

FIRST REGIONAL LIBRARY SYSTEM

AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • www.wmocpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
First Regional Library System

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the First Regional Library System as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Library System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the First Regional Library System as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the First Regional Library System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the First Regional Library System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

Independent Auditor's Report
Page 2

In performing an audit in accordance with generally accepted auditing standards, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 First Regional Library System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the First Regional Library System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and net pension and OPEB liabilities information on pages 49 - 50 and 51 - 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Management has omitted the Management's Discussion and Analysis 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 20, 2026, on our consideration of the First Regional Library System'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 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 System's internal control over financial reporting and compliance.

Walfe, McDuff + Oppen

Pascagoula, Mississippi
April 20, 2026

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BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The statements include:

- ◆ Government-Wide Financial Statements:
 - Statement of Net Position
 - Statement of Activities

- ◆ Fund Financial Statements:
 - Balance Sheet - Governmental Funds
 - Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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FIRST REGIONAL LIBRARY SYSTEM
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,781,222
Restricted cash	6,823
Accounts receivable	231,081
Prepaid expenses	16,948
Capital assets, net of depreciation	696,457
Total assets	4,732,531
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	802,257
Deferred outflows of resources related to OPEB	181,322
Total deferred outflows of resources	983,579
LIABILITIES	
Accounts payable	11,307
Long-term liabilities:	
Due within one year:	
Leases payable	11,146
Compensated absences	139,707
Due in more than one year:	
Leases payable	25,455
Compensated absences	139,707
Net pension liability	10,153,159
Net OPEB liability	392,970
Total liabilities	10,873,451
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	262,062
Deferred inflows of resources related to OPEB	126,530
Total deferred inflows of resources	388,592
NET POSITION	
Net investment in capital assets	659,856
Restricted for:	
MS State Unemployment Revolving Fund	14,671
Unrestricted net position	(6,220,460)
Total net position	\$ (5,545,933)

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

FIRST REGIONAL LIBRARY SYSTEM

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

		Program Revenue		Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Library Services	\$ 6,359,997	203,044	865,442	(5,291,511)
 Total governmental activities	 \$ <u>6,359,997</u>	 <u>203,044</u>	 <u>865,442</u>	 <u>(5,291,511)</u>
 General Revenues:				
Desoto County				\$ 1,476,000
Desoto County (Law Library)				53,457
Lafayette County				565,835
Panola County				400,960
Tunica County				299,669
Tate County				174,000
Municipal revenues				1,814,660
Memorials, gifts, and testamentary bequests				89,208
Investment income				<u>131,560</u>
Total general revenues				<u>5,005,349</u>
Change in net position				(286,162)
Net position - beginning of year, as originally presented				(5,201,216)
Adjustment, Note 15				<u>(58,555)</u>
Net position - beginning as restated				<u>(5,259,771)</u>
Net position - ending of year				<u>\$ (5,545,933)</u>

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

FUND FINANCIAL STATEMENTS

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FIRST REGIONAL LIBRARY SYSTEM
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2025

	General Fund	Grants Management Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,781,222	-	3,781,222
Restricted cash and cash equivalents:			
MS State Unemployment Revolving Fund	6,823	-	6,823
Accounts receivable	157,815	73,266	231,081
Due from other funds	73,266	-	73,266
Total Assets	4,019,126	73,266	4,092,392
LIABILITIES			
Accounts payable	11,307	-	11,307
Due to other funds	-	73,266	73,266
Total Liabilities	11,307	73,266	84,573
FUND BALANCES			
Restricted			
MS State Unemployment Revolving Fund	14,671	-	14,671
Unassigned	3,993,148	-	3,993,148
Total Fund Balances	\$ 4,007,819	-	4,007,819

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

FIRST REGIONAL LIBRARY SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2025

Total governmental fund balance **\$ 4,007,819**

Amounts reported for governmental activities in the statement of net position are different than those reported in the fund financial statements because of the following:

Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds 696,457

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the fund. 16,948

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	802,257
Deferred inflows of resources related to pensions	(262,062)

Deferred outflows and inflows of resources related to Postemployment Benefits Other than Pensions (OPEB) are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	181,322
Deferred inflows of resources related to OPEB	(126,530)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Leases payable	(36,601)	
Net pension liability	(10,153,159)	
Net OPEB liability	(392,970)	
Compensated absences	(279,414)	<u>(10,862,144)</u>

Net position of governmental activities **\$ (5,545,933)**

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

FIRST REGIONAL LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	General Fund	Grants Management Fund	Total Governmental Funds
REVENUES			
Desoto County	\$ 1,476,000	-	1,476,000
Desoto County (Law library)	53,457	-	53,457
Lafayette County	565,835	-	565,835
Panola County	400,960	-	400,960
Tunica County	299,669	-	299,669
Tate County	174,000	-	174,000
Municipal revenues	1,814,660	-	1,814,660
Library Fees	203,044	-	203,044
Memorials, gifts, & testamentary bequests	89,208	-	89,208
Investment income	131,560	-	131,560
MS Library Commission-Personnel Grant	-	340,458	340,458
MS Library Commission-Health Insurance Grant	-	437,220	437,220
MS Library Commission-Life Insurance Grant	-	5,710	5,710
Other grants and similar programs	-	82,054	82,054
Total revenues	<u>5,208,393</u>	<u>865,442</u>	<u>6,073,835</u>
EXPENDITURES			
Salaries and fringe benefits	3,714,987	-	3,714,987
Administrative costs	79,504	-	79,504
Program expenses	196,499	-	196,499
Utilities	163,694	-	163,694
Grants and similar programs	-	857,149	857,149
Janitorial	69,918	-	69,918
Library materials	36,136	-	36,136
Insurance	89,242	-	89,242
Building and maintenance	37,139	-	37,139
Supplies	55,502	-	55,502
Capital Outlay	356,572	8,293	364,865
Other	33,094	-	33,094
Debt Service:			
Principal	12,602	-	12,602
Interest	1,740	-	1,740
Total expenditures	<u>4,846,629</u>	<u>865,442</u>	<u>5,712,071</u>
OTHER FINANCING SOURCES (USES)			
Net change in fund balance	361,764	-	361,764
Fund balance - beginning of year	<u>3,646,055</u>	<u>-</u>	<u>3,646,055</u>
Fund balance - end of year	<u>\$ 4,007,819</u>	<u>-</u>	<u>4,007,819</u>

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

FIRST REGIONAL LIBRARY SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
For the Year Ended September 30, 2025

Net change in fund balances - total governmental funds **\$ 361,764**

Amounts reported for governmental activities in the statement of activities are different than those reported in the fund financial statements because of the following:

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. This is the amount by which capital outlay exceeded depreciation expense in the current period:

Capital Outlay	364,865	
Depreciation	(402,087)	(37,222)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. These amounts are deferred and amortized in the statement of activities:

Payments on leases payable	12,602	12,602

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

4,481

Governmental funds report pension contributions as expenditures. However, the Statement of Activities reports pension expense and other activity related to net pension liability:

Pension contributions	556,302	
Pension expense from the pension schedule	(1,224,047)	(667,745)

Governmental funds report OPEB contributions as expenditures. However, the Statement of Activities reports OPEB expense and other activity related to net OPEB liability:

OPEB contributions	18,504	
OPEB expense from the OPEB schedule	21,454	39,958

Change in net position of governmental activities **\$ (286,162)**

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

NOTES TO BASIC FINANCIAL STATEMENTS

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FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The First Regional Library System maintains fourteen branches in Desoto, Lafayette, Panola, Tate and Tunica Counties in Mississippi, with the Hernando Public Library in Hernando housing the headquarters of the system. The entire library system is governed by a board of trustees appointed by the Board of Supervisors from each County. The Library is exempt from Federal and State income taxes. The purpose of the First Regional Library System is to support the community's enjoyment of reading and its pursuit of learning through informational resources including traditional library services, such as print materials, and emerging technology such as public access computers, high-speed internet access, and Wi-Fi.

The financial statements of the Library System have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The Library System does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

B. Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows/inflows, liabilities, net position/fund equity, revenues, and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Library System reports the difference between its governmental fund assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, as fund balance.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds with the governmental categories. A fund is considered major if it is the primary operating fund of the Library System or meets the following criteria:

- ◆ Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
- ◆ The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- ◆ In addition, any other governmental or enterprise fund that the Library System believes is particularly important to financial statement users may be reported as a major fund.

The Library System reports the following major funds:

- ◆ General fund is the general operating fund of the Library System. It is used to account for all financial resources except those required to be accounted for in another fund.
- ◆ Grants Management fund (special revenue fund) is used to account for the proceeds of specific revenue sources from grants that are legally restricted to expenditures for specified purposes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

City and County taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library System.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

Deposits and Investments

The Library System deposits excess funds in the financial institution selected by the Board of Trustees. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

Investments for the Library System are reported at amortized cost.

Receivables and Payables

All receivables and payables are shown at their net realizable value. Management expects to collect entire amounts due and therefore has not established an allowance for uncollectible accounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

Capital Assets

Capital assets purchased or acquired with useful lives of more than one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful life which ranges from 3 to 25 years.

Compensated Absences

Paid annual leave is granted to employees regularly scheduled to work 20 or more hours per week. Annual leave is accumulated based on a full-time 40 hour work week and is earned in varying amounts depending on the years of service with the Library System. After one full calendar month of continuous service, the employee will be paid for earned but unused annual leave up to a maximum of 240 hours. Additional accrued annual leave is credited to the State Retirement.

Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022. The Library System uses its estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paid sick leave is granted to all salaried employees regularly scheduled to work 20 or more hours per week. Sick leave is accumulated depending on continuous service. Employees can only be paid for sick leave for actual time missed due to qualified sick leave absences. Upon termination, no payment is made to employees for accumulated sick leave; however, the unused hours are credited to State Retirement.

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 Mississippi Public Employees' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, 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.

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. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Revenues

Substantially all governmental fund revenues are accrued. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Fines are recognized as revenue when they are considered measurable, or at the time of receipt.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Net Position/Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Government-Wide financial statements, the difference between the Library System's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays 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, constructions 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." Unrestricted net position represents the net position available for future operations.

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. 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. Fund balances are classified as follows:

- ◆ Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Trustees as approved in the board minutes.
- ◆ Assigned - Includes amounts that are constrained by management of the Library System's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ◆ Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Net position restricted through enabling legislation consists of \$14,671 for MS State Unemployment Revolving Fund (employee benefits).

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the Library System's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Library System's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The Library System does not have a minimum fund balance policy.

Internal Activity

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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 a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Library System has a deferred outflow which is presented as a deferred outflow of resources related to pension and OPEB obligations.

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 then. The Library System has a deferred inflow which is presented as a deferred inflow of resources related to pension and OPEB obligations and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New GASB Pronouncements

The Governmental Accounting Standards Board has issued the following new pronouncement that the Library System has reviewed for application to their accounting and reporting.

GASB 101, *Compensated Absences*, was implemented during the 2025 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

NOTE 2. CASH, DEPOSITS, AND INVESTMENTS

State law requires that all deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. 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 27-1-5-5 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 FDIC.

Deposits (demand deposits and certificate of deposits) at September 30, 2025, are as follows:

	Governmental Funds	Government- Wide Statement of Net Position
Bank deposits	\$ <u>3,788,045</u>	<u>3,788,045</u>
Total	\$ <u>3,788,045</u>	<u>3,788,045</u>

At year-end, the carrying amount of the Library System's deposits was \$3,788,045, and the respective bank balances totaled \$4,002,833. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the Library System	\$ 3,743,819
Amounts held at various financial institutions covered under Federal Depository Insurance	<u>259,014</u>
	<u><u>\$ 4,002,833</u></u>

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 3. CONCENTRATIONS OF CREDIT RISK

A. Credit Risk

First Regional Library System's investment policy, in compliance with State statutes, authorizes the Treasurer to invest monies in the following:

- ◆ Negotiable certificates of deposit
- ◆ Obligations of federal agencies or U.S. government-sponsored enterprises
- ◆ Obligations of the U.S. Treasury
- ◆ Repurchase and reverse repurchase agreements

The Library System currently has no investments. The Library System has not adopted investment policies regarding "risk."

B. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Library System will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Library System does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Library System. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Library System.

NOTE 4. CONCENTRATION OF REVENUES

The Library System is dependent on the Desoto County, Lafayette County, municipalities, and the Mississippi Library Commission for the majority of the funding necessary for its operations. Significant changes in the level of funding from these sources could have a favorable or unfavorable impact on the operating results of the Library.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Library materials	\$ 13,196,860	213,053	-	-	13,409,913
Other	2,706,848	151,812	(76,822)	-	2,781,838
Intangible right-to-use equipment, net	<u>48,448</u>	<u>-</u>	<u>(13,254)</u>	<u>-</u>	<u>35,194</u>
Total capital assets	<u>15,952,156</u>	<u>364,865</u>	<u>(90,076)</u>	<u>-</u>	<u>16,226,945</u>
Less accumulated depreciation	<u>15,218,477</u>	<u>388,833</u>	<u>(76,822)</u>	<u>-</u>	<u>15,530,488</u>
Total capital assets, net	<u>\$ 733,679</u>	<u>(23,968)</u>	<u>(13,254)</u>	<u>-</u>	<u>696,457</u>

Depreciation and amortization expense was charged to programs for the year ended September 30, 2025, as follows:

Governmental Activities:	
General government	\$ <u>402,087</u>
Total current year depreciation and amortization expense	<u>\$ 402,087</u>

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 6. LEASES

The Library System is a lessee of various noncancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the Library System recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the Library System recognized a lease liability and an intangible right-to-use lease asset.

At lease commencement, the Library System initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The Library System generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The estimated incremental borrowing rate is the rate the Library System would expect to obtain for a similar financed purchase at the date of lease inception.

The lease term includes the noncancellable period of the lease plus any additional periods covered by either the Library System or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the Library System and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

As lessee:

The following is a summary of changes in lease assets and liabilities:

Lease Assets	Balance 10/1/2024	Additions	Amortization	Balance 9/30/2025
Minolta copiers	\$ 42,246	-	(11,636)	30,610
Postage machine	6,202	-	(1,618)	4,584
Total	\$ 48,448	-	(13,254)	35,194

See Note 5 for further details regarding intangible right-to-use equipment, which represents leased assets.

Lease Liabilities	Balance 10/1/2024	Additions	Amortization	Balance 9/30/2025
Minolta copiers	\$ 42,859	-	(11,039)	31,820
Postage machine	6,344	-	(1,563)	4,781
Total	\$ 49,203	-	(12,602)	36,601

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 6. LEASES (continued)

The following is a description of leases outstanding as of September 30, 2025:

<u>Description</u>	<u>Discount Rate</u>	<u>Term</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Monthly Payment</u>	<u>Amount Outstanding</u>
Hernando Minolta copier	4.00%	36 months	11/15/2022	11/15/2025	\$ 96	191
Olive Branch Minolta copier	4.00%	36 months	2/22/2023	2/22/2026	120	594
Headquarters Minolta copier	4.00%	60 months	2/13/2024	2/13/2029	86	6,020
Horn Lake Minolta copier	4.00%	60 months	2/13/2024	2/13/2029	134	5,003
Southaven Minolta copier	4.00%	60 months	2/13/2024	2/13/2029	134	5,003
Oxford Minolta copier	4.00%	60 months	2/13/2024	2/13/2029	134	5,003
Batesville Minolta copier	4.00%	60 months	2/13/2024	2/13/2029	134	5,003
Senatobia Minolta copier	4.00%	60 months	2/13/2024	2/13/2029	134	5,003
Headquarters Postage machine	4.00%	60 months	6/30/2023	7/31/2028	149	4,781
Total outstanding						<u>\$ 36,601</u>

Minolta Copier Leases:

The Library System has entered into a 36 month lease of a copier from LEAF Capital Funding, LLC for a fixed \$96 per month. The lease agreement can only be cancelled if both parties agree. There are no options to extend the lease agreement and no variable payment options.

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending September 30,:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 191	-	191
Total	<u>\$ 191</u>	<u>-</u>	<u>191</u>

The Library System has entered into a 36 month lease of a copier from LEAF Capital Funding, LLC for a fixed \$120 per month. The lease agreement can only be cancelled if both parties agree. There are no options to extend the lease agreement and no variable payment options.

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending September 30,:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 594	6	600
Total	<u>\$ 594</u>	<u>6</u>	<u>600</u>

The Library System has entered into a 60 month lease of a postage machine from Great America Financial Services for a fixed \$149 per month. The lease agreement can only be cancelled if both parties agree. There are no options to extend the lease agreement and no variable payment options.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 6. LEASES (continued)

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending September 30,:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,626	162	1,788
2027	1,692	95	1,787
2028	<u>1,463</u>	<u>27</u>	<u>1,490</u>
Total	\$ <u>4,781</u>	<u>284</u>	<u>5,065</u>

The Library System has entered into six 60 month leases of copiers from JT Ray Company for a fixed \$134 per month per location. The lease agreements can only be cancelled if both parties agree. There are no options to extend the lease agreements and no variable payment options.

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending September 30,:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 8,735	870	9,605
2027	9,237	718	9,955
2028	9,613	275	9,888
2029	<u>3,450</u>	<u>27</u>	<u>3,477</u>
Total	\$ <u>31,035</u>	<u>1,890</u>	<u>32,925</u>

NOTE 7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2025, is shown as follows:

<u>Long-Term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments*</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities:						
Leases Payable	\$ 49,203	-	(12,602)	-	36,601	11,146
Compensated Absences	225,340	-	(4,481)	58,555	279,414	139,707
Net Pension Liability	10,386,970	-	(233,811)	-	10,153,159	-
Net OPEB Liability	<u>389,141</u>	<u>3,829</u>	<u>-</u>	<u>-</u>	<u>392,970</u>	<u>-</u>
Total governmental activities	\$ <u>11,050,654</u>	<u>3,829</u>	<u>(250,894)</u>	<u>58,555</u>	<u>10,862,144</u>	<u>150,853</u>

The change in the compensated absences liability is presented as a net change. The adjustments to compensated absences were a result of implementing GASB 101 as of the beginning of FY 2025.

Leases payable, compensated absences, net pension liability, and net OPEB liability will be paid from the general fund.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 8. INTERFUND BALANCES

The composition of inter fund balances as September 30, 2025 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Management Fund	\$ 73,266
Total Internal Balances		<u>\$ 73,266</u>

NOTE 9. PENSION PLAN

Defined Benefit Pension Plan

Plan Description

The First Regional Library System contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

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 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.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 9. PENSION PLAN (continued)

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the First Regional Library System is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2025 was 18.40% of annual covered payroll, an increase of 0.50% effective July 1, 2025. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The First Regional Library System's contribution to PERS for the years ended September 30, 2025, 2024, and 2023 was \$556,302, \$515,339, and \$533,882 respectively, which equal to the required contributions for each year.

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

At September 30, 2025, the Library System reported a liability of \$10,153,159 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library System's proportion of the net pension liability was based on a projection of the Library System's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the Library System's proportion was 0.040 percent, which was unchanged from its proportion measured as of June 30, 2024.

For the year ended September 30, 2025, the Library System recognized pension expense of \$1,224,047. At September 30, 2025, the Library System 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 experiences	\$ 488,251	-
Changes of assumptions	141,740	-
Net difference between projected and actual earnings on pension plan investments	-	243,705
Changes in proportion and differences between Library System contributions and proportionate share of contributions	30,805	18,357
Library system contributions subsequent to the measurement date	141,461	-
Total	\$ 802,257	262,062

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 9. PENSION PLAN (continued)

\$141,461 reported as deferred outflows of resources related to pensions resulting from Library System contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30, :			
2026		\$	762,444
2027			(72,843)
2028			(180,037)
2029			(110,830)
2030			-
Thereafter			-
Total		\$	<u>398,734</u>

Actuarial assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2024 and a measurement date determined as of June 30, 2025 using standard rollforward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65-17.90%, including inflation
Investment rate of return	7.00%, net of pension plan investments expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 107% of all rates. For females, 97% of female rates up to age 82 and 100% for ages 83 to 87 and 110% for ages above 87. Mortality rates for disability retirees were based on the PubG-2010 Disabled Table set forward one year and adjusted 134% for males and set forward two years and adjusted 125% for females. Mortality rates for Contingent Annuitants were based on the PubS-2010(B) Contingent Annuitant Table, set forward three years for males and set forward two years for females. Mortality rates will be projected generationally using the MP-2021 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2020 to June 30, 2024. The experience report is dated April 16, 2025.

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 9. PENSION PLAN (continued)

Asset class	Target Allocation	Long-term expected real rate of return
Domestic equity	27.00 %	4.75
International equity	20.00	4.75
Global equity	12.00	4.95
Fixed Income	20.00	2.25
Real estate	10.00	3.75
Private equity	10.00	6.00
Cash	1.00	0.50
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 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 percent) and that employer contributions will be phased in to 19.90 percent over five fiscal years (17.90 percent for FYE 2025, 18.40 percent for FYE 2026, 18.90 percent for FYE 2027, 19.40 percent for FYE 2028, 19.90 percent for FYE 2029 and beyond). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Library System's proportionate share of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Library System's proportionate share of the net pension liability	\$ 13,202,736	10,153,159	7,648,105

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description

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

Benefits provided

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when 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. The Library System's contributions to OPEB for the year ended September 30, 2025 was \$18,504, which was equal to the required contributions for the year.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

At June 30, September 30, 2025, the Library System reported a liability of \$392,970 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, 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 System'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, 2025, the Library System's proportion was 0.0714 percent. This was an increase of 0.0018 percent from the proportionate share as of the measurement date as of June 30, 2024.

For the year ended September 30, 2025, the Library System recognized OPEB expense of \$(21,454). At September 30, 2025, the Library System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,693	30,822
Changes of assumption	1,180	67,128
Net difference between projected and actual earnings on OPEB plan investments	8	-
Changes in proportion and differences between Library System contributions and proportionate share of contributions	50,441	28,580
Total	\$ 181,322	126,530

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

Year ending September 30,	Amount
2026	\$ (2,432)
2027	17,876
2028	16,949
2029	13,460
2030	7,297
Thereafter	1,642
Total	\$ 54,792

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial assumptions

The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	2.65-17.90%, including wage inflation
Municipal Bond Index Rate	
Measurement Date	5.25%
Prior Measurement Date	3.94%
Year FNP is projected to be depleted	
Measurement Date	2025
Prior Measurement Date	2024
Single Equivalent Interest Rate, Net of OPEB Plan investment expense, including inflation	
Measurement Date	5.25%
Prior Measurement Date	3.94%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	5.50% for 2026 decreasing to an ultimate rate of 4.50% by 2029 FYE

Mortality rates were based on PubS H-2010(b) Retiree Table with the following adjustments: For males, 107% of male rates for all ages. For females, 97% of the female rates up to age 82, 100% for ages 83 to 87, and 110% for ages above 87. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, set forward 3 years for males and 2 years for females. Mortality rates will be projected generationally using the MP-2021 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study dated April 16, 2025.

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, 2025 valuation were based on a review of recent plan experience done concurrently with the June 30, 2025 valuation.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Discount rate

The discount rate used to measure the total OPEB liability at June 30, 2025 was 5.25%. Since the Prior Measurement Date, the Discount Rate has changed from 3.94% to 5.25%.

The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of June 30, 2025, the trust has \$1,149,168. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the Single Equivalent Interest Rate (SEIR) for both the June 30, 2024 and the June 30, 2025 Total OPEB Liability (TOL)s. The SEIR for 2024 is 3.94% and for 2025 is 5.25%.

Sensitivity of the Library System’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the Library System’s proportionate share of the net OPEB liability, as well as what the Library System’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current discount rate:

	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net OPEB Liability	\$ 429,513	392,970	361,224

Sensitivity of the Library System’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Library System’s proportionate share of the net OPEB liability, as well as what the Library System’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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates Current</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 372,582	392,970	415,536

OPEB plan fiduciary net position

The fiduciary net position for the OPEB plan was \$1,149,168 as of June 30, 2025, the measurement date. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued OPEB financial report.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 11. CAFETERIA PLAN

The First Regional Library System has established a cafeteria plan under Section 125 of the Internal Revenue Code. The plan, entitled the First Regional Library System Flexible Benefits Plan, is a program that permits participants to elect to receive cash or coverage for themselves and their eligible dependents under various component plans which provide major medical, accident and disability, cancer, ICU and hospital income benefits. Contributions to the plan may be made each year by the Library System, in its sole discretion, in a uniform and nondiscriminatory manner (non-elective contributions) or by the employee (elective contributions). For the year ended September 30, 2025, no non-elective contributions were made by the employer.

NOTE 12. DEFERRED COMPENSATION PLAN

Employees of the Library System are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the deferred compensation plan, which is available to all employees of the Library System, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portions until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by the Board of Trustees of the Public Employees Retirement System of Mississippi. The plan's assets are held in trust by the Public Employees Retirement System of Mississippi for the exclusive benefit of the participants and beneficiaries of the plan and are not subject to the general creditors of the Library System. As a result, the plan's assets are not reflected in an agency fund of the Library System.

There are nine employees participating in the plan as of September 30, 2025.

NOTE 13. COMMITMENTS AND CONTINGENCIES

A. Litigation

At September 30, 2025, there were no matters of litigation involving the Library System which would materially affect the Library System's financial position.

NOTE 14. FUNDING

The Library System receives funding from the Mississippi Library Commission. Federal funds are provided through a grant to the Mississippi Library Commission from the Institute of Museums and Library Services (ALN 45.310), under the Library Services and Technology Act (LSTA). State funds are provided through the Mississippi State Legislature in the following bills: Senate Bill 3158-2001, Senate Bill 3315-2000, and House Bill 1672-1999.

Funds received from the Mississippi Library Commission for the year ended September 30, 2025 on the cash basis are as follows:

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 14. FUNDING (continued)

STATE FUNDING

<u>Grant #</u>	<u>Source</u>	<u>Program</u>	<u>Amount</u>
SH25-360-12-0	State	Health insurance	\$ 402,100
Total health insurance grant			402,100
SP25-362-12-0	State	Personnel incentive	256,578
SP26-362-12-0	State	Personnel incentive	83,880
Total personnel grant			340,458
SL25-361-12-0	State	Life insurance	5,232
Total life insurance grant			5,232
Total State Funding			\$ 747,790

FEDERAL FUNDING

<u>Grant #</u>	<u>Source</u>	<u>Program</u>	<u>Amount</u>
FIC25-12-0	Federal	Institutional Capacity	\$ 7,982
FIT19-1909-12-0	Federal	ILL Transport Payment FY2025	2,293
Total Federal Funding			\$ 10,275

The First Regional Library System also receives federal funding from the Federal Communications Commission, Administered through the Universal Service Administrative Company (E-Rate). Funding paid directly to internet providers on the Library's behalf, on the cash basis, for the year ended September 30, 2025 was \$69,779.

The First Regional Library System also receives funding from the Counties and Cities it operates within through ad valorem millage. Funds received and receivable from the Counties and Cities for the year ended September 30, 2025 are as follows:

<u>County/City</u>	<u>Amount</u>
Tunica County	\$ 299,669
Tate County	174,000
Panola County	400,960
Lafayette County	565,835
Desoto County (Law Library)	53,457
Desoto County	1,476,000
Total amounts received from counties	\$ 2,969,921

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 14. FUNDING (continued)

County/City	Amount
Town of Walls	5,000
Town of Tunica	14,336
City of Southaven	300,000
City of Senatobia	94,500
Town of Sardis	6,000
City of Oxford	393,152
City of Olive Branch	433,650
City of Horn Lake	144,458
City of Hernando	159,758
Town of Crenshaw	1,545
Town of Como	10,000
Town of Coldwater	17,061
City of Batesville	235,200
Total amounts received from cities	1,814,660
 Total Counties/Cities Support Received	 \$ 4,784,581

NOTE 15. ADJUSTMENTS AND RESTATEMENTS OF BEGINNING BALANCES

Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, changes to or within the financial reporting entity, change in accounting principle resulted in adjustments to and restatements of beginning net position as follows:

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances	
	Government-Wide
9/30/2024, as previously reported	\$ (5,201,216)
Retrospective implementation of GASB 101	(58,555)
9/30/2024, as adjusted or restated	\$ (5,259,771)

NOTE 16. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$(6,220,460) 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 \$141,461 resulting from the Library Systems contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. The remaining \$660,796 balance of deferred outflow of resources, at September 30, 2025 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 16. EFFECT OF DEFERRED AMOUNTS ON NET POSITION (continued)

The unrestricted net position amount of \$(6,220,460) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$262,062 balance of deferred inflow of resources, at September 30, 2025 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(6,220,460) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. The \$181,322 balance of deferred outflow of resources, at September 30, 2025 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$(6,220,460) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$126,530 balance of deferred inflow of resources at September 30, 2025 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

NOTE 17. SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were 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 that provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management has evaluated subsequent events through April 20, 2026, the date that the financial statements were available for issue and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- In February 2026, the Tunica Library branch was destroyed by fire. Approximately \$460,000 in insurance claims have been received related to this fire through April 20, 2026.

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REQUIRED SUPPLEMENTARY INFORMATION

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FIRST REGIONAL LIBRARY SYSTEM
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS
For the Year Ended September 30, 2025
(Unaudited)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over / (Under)
Revenues:				
Income from Counties	\$ 2,944,335	2,944,335	2,936,319	(8,016)
Income from Cities	1,816,519	1,816,519	1,690,448	(126,071)
Library fines and fees	177,500	177,500	203,044	25,544
MS Library Commission-Personnel Grant	335,516	335,516	340,458	4,942
MS Library Commission-Health Insurance Grant	480,060	480,060	364,920	(115,140)
MS Library Commission-Life Insurance Grant	6,562	6,562	4,744	(1,818)
MS Library Commission-LSTA Grants	7,000	7,000	7,982	982
Donations	64,200	64,200	89,208	25,008
Other grants and similar programs	3,000	3,000	74,072	71,072
Interest	115,000	115,000	131,560	16,560
Other revenues	<u>380,120</u>	<u>435,469</u>	<u>-</u>	<u>(435,469)</u>
Amounts available for appropriations	<u>\$ 6,329,812</u>	<u>6,385,161</u>	<u>5,842,755</u>	<u>(542,406)</u>

The notes to required supplementary information are an integral part of this schedule.

FIRST REGIONAL LIBRARY SYSTEM
BUDGETARY COMPARISON SCHEDULE - ALL FUNDS
For the Year Ended September 30, 2025
(Unaudited)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over / (Under)
Expenditures:				
Salaries and fringe benefits	\$ 4,781,436	4,836,785	3,714,279	(1,122,506)
Administrative operations costs	270,844	286,444	79,504	(206,940)
Program expenses	73,520	66,520	185,900	119,380
Utilities	185,022	181,532	163,694	(17,838)
Janitorial	81,140	81,140	69,918	(11,222)
Library materials	303,825	302,950	36,136	(266,814)
Insurance	90,900	90,900	89,242	(1,658)
Building and maintenance	18,200	21,590	37,139	15,549
Supplies	69,100	69,975	55,502	(14,473)
Capital outlay	455,825	447,325	364,865	(82,460)
Grant expenditures	-	-	857,149	857,149
Other	-	-	33,094	33,094
Debt Service:				
Principal	-	-	12,602	12,602
Interest	-	-	1,740	1,740
Total Expenditures	6,329,812	6,385,161	5,700,764	(684,397)
Excess (deficiency) of revenues over expenditures	-	-	141,991	141,991
Other Financing Sources (Uses)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	-	141,991	141,991
Fund balance - beginning of year			3,646,055	
Fund balance - end of year			3,788,046	
Differences between budgetary and GAAP fund balance:				
Fund Balance, end of year (Budgetary Basis)			\$ 3,788,046	
Accruals for expenses incurred but not paid			(11,307)	
Accruals for revenues recognized but not received			231,080	
Fund Balance, end of year (GAAP)			\$ 4,007,819	

The notes to required supplementary information are an integral part of this schedule.

FIRST REGIONAL LIBRARY SYSTEM
SCHEDULE OF LIBRARY SYSTEM'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years
(Unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Library System's proportion of the net pension liability	0.0040 %	0.0040 %	0.0040 %	0.0039 %	0.0039 %	0.0040 %	0.0386 %	0.0408 %	0.0414 %	0.0420 %
Library System's proportionate share (amount) of the net pension liability	\$ 10,153,159	10,386,970	10,060,528	8,027,619	5,764,370	7,666,098	6,790,499	6,786,252	6,882,085	7,502,249
Library System's covered payroll	\$ 3,052,273	2,989,763	2,979,168	2,701,275	2,592,661	2,639,969	2,517,127	2,607,753	2,653,645	2,685,503
Library System's proportionate share (amount) of the collective net pension liability as a percentage of the Library System's covered payroll	332.64 %	347.42 %	337.70 %	297.18 %	222.33 %	290.39 %	269.77 %	260.23 %	259.34 %	279.36 %
Plan fiduciary net position as a percentage of the total pension liability	58.38 %	56.30 %	55.70 %	59.93 %	70.44 %	58.97 %	61.59 %	62.54 %	61.49 %	57.47 %

The notes to required supplementary information are an integral part of this schedule.

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

FIRST REGIONAL LIBRARY SYSTEM
SCHEDULE OF LIBRARY SYSTEM CONTRIBUTIONS - (PERS)
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years
(Unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 556,302	515,339	533,862	476,972	449,104	463,822	410,385	406,972	415,686	424,513
Contributions in relation to the contractually required contribution	<u>(556,302)</u>	<u>(515,339)</u>	<u>(533,862)</u>	<u>(476,972)</u>	<u>(449,104)</u>	<u>(463,822)</u>	<u>(410,385)</u>	<u>(406,972)</u>	<u>(415,686)</u>	<u>(424,513)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Library System's covered payroll	\$ 3,086,354	2,940,604	3,068,289	2,741,216	2,581,060	2,665,647	2,538,498	2,583,947	2,639,273	2,695,320
Contributions as a percentage of covered payroll	18.02 %	17.52 %	17.40 %	17.40 %	17.40 %	17.40 %	16.17 %	15.75 %	15.75 %	15.75 %

The notes to required supplementary information are an integral part of this schedule.

FIRST REGIONAL LIBRARY SYSTEM
SCHEDULE OF LIBRARY SYSTEM'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years *
(Unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Library System's proportion of the net OPEB liability	0.0714 %	0.0696 %	0.0676 %	0.0730 %	0.0613 %	0.0687 %	0.0678 %	0.0688 %
Library System's proportionate share of the net OPEB liability	\$ 392,970	389,141	374,079	359,616	394,570	534,327	575,346	1,543,505
Library System's covered-employee payroll	\$ 3,052,273	2,989,763	2,979,168	2,701,275	2,592,661	2,636,969	2,517,127	2,607,753
Library System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.87 %	13.02 %	12.56 %	13.31 %	15.22 %	20.26 %	22.86 %	59.19 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.21 %	0.20 %	0.19 %	0.21 %	0.16 %	0.13 %	0.12 %	0.13 %

The notes to required supplementary information are an integral part of this schedule.

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE September 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

FIRST REGIONAL LIBRARY SYSTEM
SCHEDULE OF LIBRARY SYSTEM CONTRIBUTIONS - (OPEB)
Other Postemployment Benefits (OPEB)
Last 10 Fiscal Years *
(Unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 18,504	17,011	16,403	14,655	15,854	21,318	23,062	23,717
Contributions in relation to the contractually required contribution	<u>(18,504)</u>	<u>(17,011)</u>	<u>(16,403)</u>	<u>(14,655)</u>	<u>(15,854)</u>	<u>(21,318)</u>	<u>(23,062)</u>	<u>(23,717)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Library System's covered-employee payroll	\$ 3,086,354	2,940,604	3,068,289	2,741,216	2,581,060	2,665,647	2,538,498	2,583,947
Contributions as a percentage of covered-employee payroll	0.60 %	0.58 %	0.53 %	0.53 %	0.61 %	0.80 %	0.91 %	0.92 %

The notes to required supplementary information are an integral part of this schedule.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE September 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

FIRST REGIONAL LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2025
(Unaudited)

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

Statutory requirements dictate how and when the Library System's budget is to be prepared. Generally, during June, a budget request is prepared by the Library System's management and submitted to the Board of Trustees for approval. The Library submits the original annual budget as adopted by the Board of Trustees to the Counties and Cities it receives funding from. The Counties and Cities then appropriate funds for the operation of the Library. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

The Library's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the General Fund and Grant Management Fund collectively of the Library System. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

C. Excess of Expenditures over Appropriations (Budget)

There were no expenditures in excess of appropriations (budget) for the fiscal year ended September 30, 2025.

NOTE 2. 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%.

NOTE 2. PENSION SCHEDULES (continued)

2017: The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

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

2019: The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

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

2021: The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
- For females, 84% of female rates up to age 72, 100% for ages above 76.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

NOTE 2. PENSION SCHEDULES (continued)

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

2023: The investment rate of return assumption was changed from 7.55% to 7.00%.

The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.

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

The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.

For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.

The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.

The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

2025: Mortality, withdrawal, disability rates and service retirement rates were adjusted to reflect actual experience more closely.

The assumed load for administrative expenses was decreased from 0.26% to 0.25% of payroll.

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.

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2023 valuation for the June 30, 2025 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24.7 years
Asset valuation method	5-year smoothed market
Price Inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

NOTE 3. OPEB SCHEDULES

A. Changes of Assumptions

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

2023: The discount rate was changed from 3.37% for the prior Measurement Date to 3.66% for the current Measurement Date.

2024: The discount rate was changed from 3.66% for the prior Measurement Date to 3.94% for the current Measurement Date.

2025: The discount rate was changed from 3.94% for the prior Measurement Date to 5.25% for the current Measurement Date.

B. Changes in Benefit Provisions

2017: None.

2018: None.

2019: None.

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

2023: The schedule of monthly retiree contributions was increased as of January 1, 2024. In addition, the medical deductible was increased for the Base Family coverage beginning January 1, 2024.

2024: The schedule of monthly retiree contributions was increased as of January 1, 2025.

The base coverage deductible for families was changed to \$3,300 per calendar year.

NOTE 3. OPEB SCHEDULES (continued)

2025: The schedule of monthly retiree contributions was increased as of January 1, 2026. In addition, the medical deductible was increased for the Base Family coverage beginning January 1, 2026.

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, 2024 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2025:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.40 percent
Salary increases, including wage inflation	2.65 percent to 17.90 percent
Initial health care cost trend rate	
Medicare Supplemental Claims Pre-Medicare	6.00 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	4.50 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2029
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.94 percent

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REPORT ON COMPLIANCE AND INTERNAL CONTROL

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • www.wmocpas.com

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

To the Board of Trustees
First Regional Library System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of First Regional Library System, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise First Regional Library System's basic financial statements and have issued our report thereon dated April 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered First Regional Library System'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 First Regional Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the First Regional Library System'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether First Regional Library System'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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America Counts on CPAs

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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Purpose of this Report

This purpose of this report solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walfe, McDuff + Oppen

Pascagoula, Mississippi

April 20, 2026