

FIRST REGIONAL LIBRARY
Audited Financial Statements and Special Report
For the Year Ended September 30, 2020



FIRST REGIONAL LIBRARY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR’S REPORT 2

FINANCIAL STATEMENTS 4

 Statement of Net Position 5

 Statement of Activities 6

 Balance Sheet – Governmental Funds 7

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position 8

 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 9

 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities 10

 Notes to Financial Statements 11

REQUIRED SUPPLEMENTARY INFORMATION 26

 Schedule of Proportionate Share of the Net Pension Liability 27

 Schedule of Contributions - PERS 28

 Schedule of Proportionate Share of the Net OPEB Liability 29

 Schedule of Contributions - OPEB 30

 Notes to the Required Supplementary Information 31

OTHER INFORMATION 35

 Schedule of Surety Bonds 36

SPECIAL REPORTS 37

 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* 38

SCHEDULE OF FINDINGS AND RESPONSES 40

FIRST REGIONAL LIBRARY

FINANCIAL SECTION

DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA
WILLIAM F. BAIRD, CPA
EUGENE S. CLARKE, IV, CPA
DAVID E. CLARKE, CPA

3528 MANOR DRIVE
VICKSBURG, MISSISSIPPI 39180

PHONE: (601) 636-1416
FAX: (601) 636-1417

MEMBERS OF
MISSISSIPPI SOCIETY OF CPAs
AMERICAN INSTITUTE OF CPAs
GOVERNMENT AUDIT QUALITY CENTER
PRIVATE COMPANIES PRACTICE SECTION

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, 2020, 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, 2020, 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 February 19, 2021, 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, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

February 19, 2021

FIRST REGIONAL LIBRARY

FINANCIAL STATEMENTS

FIRST REGIONAL LIBRARY
Statement of Net Position
September 30, 2020

	<u>Primary Governmental Activities</u>
ASSETS	
Cash	\$ 2,643,528
Intergovernmental receivable	42,208
Prepaid expense	37,654
Capital assets - net	<u>674,044</u>
Total Assets	<u>3,397,434</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	657,118
Deferred outflows related to OPEB	<u>99,264</u>
Total Deferred Outflows of Resources	<u>756,382</u>
 LIABILITIES	
Accounts payable	12,864
Compensated absences	222,246
Net pension liability	7,666,098
Net OPEB liability	<u>534,327</u>
Total Liabilities	<u>8,435,535</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	200,814
Deferred inflows related to OPEB	<u>121,491</u>
Total Deferred Inflows of Resources	<u>322,305</u>
 NET POSITION	
Invested in capital assets net of related debt	674,044
Unrestricted	<u>(5,278,068)</u>
Total Net Position	\$ <u><u>(4,604,024)</u></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, 2020

		<u>Primary Government Governmental Activities</u>
REVENUES		
Local	\$	4,551,509
State		834,976
Federal		36,086
Non-Taxable Federal Grant Income		694,505
		<u>6,117,076</u>
EXPENDITURES		
Personnel		3,387,152
Operations		709,978
Material, equipment and special programs		282,211
Depreciation expense		436,293
Pension expense		637,631
OPEB expense		11,984
Total Expenditures		<u>5,465,249</u>
Net Change in Net Position		<u>651,827</u>
Fund Balance - Beginning		<u>(5,255,851)</u>
Net Position - Ending	\$	<u><u>(4,604,024)</u></u>

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

FIRST REGIONAL LIBRARY
Balance Sheet - Governmental Fund
September 30, 2020

	General Fund
ASSETS	
Cash	\$ 2,643,528
Intergovernmental receivable	42,208
Prepaid expense	37,654
Total Assets	2,723,390
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	12,864
Total Liabilities	12,864
Fund balances	
Unrestricted	2,710,526
Total Fund Balances	2,710,526
Total Liabilities and Fund Balances	\$ 2,723,390

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, 2020

	Amount
Total fund balance - Governmental Funds	\$ 2,710,526
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds:	674,044
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in	
Net pension liability	(7,666,098)
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	657,118
Deferred inflows of resources related to pensions	(200,814)
Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in	
Net OPEB liability	(534,327)
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to OPEB	99,264
Deferred inflows of resources related to OPEB	(121,491)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(222,246)
 Net Position of governmental activities	 \$ <u><u>(4,604,024)</u></u>

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, 2020

	General Fund
REVENUES	
Local	\$ 4,551,509
State	813,667
Federal	36,086
Non-Taxable Federal Grant Income	694,505
Total Revenues	6,095,767
EXPENDITURES	
Personnel	3,812,933
Operations	709,978
Material, equipment and special programs	652,778
Total Expenditures	5,175,689
Net Change in Fund Balance	920,078
Fund Balance - Beginning	1,790,448
Fund Balance - Ending	\$ 2,710,526

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, 2020

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 920,078
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	370,567
Depreciation expense	(436,293)
Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:	
Pension expense	(637,631)
Contributions made during the year	463,822
Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:	
OPEB expense	(11,984)
OPEB contributions made	21,318
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. These activities include:	
Change in compensated absences	(38,050)
Change in Net Position of governmental activities	\$ 651,827

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

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity.

The First Regional Library operates as a non-profit library system 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
- Town of Coldwater
- Town of Como
- Town of Crenshaw
- Town of Tunica
- 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, 2020

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, 2020

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 \$100 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. Deferred outflows/inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The deferred outflows of resources are related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources are related to pensions and OPEB.

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

J. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Postemployment Benefits Other than Pensions (OPEB).

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2020. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

L. 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.

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.

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DEPOSITS

Deposits:

The carrying amount of the Library's total deposits with financial institutions at September 30, 2020 is \$2,708,557. 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 3 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at September 30, 2020 consisted of the following:

City of Olive Branch	\$ 31,583
City of Hornlake	10,625
	\$ 42,208

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets for the year ended September 30, 2020:

	Balance Oct. 1, 2019	Additions	Deletions	Adjustments	Balance Sep. 30, 2020
Depreciable capital assets:					
Books and library materials	\$ 11,797,991	300,784	-	-	12,098,775
Other	2,388,261	69,783	27,275	-	2,430,769
Total depreciable capital assets	14,186,252	370,567	27,275	-	14,529,544
Less accumulated depreciation for:					
Books and library materials	11,156,830	367,831	-	-	11,524,661
Other	2,289,652	68,462	27,275	-	2,330,839
Total accumulated depreciation	13,446,482	436,293	27,275	-	13,855,500
Total capital assets, net	\$ 739,770	(65,726)	-	-	674,044

**FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

NOTE 5 – 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>		
2021	\$	2,644
2022		<u>152</u>
Total	\$	<u><u>2,796</u></u>

NOTE 6 – 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’s 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 (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

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2020, PERS members were required to contribute 9% of their annual covered salary, and the Library is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Library's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019, and 2018 were \$463,822, \$410,385, and \$406,972, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020, the Library reported \$7,666,098 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The Library's proportionate share used to calculate the September 30, 2020 net pension liability was 0.0396 percent, which was based on a measurement date of June 30, 2020.

For the year ended September 30, 2020, the Library recognized pension expense of \$637,631. At September 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,602	-
Net difference between projected and actual earnings on pension plan investments	304,911	-
Changes of assumptions	41,801	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	127,853	200,814
Contributions subsequent to the measurement date	115,951	-
Total	<u>\$ 657,118</u>	<u>200,814</u>

\$115,951 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

Year ended June 30:	
2021	\$ (56,677)
2022	116,280
2023	179,282
2024	101,468
Total	<u>\$ 340,353</u>

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

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

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

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Debt Securities	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash Equivalents	1.00	-
	<u>100.00 %</u>	

**FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). 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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Library's proportionate share of the net pension liability	\$ <u>9,922,824</u>	<u>7,666,098</u>	<u>5,803,395</u>

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 7 – 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. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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 \$21,318 for the year ended June 30, 2020.

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

At September 30, 2020, the Library reported a liability of \$534,327 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the Library's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the Library's proportion was 0.06866127 percent. This was an increase of 0.00085727 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended September 30, 2020, the Library recognized OPEB expense of \$11,984. At September 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 681	92,987
Changes of assumptions	82,959	22,580
Net difference between projected and actual earnings on OPEB plan investments	17	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	9,990	5,924
Contributions subsequent to the measurement date	5,617	-
Total	\$ 99,264	121,491

\$5,617 reported as deferred outflows of resources related to OPEB resulting from Library contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended September 30, 2021. 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 ended June 30:	
2021	\$ (7,372)
2022	(7,372)
2023	(6,300)
2024	(2,336)
2025	(4,464)
Thereafter	-
Total	\$ (27,844)

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

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19 percent
Prior Measurement Date	3.50 percent
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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

Measurement Date	2.19 percent
Prior Measurement Date	3.50 percent

Health Care Cost Trends

Medicare Supplement	7.00 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2030
Claims Pre-Medicare	

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

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

The 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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

Since the trust had only \$1,037,371 as of June 30, 2020, the plan was projected to be depleted immediately in 2020.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the 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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB Liability	\$ <u>590,468</u>	<u>534,327</u>	<u>486,174</u>

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

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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:

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 493,370	534,327	580,731

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position for June 30, 2020 will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration’s website.

NOTE 8 – LONG TERM DEBT

The following is a summary of changes in long term debt as of September 30, 2020:

	Balance	Additions	Reductions	Balance
	Oct. 1, 2019			Sept. 30, 2020
Compensated absences	\$ 184,196	38,050		222,246
Total	\$ 184,196	38,050	-	222,246

NOTE 9 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of (\$5,278,068) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$115,951 resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. The \$541,167 balance of deferred outflow of resources, at September 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$5,278,068) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$200,814 balance of deferred inflow of resources, at September 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$5,278,068) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. \$5,617 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending September 30, 2021. The \$93,647 balance of deferred outflow of resources, at September 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

**FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

The unrestricted net position amount of (\$5,278,068) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$121,491 balance of deferred inflow of resources at September 30, 2020 will be recognized as a revenue and will increase the unrestricted net position over the next 5 years.

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, 2020:

<u>Contract Number</u>	<u>Program</u>	<u>Amount</u>
FIA21-12-0	Information Access	\$ 2,600
FIT19-1909-12-0	ILL Transport	2,774
FMC20-12-0	Enhance Materials Collection	2,800
FPD20-12-0	Professional Development	3,000
SH20-360-12-0	Health Insurance	323,549
SH21-360-12-0	Health Insurance	56,511
SL20-361-12-0	Life Insurance	4,375
SL21-361-12-0	Life Insurance	762
SP20-362-12-0	PIGP Payment	325,264
SP20-OTP-362-12-0	PIGP Payment	11,991
SP21-362-12-0	PIGP Payment	81,928
		<u>\$ 815,554</u>

NOTE 11 – PAYCHECK PROTECTION PROGRAM

Paycheck Protection Program (PPP) loans were made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act which was authorized by Congress in March of 2020. Under the program, loans are administered by the Small Business Administration (SBA) and offered through participating lenders. If the funds are spent on qualifying expenses, some or all of each loan is eligible for forgiveness.

First Regional Library has elected to take a Government Grant approach to account for the PPP Loan received in the amount of \$694,505. Thus the loan is reported as non-taxable grant income with the expectation on the fiscal year end date that the loan would be forgiven. On November 18, 2020, the SBA forgave the loan in full.

NOTE 12 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the Statement of Net Position date, require disclosure in the accompanying notes.

FIRST REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

Management of the First Regional Library evaluated the activity of the Library through February 19, 2021, (the date the financial statements were available to be issued) and determined that the follow subsequent events have occurred requiring disclosure in the notes to the financial statements.

Management is continuing to evaluate the impact of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020, on the Organization's operations. As such, our financial position, operations, and cash flows may be negatively impacted for the fiscal year 2021 and may hinder our ability to meet the needs of our library users. Management has taken and will take the necessary actions to marginalize the disruption caused by the outbreak. The specific impact on our financial position, operations, and cash flows is not readily determinable as of the date of these financial statements. Therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.0396%	0.0386%	0.0408%	0.0414%	0.0420%	0.0419%	0.0411%
Proportionate share of the net pension liability (asset)	\$ 7,666,098	6,790,499	6,786,252	6,882,085	7,502,249	6,476,914	4,988,787
Covered-employee payroll	\$ 2,639,969	2,517,127	2,607,753	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	290.39%	269.77%	260.23%	259.34%	279.36%	247.26%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	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 Library has only presented information for the years in which information is available.

First Regional Library
Schedule of Contributions - PERS
Last 10 Fiscal Years*
For the Year Ended September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 463,822	410,385	406,972	415,686	424,513	415,339
Contributions in relation to the contractually required contribution	<u>463,822</u>	<u>410,385</u>	<u>406,972</u>	<u>415,686</u>	<u>424,513</u>	<u>415,339</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 2,665,647	2,538,498	2,583,947	2,639,273	2,695,320	2,637,078
Contributions as a percentage of covered-employee payroll	17.40%	16.17%	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.

First Regional Library
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability
Other Postemployment Benefits (OPEB)
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Library's proportion of the net OPEB liability	0.06866127%	0.06780400%	0.06884568%
Library's proportionate share of the net OPEB liability	\$ 534,327	575,345	1,543,505
Library's covered-employee payroll	\$ 2,636,969	2,517,127	2,607,753
Library's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	20.26%	22.86%	59.19%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

* 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.

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.

FIRST REGIONAL LIBRARY
Required Supplementary Information
Schedule of Contributions - OPEB
Other Postemployment Benefits (OPEB)
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 21,318	23,062	23,717
Contributions in relation to the contractually required contributions	21,318	23,062	23,717
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 2,665,647	2,538,498	2,583,947
Contributions as a percentage of covered-employee payroll	0.80%	0.91%	0.92%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 9/30/18, and, until a full 10-year trend is complied, the Library has only presented information for the years in which information is available.

FIRST REGIONAL LIBRARY
Notes to the Required Supplementary Information
September 30, 2020

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%.

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 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions were 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 6.00% to 7.00%.

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%.

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.

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years

Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

A. Changes of Assumptions

2018

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

2019

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

2020

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

B. Changes in Benefit Provisions

2018

None.

2019

None

2020

None

C. Method and assumptions used in calculations of actuarially determined contributions

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75 percent
Salary increases, including wage inflation	3.00 percent to 18.25 percent
Initial health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	7.00 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	4.75 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2028
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.50 percent

FIRST REGIONAL LIBRARY

OTHER INFORMATION

**FIRST REGIONAL LIBRARY
Schedule of Surety Bonds
For the Year Ended September 30, 2020**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond Amount</u>
Meredith Wickham	Director	Travelers	\$50,000
Nancy Anderson	Business Manager	Travelers	\$50,000
Jenniffer Stephenson	Assistant Director	Travelers	\$50,000
Mark Whitehead	Purchase Clerk	Western Surety	\$75,000
Derrick Biglane	Treasurer	Western Surety	\$50,000

FIRST REGIONAL LIBRARY

SPECIAL REPORT

DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA
WILLIAM F. BAIRD, CPA
EUGENE S. CLARKE, IV, CPA
DAVID E. CLARKE, CPA

3528 MANOR DRIVE
VICKSBURG, MISSISSIPPI 39180

PHONE: (601) 636-1416
FAX: (601) 636-1417

MEMBERS OF
MISSISSIPPI SOCIETY OF CPAs
AMERICAN INSTITUTE OF CPAs
GOVERNMENT AUDIT QUALITY CENTER
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, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and we have issued our report thereon dated February 19, 2021.

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 not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is 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, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

February 19, 2021

FIRST REGIONAL LIBRARY

SCHEDULE OF FINDINGS AND RESPONSES

FIRST REGIONAL LIBRARY
Schedule of Findings and Responses
For the Year Ended September 30, 2020

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? | No |
| b. Significant deficiency(ies) identified? | No |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement 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*.