Regional Library as of September 30, 2015, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of surety bonds on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of surety bonds is fairly stated in all material respects in relation to the basic financial statements as a whole.

William H. Polk & Co.

Batesville, Mississippi
March 18, 2016

**FIRST REGIONAL LIBRARY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,307,956	\$ 18,403	\$ -	\$ 1,326,359
Due from Local Governments	146,122	-	-	146,122
Short-term Investments	-	58,308	-	58,308
Prepaid Expenses	98,111	-	-	98,111
TOTAL CURRENT ASSETS	<u>1,552,189</u>	<u>76,711</u>	<u>-</u>	<u>1,628,900</u>
NON-CURRENT ASSETS				
General Fixed Assets	12,907,324	-	-	12,907,324
Accumulated Depreciation - Fixed Assets	(11,894,015)	-	-	(11,894,015)
Investments - Other	-	-	118,417	118,417
TOTAL NONCURRENT ASSETS	<u>1,013,309</u>	<u>-</u>	<u>118,417</u>	<u>1,131,726</u>
TOTAL ASSETS	<u>\$ 2,565,498</u>	<u>\$ 76,711</u>	<u>\$ 118,417</u>	<u>\$ 2,760,626</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 69,840	\$ -	\$ -	69,840
Long-term Liabilities				
Compensated Absences	287,772	-	-	\$ 287,772
Total Liabilities	<u>357,612</u>	<u>-</u>	<u>-</u>	<u>357,612</u>
Net Assets				
Unrestricted	2,207,886	-	-	2,207,886
Temporarily Restricted (Note 2)	-	76,711	-	76,711
Permanently Restricted (Note 2)	-	-	118,417	118,417
Total Net Assets	<u>2,207,886</u>	<u>76,711</u>	<u>118,417</u>	<u>2,403,014</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,565,498</u>	<u>\$ 76,711</u>	<u>\$ 118,417</u>	<u>\$ 2,760,626</u>

See accompanying notes to the financial statements.

**FIRST REGIONAL LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Support				
Local Government	\$ 3,969,632	\$ -	\$ -	\$ 3,969,632
State Government	966,164	-	-	966,164
Memorials and Gifts	24,526	-	-	24,526
Other Grants	52,493	-	-	52,493
Total Support	<u>5,012,815</u>	<u>-</u>	<u>-</u>	<u>5,012,815</u>
Revenue				
Copier/Fax	128,827	-	-	128,827
Fines	104,233	-	-	104,233
Contributions of books	119,751	-	-	119,751
Investment Return	799	(5,543)	(13,317)	(18,061)
Other Revenue	289,843	-	-	289,843
Total Revenue	<u>643,453</u>	<u>(5,543)</u>	<u>(13,317)</u>	<u>624,593</u>
Net assets released from restrictions	<u>1,238</u>	<u>(972)</u>	<u>(266)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	5,657,506	(6,515)	(13,583)	5,637,408
EXPENSES				
Personnel Costs				
Salaries	2,849,556	-	-	2,849,556
Social Security, Retirement, Insurance	1,034,347	-	-	1,034,347
Total Personnel Costs	<u>3,883,903</u>	<u>-</u>	<u>-</u>	<u>3,883,903</u>
Library Material Costs				
Periodicals	28,570	-	-	28,570
CD's/Software Purchases	32,705	-	-	32,705
Electronic Materials	77,799	-	-	77,799
Library Material Costs	<u>139,074</u>	<u>-</u>	<u>-</u>	<u>139,074</u>
Other Costs				
Depreciation	520,483	-	-	520,483
Furniture & Equipment	22,396	-	-	22,396
Supplies	115,708	-	-	115,708
Building Maintenance	21,795	-	-	21,795
Information Systems	312,132	-	-	312,132
Insurance	52,022	-	-	52,022
Security Guard Service	47,285	-	-	47,285
Programs, Travel, and Professional Development	185,452	-	-	185,452
Janitorial	104,473	-	-	104,473
Utilities	118,420	-	-	118,420
Legal and Accounting	37,673	-	-	37,673
Miscellaneous	187,920	-	-	187,920
Total Other Costs	<u>1,725,759</u>	<u>-</u>	<u>-</u>	<u>1,725,759</u>
TOTAL EXPENSES	<u>5,748,736</u>	<u>-</u>	<u>-</u>	<u>5,748,736</u>

See accompanying notes to the financial statements.

**FIRST REGIONAL LIBRARY
STATEMENT OF ACTIVITIES- continued
YEAR ENDED SEPTEMBER 30, 2015**

CHANGE IN NET ASSETS	\$ (91,230)	\$ (6,515)	\$ (13,583)	\$ (111,328)
Net Assets Beginning of Year	2,299,116	52,308	132,000	2,483,424
Adjustment for Beginning Balance of Endowment Funds (Note 14)	-	30,918	-	30,918
NET ASSETS END OF YEAR	<u>\$ 2,207,886</u>	<u>76,711</u>	<u>\$ 118,417</u>	<u>\$ 2,403,014</u>

See accompanying notes to the financial statements.

**FIRST REGIONAL LIBRARY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$ (111,328)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	\$ 520,483
(Increase) Decrease in Due From Governments	(128,107)
Decrease in Prepaid Expenses	14,042
Decrease in Accounts Payable	(9,858)
Increase in Compensated Absences	56,386
Non cash Investment Loss	18,861
Non cash Donation of Books	<u>(119,751)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	240,728
 CASH FLOW CAPITAL FROM INVESTING ACTIVITIES	
Investment return transferred to operating cash	1,238
Acquisition of capital assets	<u>(416,922)</u>
NET CASH USED BY INVESTING	<u>(415,684)</u>
Net Increase(Decrease) in Cash	(174,956)
Cash and Cash Equivalents, Beginning of Year	<u>1,501,315</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,326,359</u></u>

See accompanying notes to the financial statements.

**FIRST REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1: REPORTING ENTITY

The First Regional Library operates as a non-profit organization that is a combined effort of five counties and thirteen municipalities to share costs related to the operation of libraries at thirteen locations. The First Regional Library (The Library) is headquartered in Hernando, Mississippi. The Library oversees the employees, purchase of books and audio visual items, as well as certain furniture, fixtures, and an interrelated computer system. The following counties and municipalities contribute to and/or benefit from The Library:

DeSoto County
Lafayette County
Panola County
Tate County
Tunica County
City of Batesville
Town of Coldwater
Town of Como
Town of Crenshaw
City of Hernando
City of Horn Lake
City of Olive Branch
City of Oxford
City of Sardis
City of Senatobia
City of Southaven
City of Tunica
Town of Walls

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on an accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recognized when incurred.

BASIS OF PRESENTATION

The Library maintains a "fund" basis accounting system as prescribed by State and other authorities. The "funds" are separated into three categories for The Library's purposes.

1. UNRESTRICTED - Consisting of net assets that are not subject to donor-imposed stipulations.
2. TEMPORARILY RESTRICTED - Consisting of net assets subject to donor-imposed stipulations that will be met either by the passage of time or by actions of the Library.

**FIRST REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

3. **PERMANENTLY RESTRICTED** - Consisting of net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently by the Library. Generally, the donors of these assets permit the Library to use all or part of the return on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Interest income from certificate of deposits pertaining to endowment funds is reported as increases to temporarily restricted assets. Expirations of restrictions on temporarily restricted net assets are reported as net assets released from restrictions. It is the Library's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less at the date of purchase is considered to be cash equivalents.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS

There is no allowance for uncollectible amounts as all receivable amounts are expected to be collected.

CONTRIBUTED FACILITIES AND SERVICES

The Library occupies, without charge, premises owned by the various cities and counties. The estimated fair rental value of the premises is not included in the accompanying statements.

Unpaid volunteers have made significant contributions of their time to develop the Library's programs. The value of this contributed time is not reflected in the accompanying statements for these donated services, as they do not meet the criteria requiring such recognition.

ADVERTISING

The library use advertising to promote its programs and services to the general public. The cost of advertising is expensed as incurred.

**FIRST REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

PROPERTY AND EQUIPMENT

Acquisitions of property and equipment, other than library materials, in excess of \$500 are capitalized. Property and equipment are recorded at cost if purchased or estimated fair market value if donated. Depreciation is computed using the straight-line method, and is based on the expected useful asset life which will range from 3 to 25 years.

Library materials such as books, audio books and DVD's are all capitalized. Library materials are recorded at cost or fair market value if donated. Depreciation is computed using the straight-line method, and is based on a 5 year useful life.

NOTE 3: CONTINGENCIES

PAID LEAVE POLICY

The First Regional Library Personnel Policy provides employees with paid time off for sick and annual leave. The paid time off for sick leave is earned and accumulated at the rate of 10 days per year. That rate decreases to 9 days per year when a full time employee has earned 10 years of credible service with the First Regional Library. The policy provides that there is no maximum limit of sick leave that can be accumulated, with any unused accrued sick leave at time of separation of employment being counted as credited service under the Mississippi Public Employees' Retirement System, as stated in *MS Code Annotated, Section 25-11-1 et seq.* (1972).

Paid time off for annual leave is earned and accumulated at the rate of 15 days per year for full time employees, and at a pro rata rate for employees working at least 20 hours per week, increasing by one day per year until ten years of service has been reached. No employee may use more than 30 days of accrued leave time in any one fiscal year. Upon separation from employment with the *First* Regional Library for any reason, the employee will be compensated for a maximum of 30 days of unused annual leave. Any unused annual leave time in excess of 30 days will be counted as credited service under the Mississippi Public Employees' Retirement System, as stated in *MS Code Annotated, Section 25-11-1 et seq.* (1972). The potential liability to the First Regional Library is recorded in the financial statements as long-term debt. The liability for the fiscal year ending September 30, 2015 is \$287,772.

GRANTOR AUDITS

The library's grantors, including the Mississippi Library Commission and the Federal Government, have the right to conduct or otherwise require audits of funding they provide to the library. Such audits might result in disallowances of costs submitted for reimbursement or other questioned amounts. No amounts have been provided in the accompanying financial statements for such potential claims. Management believes that, in the event of such audits, any findings would not have a material effect on the Library's financial position or operations.

**FIRST REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

At fiscal year-end, temporarily restricted net assets were for the following purposes:

<u>Purpose</u>	<u>September 30, 2015</u>
Unemployment Compensation	\$ 18,403
Como Public Library Support	6,071
Reggie Reading Foundation	22,633
Lafayette County/Oxford Public Library Support	22,427
Materials Acquisition M. R. Davis Public Library	7,177
Total	<u>\$ 76,711</u>

NOTE 5: PERMANENTLY RESTRICTED NET ASSETS

At fiscal year-end, permanently restricted net assets were for the following purposes:

<u>Purpose</u>	<u>September 30, 2015</u>
B. J. Chain Public Library Support	\$ 100,475
Materials Acquisition Hernando Public Library	17,942
Total	<u>\$ 118,417</u>

NOTE 6: ENDOWMENT

The endowment consists of six individuals, donor-restricted funds established for a variety of purposes. The Library does not have any funds designated by the Board of Trustees to function as an endowment.

Endowment net assets composition by type of fund:

	<u>Year Ended September 30, 2015</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds:			
B. J. Chain Public Library Support	\$ -	\$ 100,475	\$ 100,475
Como Public Library Support	6,071		6,071
Reggie Reading Endowment	22,633	-	22,633
Materials Acquisition Hernando Public Library	-	17,942	17,942
Lafayette County/Oxford Public Library Support	22,427	-	22,427
Materials Acquisition Hernando Public Library	7,177	-	7,177
	<u>\$ 58,308</u>	<u>\$ 118,417</u>	<u>\$ 176,725</u>

**FIRST REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

Change in endowment net assets in fiscal-year 2015:

	Year Ended September 30, 2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year:	\$ 33,906	\$ 132,000	\$ 165,906
Investment return	(5,544)	(13,317)	(18,861)
Recording of pre-2015 assets	30,918	-	30,918
Amount appropriated for expenditures	(972)	(266)	(1,238)
Endowment net assets, end of year:	<u>\$ 58,308</u>	<u>\$ 118,417</u>	<u>\$ 176,725</u>

The Library follows the Uniform Management of Institutional funds act (UMIFA) and its own governing documents in regard to endowment funds. During the year, the Board of Trustees has chosen to transfer the certificate of deposits to the Community Foundation of Northwest Mississippi to invest in a diversified portfolio including mutual funds and bonds. Spending of endowment funds are for donor stipulated purposes and released from restrictions when stipulations are met.

NOTE 7: PROPERTY AND EQUIPMENT

	Year Ended September 30, 2015
Furniture & Equipment	\$ 2,389,646
Library Materials (Book, Audio Books, & DVDs)	10,517,678
Total Property & Equipment	12,907,324
Less Accumulated Depreciation	(11,894,015)
Net Property and Equipment	<u>\$ 1,013,309</u>

The Library has not adopted a policy for implying time restrictions on donated long lived assets.

NOTE 8: PENSION PLAN

PLAN DESCRIPTION

The First Regional Library contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling 800-444-PERS.

**FIRST REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 8: PENSION PLAN-continued

FUNDING POLICY

PERS members are required to contribute 9% of their annual covered salary and First Regional Library is required to contribute at an actuarially determined rate. The current rate is 15.75%, effective July 31, 2013, of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The First Regional Library's contributions to PERS for the years ending September 30, 2015, 2014 and 2013 were \$415,626, \$396,193, and \$355,776, respectively, equal to the requirement contributions for each year.

NOTE 9: DUE FROM LOCAL GOVERNMENTS

The amounts due from local governments include the following monies allocated by the respective governments but not received by September 30, 2015.

City of Hernando	\$ 1,726
Town of Coldwater	1,333
City of Tunica	30,000
City of Oxford	3,904
Desoto County	4,951
Tunica County	<u>104,208</u>
Total Due from Local Governments	<u>\$ 146,122</u>

These amounts are also included on the Statement of Activities and Changes in Net Assets for the year ended September 30, 2015. All balances were received within 90 days of year end.

NOTE 10: USE OF ESTIMATES

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

NOTE 11: SUBSEQUENT EVENTS

Management of the Library considered subsequent events through March 18, 2016 the date the financial statements were available to be issued. No items that require disclosure were noted.

NOTE 12: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of failure institution, the library will not be able to recover deposits or collateral securities that are in possession of an outside party. The library does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Library. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasury on behalf of the library. This program was established by the Mississippi State Legislature and is governed by Section 27-105-05, Miss. Code Ann.(1972).

**FIRST REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 13: REPORT OF SUBGRANT PAYMENTS

The Mississippi Library Commission requires that any recipient of subgrant funds itemize, by subgrant number, all funds from the Mississippi Library Commission. The following schedule is an itemization of funds received by the First Regional Library System as of fiscal year end September 30, 2015:

<u>Contract Number</u>	<u>Program</u>	<u>Amount</u>
FIT14-000-12-0	Resource Sharing Year 2	\$ 1,052
FPD15-245-12-0	Professional Development	3,000
FSR15-247-12-0	Services/Resources	15,000
SH15-360-12-0	Health Insurance Grant	354,398
SH16-360-12-0	Health Insurance Grant	27,056
SL15-361-12-0	Life Insurance Grant	4,284
SL16-361-12-0	Life Insurance Grant	363
SP15-362-12-0	Personnel Incentive Grant	461,419
SP16-362-12-0	Personnel Incentive Grant	117,644
		<u>\$ 984,216</u>

NOTE 14: CORRECTION OF AN ERROR

During the year, it was discovered that endowment funds with a value of \$30,918 at September 30, 2014 was not recorded in the prior year. As a result, an adjustment to short-term investments and temporarily restricted net assets was recorded.

NOTE 15: NEW GOVERNMENTAL ACCOUNTING STANDARD No. 68

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for pensions, which is effective for years ended June 2015 or later. This new standard requires that cost sharing governments report a net pension liability, pension expense, and pension related deferred inflows of resources based on their proportionate share of the collective amounts for all the employees' Retirement System of Mississippi (PERS). Management has informed us that the library has not adopted GASB 68 and the effects on the accompanying financial statements have not been determined.

SUPPLEMENTAL INFORMATION

**FIRST REGIONAL LIBRARY
SCHEDULE OF SURETY BONDS
YEAR ENDED SEPTEMBER 30, 2015**

<u>Name and Position</u>	<u>Surety</u>	<u>Amount</u>
Ed Hughes, Director	Travelers	\$ 50,000
Judy Card, Assistant to the Director	Travelers	50,000
Nancy Anderson, Business Manager	Travelers	50,000
Barbara Evans, Assistant Director for Public Services	Travelers	50,000
Osha Merl Smith-Payne, Purchase Clerk	Western Surety	75,000
Carolyn McCammon, Treasurer	Travelers	50,000