

**FIRST REGIONAL LIBRARY**  
**Audited Financial Statements and Special Report**  
**For the Year Ended September 30, 2017**

**Bridgers, Goodman & Aldridge, PLLC**  
**Certified Public Accountants**  
**Batesville, Mississippi**

**FIRST REGIONAL LIBRARY**

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# **FIRST REGIONAL LIBRARY**

## **FINANCIAL SECTION**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
First Regional Library  
Hernando, Mississippi

We have audited the accompanying financial statements of the governmental activities, of the First Regional Library, (the Library) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Library'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 opinions 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 opinions.

## Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the First Regional Library, as of September 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

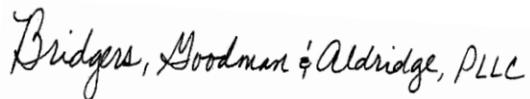
## Other Matters

### *Omission of Required Supplementary Information*

The Library has omitted the Management's Discussion and Analysis and the Budgetary Comparison schedules and the corresponding notes that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018, on our consideration of the First Regional 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the First Regional Library's internal control over financial reporting and compliance.



Bridgers, Goodman & Aldridge, PLLC  
Certified Public Accountants  
Batesville, Mississippi

April 30, 2018

# **FIRST REGIONAL LIBRARY**

## **FINANCIAL STATEMENTS**

**FIRST REGIONAL LIBRARY**  
**Statement of Net Position**  
**September 30, 2017**

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,259,182
Intergovernmental receivable	18,936
Prepaid expense	64,973
Capital assets - net	1,038,791
Total Assets	<u>2,381,882</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	1,015,741
Total Deferred Outflows of Resources	<u>1,015,741</u>
 <b>LIABILITIES</b>	
Accounts payable	51,472
Compensated absences	262,261
Net pension liability	6,882,085
Total Liabilities	<u>7,195,818</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	675,509
Total Deferred Inflows of Resources	<u>675,509</u>
 <b>NET POSITION</b>	
Invested in capital assets net of related debt	1,038,791
Unrestricted	(5,512,495)
Total Net Position	<u>\$ (4,473,704)</u>

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

**FIRST REGIONAL LIBRARY**  
**Statement of Activities**  
**For the Year Ended September 30, 2017**

	<b>General Fund</b>
<b>REVENUES</b>	
Local	\$ 4,388,313
State	730,628
Federal	181,024
Total Revenues	5,299,965
<b>EXPENDITURES</b>	
Personnel	3,315,981
Operations	706,259
Material, equipment and special programs	408,081
Depreciation expense	505,152
Pension expense	1,004,968
Total Expenditures	5,940,441
Net Change in Net Position	(640,476)
Net Position - Beginning, as previously stated	2,299,863
Prior period adjustment	(6,133,091)
Net Position - Beginning, as restated	(3,833,228)
Net Position - Ending	\$ (4,473,704)

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

**FIRST REGIONAL LIBRARY**  
**Balance Sheet - Governmental Fund**  
**September 30, 2017**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash	\$ 1,259,182
Intergovernmental receivable	18,936
Prepaid expense	64,973
Total Assets	1,343,091
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts payable	51,472
Total Liabilities	51,472
Fund balances	
Unrestricted	1,291,619
Total Fund Balances	1,291,619
Total Liabilities and Fund Balances	\$ 1,343,091

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

**FIRST REGIONAL LIBRARY**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**September 30, 2017**

	<b>Amount</b>
Total fund balance - Governmental Funds	\$ 1,291,619
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,038,791
Compensated absences are not due and payable in the current period and therefore not reported in the funds.	(262,261)
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(6,882,085)
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	1,015,741
Deferred inflows of resources related to pensions	(675,509)
Total Net Position - Governmental Activities	\$ (4,473,704)

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

**FIRST REGIONAL LIBRARY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds**  
**For the Year Ended September 30, 2017**

	<b>General Fund</b>
<b>REVENUES</b>	
Local	\$ 4,388,313
State	730,628
Federal	181,024
Total Revenues	5,299,965
<b>EXPENDITURES</b>	
Personnel	3,754,695
Operations	706,259
Material, equipment and special programs	904,942
Total Expenditures	5,365,896
Net Change in Fund Balance	(65,931)
Fund Balance - Beginning, as previously stated	1,589,542
Prior period adjustment	(180,520)
Fund Balance - Beginning, as restated	1,409,022
Fund Balance - Ending	\$ 1,343,091

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

**FIRST REGIONAL LIBRARY**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2017**

	<b>Amount</b>
Net Change in Fund Balances - Governmental Funds	\$ (65,931)
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$496,861 exceeded depreciation of \$505,152 in the current period.	
	(8,291)
 Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Change in compensated absences	23,028
 Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current year	(1,004,968)
Recognition of contributions made for the current year	415,686
Change in Net Position of Governmental Activities	\$ (640,476)

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

**FIRST REGIONAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial 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
- 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 Coldwater
- Town of Como
- Town of Crenshaw
- Town of Walls

**B. Basis of Presentation.**

The Library's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information concerning the Library as a whole. The statements include all non-fiduciary activities of the primary government. Governmental activities are generally financed through intergovernmental revenues and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the Library at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the Library's governmental activities.

**FIRST REGIONAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017**

Direct expenses are those that are specifically associated with a service or program and therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other revenues not classified as program revenues are presented as general revenues of the Library. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing.

Fund Financial Statements:

Fund financial statements of the Library are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses.

**C. Measurement Focus and Basis of Accounting.**

The Government-wide financial statements 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, regardless of when the related cash flows take place. Shared revenues are recognized when the provider government recognizes the liability to the Library.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred.

The Library reports the following major Governmental Fund:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

**D. Budgets.**

An operating budget is adopted each year for all governmental funds. The legally adopted budget is to finance the operations of the Library. Budgetary expenditures are monitored at the function level and may be amended by Board resolution.

**E. Account Classifications.**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

**FIRST REGIONAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017**

**F. Deposits and Investments.**

State law authorizes the Library to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school Library of this state. Further, the Library may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair market value.

**G. Receivables.**

Receivables are reported net of allowances for uncollectible accounts, where applicable.

**H. Capital Assets.**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Acquisition 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.

**I. Equity Classifications.**

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

**FIRST REGIONAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the Library:

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

**NOTE 2 – PRIOR PERIOD ADJUSTMENT**

A summary of significant equity adjustments for the year is as follows:

Statement of Activities:

Explanation	Amount
Implementation of GASB 68 ad 71:	
Net pension liability (measurement date)	\$ (7,502,249)
Deferred inflows of resources - pensions	(26,480)
Deferred outflows of resources - pensions	1,576,158
Total prior period adjustments related to pensions	(5,952,571)
Prior year error related to endowment funds	(180,520)
Total Prior Period Adjustments	\$ (6,133,091)

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds:

Explanation	Amount
Prior year error related to endowment funds	\$ (180,520)
Total Prior Period Adjustments	\$ (180,520)

**FIRST REGIONAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 3 – DEPOSITS**

Deposits:

The carrying amount of the Library's total deposits with financial institutions at September 30, 2017 is \$1,259,182. The collateral for public entities' deposits in financial institutions are 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 (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is 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 formal policy for custodial credit risk.

**NOTE 4 – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at September 30, 2017 consisted of the following:

City of Como	\$	2,298
City of Tunica		233
City of Oxford		1,063
City of Walls		1,000
Panola County		14,342
Total Due from Local Governments	\$	<u>18,936</u>

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of capital assets for the year ended September 30, 2017:

	Balance <u>Oct. 1, 2016</u>	Additions	Deletions	Balance <u>Sep. 30, 2017</u>
Depreciable capital assets:				
Books and library materials	\$ 10,998,356	409,252		11,407,608
Other	<u>2,331,847</u>	<u>87,609</u>	<u>32,006</u>	<u>2,387,450</u>
Total depreciable capital assets	<u>13,330,203</u>	<u>496,861</u>	<u>32,006</u>	<u>13,795,058</u>
Less accumulated depreciation for:				
Books and library materials	10,131,589	402,893		10,534,482
Other	<u>2,151,532</u>	<u>102,259</u>	<u>32,006</u>	<u>2,221,785</u>
Total accumulated depreciation	<u>12,283,121</u>	<u>505,152</u>	<u>32,006</u>	<u>12,756,267</u>
Total capital assets, net	<u>\$ 1,047,082</u>	<u>(8,291)</u>	<u>-</u>	<u>1,038,791</u>

**FIRST REGIONAL LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 6 – OPERATING LEASES**

As Lessee:

The Library has various operating leases for equipment. The future minimum lease payments for these leases are as follows:

<u>Year ending September 30:</u>		
2018	\$	16,927
2019		16,852
2020		8,367
2021		2,644
2022		<u>152</u>
Total	\$	<u><u>44,942</u></u>

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

Plan Description. 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. 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. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became 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

**FIRST REGIONAL LIBRARY**  
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**September 30, 2017**

(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, 2017, 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, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Library's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$415,575, \$424,513 and \$415,339, 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, 2017, the Library reported a liability of \$6,882,085 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was 0.0414 percent, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2017, the Library recognized pension expense of \$1,004,968. At September 30, 2017, 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	\$ 100,243	50,217
Net difference between projected and actual earnings on pension plan investments	634,110	531,747
Changes of assumptions	154,725	11,897
Changes in the proportion and differences between contributions and proportionate share of contributions	25,368	81,648
Contributions subsequent to the measurement date	101,295	-
	\$ 1,015,741	675,509

\$101,295 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**FIRST REGIONAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017**

Year ending September 30:	Amount
2018	\$ 295,322
2019	80,225
2020	(3,675)
2021	(132,935)
Total	\$ 238,937

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.50
Cash	1.00	-
	100.00 %	

**FIRST REGIONAL LIBRARY**  
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**September 30, 2017**

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 9,026,314	6,882,085	5,101,909

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 8 – LONG TERM DEBT**

The following is a summary of changes in long term debt as of September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017
Compensated absences	\$ 285,289	-	23,028	262,261
Total	\$ 285,289	-	23,028	262,261

**NOTE 9 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The governmental activities' unrestricted net position amount of (\$5,512,495) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$101,295 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$914,446 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years. The \$675,509 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

**FIRST REGIONAL LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 10 – 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, 2017:

<u>Contract Number</u>	<u>Program</u>	<u>Amount</u>
FCA17-244-12-0	Competitive	\$ 14,850
FPD17-245-12-0	Professional Development	3,480
FSR17-247-12-0	Services/Resources	3,000
FSR17-247-12-1	Services/Resources	3,000
FSR17-247-12-2	Services/Resources	3,000
FSR17-247-12-3	Services/Resources	3,000
FSR17-247-12-4	Services/Resources	3,000
SH17-360-12-0	Health Insurance Grant	276,256
SH18-360-12-0	Health Insurance Grant	55,358
SL17-361-12-0	Life Insurance Grant	3,782
SL18-361-12-0	Life Insurance Grant	751
SP 17-362-12-0	Personnel Incentive Grant	271,265
SP17-362-12-0	Personnel Incentive Grant	73,390
FITI4-000-12-0	ILL Transport Cooperative	569
		<u>\$ 714,701</u>

**NOTE 11 – 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 First Regional Library evaluated the activity of the Library through April 30, 2018, (the date the financial statements were available to be issued) and determined that no subsequent events occurred requiring disclosure in the notes to the financial statements.

## **FIRST REGIONAL LIBRARY**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**First Regional Library**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years\***  
**For the Year Ended September 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.0414%	0.0420%	0.0419%	0.0411%
Proportionate share of the net pension liability (asset)	\$ 6,882,085	7,502,249	6,476,914	4,988,787
Covered-employee payroll	\$ 2,653,645	2,685,503	2,619,459	2,510,368
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259.34%	279.36%	247.26%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	61.50%	57.47%	61.70%	67.21%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to 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 County has only presented information for the years in which information is available.

**First Regional Library  
Schedule of County Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 415,686	424,513	415,339
Contributions in relation to the contractually required contribution	<u>415,686</u>	<u>424,513</u>	<u>415,339</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 2,639,273	2,695,320	2,637,078
Contributions as a percentage of covered-employee payroll	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 Commission has only presented information for the years in which information is available.

**FIRST REGIONAL LIBRARY**  
**Notes to the Required Supplementary Information**  
**September 30, 2017**

**Pension Schedules**

A. 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%.

B. 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.

## **FIRST REGIONAL LIBRARY**

## **OTHER INFORMATION**

**FIRST REGIONAL LIBRARY**  
**Schedule of Surety Bonds**  
**For the Year Ended September 30, 2017**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond Amount</u>
Barbara Evans	Interim Director	Travelers	\$50,000
Nancy Anderson	Business Manager	Travelers	\$50,000
Judy Card	Assistant Director for Public Services	Travelers	\$50,000
Mark Whitehead	Purchase Clerk	Western Surety	\$75,000
Derrick Biglane	Treasurer	Western Surety	\$50,000
Shanna Ferri	Accounts Payable Clerk	Western Surety	\$75,000

# **FIRST REGIONAL LIBRARY**

## **SPECIAL REPORT**



DAVID I. BRIDGERS, JR. CPA  
L. KARL GOODMAN, CPA, MBA  
MICKEY R. ALDRIDGE, CPA  
AMY D. BYARS, CPA

MEMBERS OF  
MISSISSIPPI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S  
GOVERNMENT AUDIT QUALITY CENTER  
DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Chairman and Members of the Board  
First Regional Library  
Hernando, Mississippi

We have audited, 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, the financial statements of the governmental activities, and the general fund information of the First Regional Library as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated April 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the First Regional Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2017-001 that we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the First Regional Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are disclosed in the accompanying Schedule of Findings and Responses as item 2017-001.

### First Regional Library's Response to Finding

First Regional Library's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result 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. However, this report is a matter of public record and its distribution is not limited.



Bridgers, Goodman & Aldridge, PLLC  
Certified Public Accountants  
Batesville, Mississippi

April 30, 2018

# **FIRST REGIONAL LIBRARY**

## **Schedule of Findings and Responses**

**FIRST REGIONAL LIBRARY**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2017**

Section 1: Summary of Auditor's Results

**Financial Statements:**

- |   |            |
|---|------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Internal control over financial reporting:                   |            |
| a. Material weakness(es) identified?                            | Yes        |
| b. Significant deficiency(ies) identified?                      | No         |
| 3. Noncompliance material to the financial statements noted?    | Yes        |

Section 2: Financial Statement Findings

**Material Weaknesses**

2017-001. Criteria: The Library is responsible for establishing and maintaining effective internal control over financial reporting for library materials as well as furniture and equipment.

Condition: Adjustments were required to the accounting records to reflect the activity in library materials and furniture and equipment during the current year. Also, library personnel are currently updating the listing of furniture and equipment; however, this listing was not complete in time for the audit.

Effect: Additional time was required to adjust the accounting records to reflect the activity in library materials and furniture and equipment. As a result, the annual September 30, 2017 audit was delayed.

Cause: The Library has not established internal control procedures over financial reporting for library materials and furniture and equipment.

Recommendation: The Library should establish and maintain an effective internal control system over financial reporting for library materials and furniture and equipment.

Response: The Library is in the process of developing procedures to ensure that staff is adequately trained and knowledgeable to provide accurate reporting for library materials and furniture and equipment.