

HANCOCK COUNTY LIBRARY SYSTEM
Audited Financial Statements and Special Reports

Fiscal Year Ended September 30, 2022

HANCOCK COUNTY LIBRARY SYSTEM
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For the Year Ended September 30, 2022

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INTRODUCTORY SECTION

HANCOCK COUNTY LIBRARY SYSTEM

List of Trustees As of September 30, 2022

Trustee	Representation	Term
Cathy Pitalo -Chairman	City of Bay St. Louis	10/01/18 – 09/30/23
Linda McKay -Vice Chairman	Hancock County	10/01/19 – 09/30/24
Paige Lundgren	Hancock County	10/01/20 – 09/30/25
Golden Fairconnetue	City of Bay St Louis	10/01/21 – 09/30/26
Casey Marquar	City of Waveland	10/01/21 – 9/01/2023

FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Management of the
Hancock County Library System

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of Hancock County Library System (the "Library") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Library'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 of the Hancock County Library System, as of September 30, 2022, 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Library, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1(R) to the financial statements, effective October 1, 2021, the Library adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Library'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.

Auditors' Responsibility for 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 GAAS and *Government 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.

In performing an audit in accordance with GAAS 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 Library'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 Library'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 management's discussion and analysis on pages 5-9, budgetary comparison information on pages 30-31 and the schedule of changes in the Library's net pension and related ratios schedule and notes to the pension schedules on pages 32-33 be presented to supplement the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises introductory and Schedule of Subgrant Payments from the Mississippi Library Commission but does not include the basic financial statements and our auditor's report thereon.

The schedule of subgrant payments from the Mississippi Library Commission was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of subgrant payments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

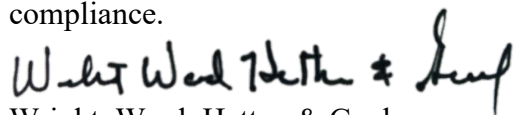
The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Library's internal control over financial reporting and compliance.

Other Reporting Required by State of Mississippi

In accordance with the State of Mississippi, we have also issued our report dated September 15, 2023, on our consideration of the Library's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the Library's internal control over financial reporting and compliance.



Wright, Ward, Hatten & Guel

Gulfport, Mississippi

September 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

HANCOCK COUNTY LIBRARY SYSTEM
Management's Discussion and Analysis
For the Year Ended September 30, 2022

The discussion and analysis of Hancock County Library System's (the "Library") financial performance provides an overall narrative review of the Hancock County Library System's financial activities for the year ended September 30, 2022. The intent of this discussion and analysis is to look at the Library's performance as a whole. Readers should also review the basic financial statements and the notes to enhance their understanding of the Library's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this Library's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the Library's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

Government-wide Financial Highlights

- Total net position decreased \$94,830 or 87% from 2022. This decrease is primarily due to the significant increase in net pension liability and pension expense.
- General revenues amounted to \$1,658,662 or 87% of total revenues. This amount decreased \$13,399 from 2021. Program revenues amounted to \$251,436 or 13% of total revenues, which decreased \$4,408 from 2021.
- Capital assets, net of accumulated depreciation, increased by \$10,324 from 2021. The increase in capital assets is the result of Library acquiring a large amount of computer equipment and library materials during the year.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the Library. The General Fund had \$1,910,098 in revenues, which shows a decrease of \$17,807 from 2021 and \$2,004,252 in expenditures, an increase of \$36,327 from 2021. The General Fund's fund balance decreased by \$94,154.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

HANCOCK COUNTY LIBRARY SYSTEM
Management's Discussion and Analysis
For the Year Ended September 30, 2022

The government-wide financial statements outline functions of the Library that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Library include various library services.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library System comprise one category: governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Library's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the Hancock County Library's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's budget process.

The Library adopts an annual operating budget for its governmental fund. A budgetary comparison statement has been provided for the Governmental Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of government's financial position. In the case of the Library, liabilities and deferred inflows exceeded assets and deferred outflows by \$94,830 as of September 30, 2022.

A portion of the Library's net position reflects its investment in capital assets (e.g., library materials, furniture and equipment, computer and electronic equipment, and vehicles). The Library uses these capital assets to provide library services to the community; consequently, these assets are not available for future spending.

The Library System's financial position is a product of several financial transactions including the net result of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 and Table 2 provide a summary of the Library's net position and changes in net position for 2022 compared to 2021.

HANCOCK COUNTY LIBRARY SYSTEM
Management's Discussion and Analysis
For the Year Ended September 30, 2022

TABLE 1
Condensed Statement of Net Position
September 30, 2022 and 2021

	Governmental Activities			
	2022	2021	\$ Change	% Change
Assets				
Current assets	\$ 1,327,226	1,494,308	(167,082)	-11%
Noncurrent assets	740,234	722,923	17,311	2%
Total Assets	<u>2,067,460</u>	<u>2,217,231</u>	<u>(149,771)</u>	<u>-7%</u>
Deferred Outflows	<u>269,097</u>	<u>213,983</u>	<u>55,114</u>	<u>26%</u>
Liabilities				
Current liabilities	141,496	174,867	(33,371)	-19%
Noncurrent liabilities	2,280,055	1,748,986	531,069	30%
Total Liabilities	<u>2,421,551</u>	<u>1,923,853</u>	<u>497,698</u>	<u>26%</u>
Deferred Inflows	<u>118,525</u>	<u>578,031</u>	<u>(459,506)</u>	<u>-79%</u>
Net Position				
Investment in capital assets, net of related debt	417,353	407,029	10,324	3%
Restricted net assets	224,401	217,599	6,802	3%
Unrestricted	(845,273)	(695,298)	(149,975)	22%
Total Net Position as restated	<u>\$ (203,519)</u>	<u>(70,670)</u>	<u>(132,849)</u>	<u>188%</u>

TABLE 2
Condensed Statement of Activities
September 30, 2022 and 2021

	Governmental Activities			
	2022	2021	\$ Change	% Change
Revenues:				
Program revenues	\$ 251,436	255,844	(4,408)	-2%
General revenues	1,658,662	1,672,061	(13,399)	-1%
Total revenues	<u>1,910,098</u>	<u>1,927,905</u>	<u>(17,807)</u>	<u>-1%</u>
Expenses:				
General government				
Salaries and wages	869,694	828,434	41,260	5%
Fringe Benefits	196,744	213,612	(16,868)	-8%
Pension Expense	134,442	4,576	129,866	2838%
Maintenance and Operations	532,067	511,361	20,706	4%
Materials	59,955	38,947	21,008	54%
Depreciation	212,026	157,365	54,661	35%
Total expenses	<u>2,004,928</u>	<u>1,754,295</u>	<u>250,633</u>	<u>14%</u>
Increase (Decrease) in net assets	(94,830)	173,610	(268,440)	-155%
Net Position - beginning, restated	<u>(108,689)</u>	<u>(244,280)</u>	<u>135,591</u>	<u>-56%</u>
Net Position - ending	<u>\$ (203,519)</u>	<u>(70,670)</u>	<u>(132,849)</u>	<u>188%</u>

HANCOCK COUNTY LIBRARY SYSTEM
Management's Discussion and Analysis
For the Year Ended September 30, 2022

Reporting the Hancock County Library System's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Library's major funds. Based on restrictions on the use of monies, the Library has established many funds, which account for the multitude of services provided to the Library's residents. However, these fund financial statements focus on the Library's most significant funds. In the case of the Library, the only governmental fund is the general fund.

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and non-spendable resources. Such information may be useful in assessing the Library's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting.

General Fund Budgeting Highlights

The Library's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Governmental auditing standards require that cities present budgetary comparison schedules as required supplementary information to the financial statements. The most significant budgeted fund is the General Fund.

All recommendations for a budget change come from the Library to the Board of Trustees for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval.

Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2022 and 2021.

The reason for the increase in capital assets is that the capital additions of \$218,007 (primarily library books and computer equipment) were more than depreciation expense of \$157,364. Also contributing to the increase was the disposal of library books which were fully depreciated resulting in a loss of \$21,722.

Table 3
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2022 and 2021

		Governmental Activities		
		2022	2021	% Change
Furniture and equipment	\$	24,188	24,109	0.33%
Computer and electronic equipment		117,487	107,669	9.12%
Vehicles		-	4,680	-100.00%
Library materials		275,678	270,571	1.89%
Total		<u>417,353</u>	<u>407,029</u>	<u>2.54%</u>

HANCOCK COUNTY LIBRARY SYSTEM
Management's Discussion and Analysis
For the Year Ended September 30, 2022

Contact the Library's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

John Brdecka
Executive Director
Hancock County Library System
312 Highway 90
Bay St. Louis, MS 39520
(228) 467-5282

FINANCIAL STATEMENTS

HANCOCK COUNTY LIBRARY SYSTEM

Statement of Net Position

September 30, 2022

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$ 1,146,351
Prepaid items	58,524
Due from other governments	122,351
Total Current Assets	<u>1,327,226</u>
Noncurrent Assets	
Restricted cash and cash equivalents	322,881
Capital assets (net of depreciation)	417,353
Total Noncurrent Assets	<u>740,234</u>
Total Assets	<u><u>2,067,460</u></u>
Deferred Outflow of Resources	
Deferred amounts on pension	269,097
Total Deferred Outflow of Resources	<u><u>269,097</u></u>
Liabilities	
Current liabilities	
Accounts payable	48,183
Accrued wages payable	74,586
Compensated absences	18,727
Total Current Liabilities	<u>141,496</u>
Noncurrent Liabilities:	
Compensated absences	57,846
Net pension liability	2,222,209
Total Noncurrent Liabilities	<u>2,280,055</u>
Total Liabilities	<u><u>2,421,551</u></u>
Deferred Inflow of Resources	
Deferred amount on pension	118,525
Total Deferred Inflow of Resources	<u><u>118,525</u></u>
Net Position	
Investment in capital assets	417,353
Restricted held in trust	5,406
Restricted for endowment purposes	218,995
Unrestricted	(845,273)
Total Net Position	<u><u>\$ (203,519)</u></u>

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

HANCOCK COUNTY LIBRARY SYSTEM
Statement of Activities
September 30, 2022

	<u>Governmental Activities</u>
Expenses	
Salaries and wages	\$ 869,694
Fringe benefits	196,744
Pension expense	134,442
Maintenance and operations	532,067
Materials	59,955
Depreciation	<u>212,026</u>
Total Expenses	<u>2,004,928</u>
Program Revenues	
Fines revenue	11,966
Federal and state operating grant revenue	<u>239,470</u>
Total Program Revenues	<u>251,436</u>
Net Program Expense	<u>1,753,492</u>
General Revenues	
Taxes	
Property taxes	159,386
Gaming tax revenue	124,372
Unrestricted Contributions	
County and municipalities support	1,362,528
Library foundation support	3,155
Interest income	2,970
Miscellaneous	<u>6,251</u>
Total General Revenues	<u>1,658,662</u>
Change in Net Position	(94,830)
Net Position - Beginning as restated	<u>(108,689)</u>
Net Position - Ending	<u>\$ (203,519)</u>

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

HANCOCK COUNTY LIBRARY SYSTEM
Balance Sheet - Governmental Fund
September 30, 2022

	<u>General Fund</u>
Assets	
Current assets	
Cash	\$ 1,146,351
Prepaid items	58,524
Due from other governments	<u>122,351</u>
Total Current Assets	<u>1,327,226</u>
Noncurrent assets	
Restricted cash and cash equivalents	<u>322,881</u>
Total Noncurrent Assets	<u>322,881</u>
Total Assets	<u><u>1,650,107</u></u>
Liabilities	
Current liabilities	
Accounts payable	48,183
Accrued wages payable	<u>74,586</u>
Total Liabilities	<u><u>122,769</u></u>
Fund Balance	
Non-expendable	
Prepaid items	58,524
Held in trust	5,406
Assigned by Board of Trustees	98,480
Restricted for endowment purposes	218,995
Unassigned	<u>1,145,933</u>
Total Fund Balance	<u><u>1,527,338</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 1,650,107</u></u>

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

HANCOCK COUNTY LIBRARY SYSTEM
Reconciliation of Governmental Fund Balance Sheet
To the Statement of Net Position
September 30, 2022

Total governmental funds balance		\$ 1,527,338
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds		
Governmental capital assets	\$ 4,781,800	
Less: accumulated depreciation	<u>(4,364,447)</u>	417,353
Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the		
Compensated absences		(76,573)
Net pension liability		(2,222,209)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported		
Deferred outflows of resources related to pensions	\$ 269,097	
Deferred inflows of resources related to pensions	<u>(118,525)</u>	<u>150,572</u>
Net position of governmental activities		\$ <u>(203,519)</u>

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

HANCOCK COUNTY LIBRARY SYSTEM
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Fund
For the Fiscal Year Ended September 30, 2022

	<u>General Fund</u>
Revenues	
Contributions from county and municipalities	\$ 1,362,528
Gaming revenue	124,372
Property taxes	159,386
Federal and state grant revenue	239,470
Library Foundation support	3,155
Fines revenue	11,966
Interest income	2,970
Miscellaneous	6,251
Total Revenues	<u>1,910,098</u>
Expenditures	
Salaries and wages	862,394
Fringe benefits	196,744
Pension expense	130,742
Maintenance and operations	532,067
Materials	59,955
Capital expenditures	222,350
Total Expenditures	<u>2,004,252</u>
Change in Fund Balance	(94,154)
Fund Balance - Beginning as restated	<u>1,621,492</u>
Fund Balance - Ending	<u>\$ 1,527,338</u>

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

HANCOCK COUNTY LIBRARY SYSTEM
Reconciliation of the Governmental Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended September 30, 2022

Net Change in Fund Balances - total governmental funds **\$ (94,154)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 222,350	
Depreciation	<u>(212,026)</u>	10,324

Pension expense and other related activity do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Additional pension expense and contributions made after measurement date	(3,700)
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Compensated absences	<u>(7,300)</u>
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Change in net position of governmental activities **\$ (94,830)**

NOTES TO THE FINANCIAL STATEMENTS

HANCOCK COUNTY LIBRARY SYSTEM

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies

The Hancock County Library System (the "Library") was established in accordance with Sections 39-3-1 of the Mississippi Code of 1972. The Library provides services to the citizens of Hancock County, the Cities of Bay St. Louis, Waveland, and Diamondhead.

The accompanying financial statements of the Library System have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the Library System's accounting policies are described below.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Library System's governing board. As defined by accounting principles generally accepted in the United States of America, the Library System is considered an "other stand-alone government."

The Library System has developed criteria to determine whether outside agencies should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Library System (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (e.g., final budget approval, responsibility for funding deficits, management of assets, etc.). Using these criteria, the Library System has not included in its financial statements the activity of any other entity.

B. Basis of Presentation.

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, charges for services and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The System does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

Fund financial statements of the Library are organized into one general fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into governmental, proprietary, and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.

The Library reports the following major Governmental Fund:

General Fund - This is the Library's primary operating fund. It is used to account for all activities of the general government for which a separate fund has not been established.

C. Measurement Focus and Basis of Accounting.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 (including capital outlay) are recorded when the related fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the Library System's policy to use restricted resources first, then unrestricted resources as needed.

D. Budgets

The budgets for all governmental fund types are prepared annually and approved by the Board of Trustees prior to the beginning of the fiscal year. Revenues are budgeted by source. Expenditures are budgeted by major category.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the Library had an investment that included governmental bonds during the fiscal year.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2022, are recorded as prepaid items.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. Restricted assets in the governmental fund represent amounts restricted by grantors and contributors. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

H. Capital Assets

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

Acquisition of capital assets other than library materials, in excess of \$500 are capitalized. Capital assets are recorded at cost if purchased or estimated fair market value if donated. Depreciation is calculated using the straight- line method and is based on the expected useful life of the asset. Depreciation is calculated using the following estimated useful lives:

	Estimated Useful Life
Furniture and Equipment	7 Years
Computers and electronic equipment	3 Years
Vehicles	5 Years
Library materials	5 Years

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources expenditure until then.

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 a future period and so will not be recognized as an inflow of resources until that time.

Deferred amounts on pensions – Deferred outflows and inflows of resources should be reported when to show the Library's proportionate share of amounts of the effects of actuarial differences and changes in assumptions to economic or demographic factors and differences between actual and projected earnings of multi-employer pension plan. In addition, a deferred inflow should be reported for employer contributions to the pension plan made subsequent to the measurement date.

J. Net Pension Liability

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

K. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements financial information, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

L. Compensated Absences

The Library has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured.

An employee may accumulate unused vacation leave hours without limitation, however, cash payments upon employee termination or retirement are limited to a maximum of 240 hours of accumulated leave.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided in the financial statements. Unused vacation and sick leave balances may be credited to the Public Employee's Retirement System (PERS) as time worked.

M. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the Library is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. The following are descriptions of fund classifications used by the Library:

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Assigned fund balance includes amounts that are constrained by the Library's intent to be used for a specific purpose but are neither restricted nor committed. Assignments of fund balance are created by management pursuant to authorization established by the Board of Trustees.

Unassigned fund balance 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.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

N. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

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

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

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

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements, and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

P. Property Tax Revenues

The Library System relies upon the powers of Hancock County, the City of Bay St. Louis, and the City of Waveland for both the assessment and the collection of property taxes. Taxes collected by local governments for the current fiscal year, but not distributed to the Library System at September 30, 2022, have been recorded in the financial statements. Since the taxes are not levied and collected by the Library System, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Q. Use of Estimates

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

R. Reporting Changes and New Accounting Pronouncements for Future Implementation

In June 2017, the GASB issued Statement No. 87, *Leases*. was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

Note 2 – Cash and cash equivalents

A summary of cash and cash equivalents at September 30, 2022, is as follows:

	Deposits with Financial Institutions		Cash on Hand	Total
	Unrestricted	Restricted		
Governmental-type activities				
General Fund	\$ 1,145,776	322,881	575	1,469,232

The carrying amount of the Library System's total deposits with financial institutions at September 30, 2022, was \$1,468,657 and the bank balance was \$1,509,210. The \$322,881 restricted amount is composed of \$317,475 restricted certificates of deposit and \$5,406 of funds held for the employee flexible spending account.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 2 – Cash and cash equivalents (Continued)

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Note 3 – Capital assets

The following is a summary of governmental capital assets activity for the year ended September 30, 2022:

	Balance October 1	Additions	Disposals	Balance September 30
Capital assets being depreciated				
Furniture and equipment	\$ 1,642,880	5,213	-	1,648,093
Computer, electronics and warranties	1,021,016	71,179	-	1,092,195
Vehicles	50,545	-	-	50,545
Library materials (books)	2,074,619	145,958	229,610	1,990,967
Total all depreciable capital assets	<u>4,789,060</u>	<u>222,350</u>	<u>229,610</u>	<u>4,781,800</u>
Less accumulated depreciation for:				
Furniture and equipment	1,618,771	5,134	-	1,623,905
Computer, electronics and warranties	913,347	61,361	-	974,708
Vehicles	45,865	4,680	-	50,545
Library materials (books)	1,804,048	140,851	229,610	1,715,289
Total accumulated depreciation	<u>4,382,031</u>	<u>212,026</u>	<u>229,610</u>	<u>4,364,447</u>
Total Capital Assets, net	<u>\$ 407,029</u>	<u>10,324</u>	<u>-0-</u>	<u>417,353</u>

Depreciation expense charged to the governmental activities totaled \$212,026.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 4 – Retirement Plans

A. Defined Benefit Pension Plan

Plan Description

The Library contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by §25-11-1 et seq of the Mississippi Code of 1972, Annotated 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 may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public Cities. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions and the Board's authority to determine contribution rates are established by Miss. Code Ann. §25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 4 – Retirement Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the Library is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2022, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Library's contributions to PERS for the fiscal years ending September 30, 2022, 2021 and 2020 were \$125,972, \$136,438, and \$132,938, respectively, which equaled the required contributions for each year.

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

At September 30, 2022, the Library reported a liability of \$2,222,209 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Library's proportion was .011%. The Library recognized \$134,442 of PERS pension expense.

At September 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 31,465	-
Changes in assumptions	76,858	-
Net difference between projected and actual earnings on plan investments	116,721	-
Changes in proportion and differences between Library contributions and proportionate share on contributions	13,507	(118,525)
Library's contributions subsequent to the measurement date	30,546	-
	<u>\$ 269,097</u>	<u>(118,525)</u>

Within the deferred outflows, the amount of \$30,546 of deferred outflows of resources is related to pensions resulting from the Library's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2022.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 4 – Retirement Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

The remaining amounts reported as deferred outflows of resources related to pensions of \$238,551 and deferred inflows of resources related to pensions of \$(118,525), netting to \$120,026 will be recognized in pension expense as follows:

Year Ending September 30,	
2023	\$ 21,090
2024	22,126
2025	(43,773)
2026	120,583
	<u>\$ 120,026</u>

Actuarial assumptions

The total pension liabilities in the June 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.4 percent
Salary increases	2.65 – 17.9 percent, including inflation
Investment rate of return	7.55 percent (net of pension plan investment expense, including inflation)

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

The actuarial assumptions were based on the results of an actuarial experience study for the four-year period ending June 30, 2020. The experience report is dated April 20, 2021.

The long-term expected rate of return on the 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 the plans' 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 weighing the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 4 – Retirement Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25 %	4.60 %
International Equity	20	4.50
Global Equity	12	4.80
Fixed Income	18	1.40
Real Estate	10	3.65
Private Equity	10	6.00
Private Infrastructure	2	4.00
Private Credit	2	4.00
Cash Equivalents	1	(0.10)
Total	<u>100</u>	

Discount rate

The discount rate used to measure the total pension liability for PERS was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.0%) and at the current contribution rate (17.4%). 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 investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

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

The following table presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.55 percent) or one percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Library's proportionate share of PERS	\$ 2,900,211	\$ 2,222,209	\$ 1,663,232

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which can be obtained at www.pers.ms.gov.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 4 – Retirement Plans (Continued)

B. Deferred Compensation Plan

The Library offers employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. All plan assets are held by Plan Trustees for the exclusive benefit of the participants and their beneficiaries and are not subject to the claims of the Library's general creditors. The Library does not provide matching fund for this plan.

Note 5 –Fund Balance

Non-spendable Fund Balance

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The Library maintains a flexible spending account for its employees to assist in offsetting out-of-pocket healthcare expenses and deductibles. The balance of \$5,406 maintained in this account is classified as non-spendable by the Library because this sum is held in trust for the employees use.

Restricted Fund Balance

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

The Library received an endowment legacy in 1982. The principal and earnings of the endowment cannot be used to replace public funds for maintenance and operational expenses. One fourth of the earnings each year are added to the endowment principal and three-fourths are spent on special Library System needs. In recent years, the funds have been used for purchases of capital assets. The balance of the endowment at September 30, 2022 is \$218,995.

Assigned fund balance includes amounts that are constrained by the Library's intent to be used for a specific purpose but are neither restricted nor committed. Assignments of fund balance are created by management pursuant to authorization established by the Board of Trustees.

The Library's Board of Trustees have set aside \$98,480 in a certificate of deposit (cash equivalents) to be segregated from the normal maintenance and operations cash balances to be used for an unspecified future purpose.

HANCOCK COUNTY LIBRARY SYSTEM

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 6 – Contributions, Property Taxes and Gaming Taxes Revenue

A. Contributions

The Library System relies upon the powers of Hancock County, the City of Waveland, and the City of Diamondhead contributions of support for the maintenance and operations of the library. Contributions are requested and approved by the County Board of Supervisors and City Councils annually and remitted to the Library on a monthly basis. Contributions to the Library for the year ended September 30, 2022 are as follows:

Hancock County	\$	1,207,000
City of Waveland		125,528
City of Diamondhead		30,000
	\$	<u>1,362,528</u>

B. Property Taxes

The City of Bay St. Louis assesses, collects, and distributes property taxes for the Library. Taxes collected by local governments for the current fiscal year, but not distributed to the Library at September 30, 2022, have been recorded in the financial statements as due from other governments. Since the taxes are not levied and collected by the Library System, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority. Property taxes for the year ended September 30, 2022 were \$159,386.

C. Gaming Fees and Taxes Revenue

The Library receives gaming revenues from casinos located within the corporate county limits. The gross revenue gaming tax is imposed and collected by the State of Mississippi which is similar to sales tax and is remitted to the County, who in turn, remit a portion designated to the Library. The amount of tax recognized as gaming revenue is \$124,372.

Note 7 – State Administered Grants/Financial Assistance

State administered grants are state and/or federal grant funds that are allocated to state agencies then reallocated to local units of government.

Since 1989, funds from the state legislature through the Mississippi Library Commission's Appropriation bill have provided a Personnel Incentive Grants program. The amount of the grant is based on per capita/per county served distribution to Library Systems within the state.

The Library System Board of Trustees deposits the grant into the general fund of the Library System. Salaries and benefits for all employees are based on the Library System's "Salary and Classification Plan" adopted by the board in 1993.

Note 8 – Operating Leases

The Library System leases certain office equipment under operating leases for terms remaining ranging from one to five years. The total expense under these agreements for the year ended September 30, 2022 was \$10,435.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 8 – Operating Leases (Continued)

The library has agreements for software maintenance with certain vendors for terms ranging from four to seven years. Total expense under these agreements for the year ended September 30, 2022 was \$19,321.

Note 9– Risk Management and Contingencies

Claims and Judgments – The Library is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Federal/State Grants – The Library has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the Library. No provision for any liability that may result has been recognized in the Library's financial statements.

Note 10– Economic Dependence

Support

The Library receives its revenues primarily from state and local governments. A significant reduction in this level of support, should it occur, may have a material effect on the Library's programs and activities.

In-Kind Use of Buildings

Hancock County, Mississippi carries on its financial statement the buildings for the Bay St. Louis, Waveland, Kiln, Diamondhead, and Pearlinton branches of the Library. The County does not charge the Library for providing these facilities nor does the Library record an in-kind contribution for this use. Should the County reduce the availability of the use of these buildings, there would be a material effect on the Library's programs and activities.

Note 11– Subsequent Events

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes. Management of the Library evaluated the activity of the Library through September 15, 2023, (the date the financial statements were available to be issued) and determined that the no significant subsequent events have occurred requiring disclosure in the notes to the financial statement.

Note 12 – Prior Period Adjustment

A prior period adjustment in the amount of \$38,019 was made to last year's fund balance and net position. This amount stems from a found error in payroll tax liabilities that was paid in the current year for fiscal year ended September 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

HANCOCK COUNTY LIBRARY SYSTEM
Statement of Revenues, Expenditures
And Changes in Fund Balance
General Fund
Budget to Actual – (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2022
(UNAUDITED)

			Actual	Variances	
			Amounts	Favorable (Unfavorable)	
	Budgeted Amounts		Budgetary	Original	Final
	Original	Final	Basis	to Final	to Actual
Revenues					
Hancock County contributions	\$ 1,204,000	\$ 1,204,000	\$ 1,207,000	\$ -	\$ 3,000
Hancock County gaming revenue	90,000	90,000	124,372	-	34,372
City of Bay St. Louis ad valorem taxes	166,000	166,000	159,386	-	(6,614)
City of Waveland contributions	150,951	150,951	125,528	-	(25,423)
City of Diamondhead contributions	30,000	30,000	30,000	-	-
Federal and state grant revenue	262,087	262,087	237,494	-	(24,593)
Library foundation support	0	0	3,155	-	3,155
Fines revenue	9,043	9,043	13,082	-	4,039
Donations	0	0	2,366	-	2,366
Interest income	9,100	9,100	2,970	-	(6,130)
Miscellaneous	35,280	35,280	4,745	-	(30,535)
Total revenues	1,956,461	1,956,461	1,910,098	-	(46,363)
Expenditures					
Salaries and wages	844,452	844,452	864,117	-	(19,665)
Fringe benefits	368,127	382,256	170,367	(14,129)	211,889
Maintenance and operations	449,190	485,407	497,011	(36,217)	(11,604)
Materials	184,196	303,030	63,561	(118,834)	239,469
Capital expenditures	58,399	127,200	222,350	(68,801)	(95,150)
Total expenditures	1,904,364	2,142,345	1,817,406	(237,981)	324,939
Excess (deficiency) of revenues over expenditures	\$ 52,097	\$ (185,884)	\$ 92,692	\$ 237,981	\$ 278,576

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

HANCOCK COUNTY LIBRARY SYSTEM
Notes to the Budgetary Comparison Schedule
For the Year Ended September 30, 2022

A. Budgetary Information.

Prior to the ensuing fiscal year beginning each October 1, the Board of Trustees of the Library, using historical and anticipated fiscal data and budget requests submitted by the departments, prepares an original budget for the fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. The budget is adopted by the Library System and filed with the taxing authority. Amendments can be made on the approval of the board of Trustees. When, during the fiscal year it appears to the Board of Trustees that budgetary estimates will not be met, it may revise the budget.

The Library's budget is prepared principally on the cash basis of accounting.

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Net change in fund balance – Budget-Cash Basis		\$ 92,692
Revenues per Budget-Cash-basis	\$ 1,910,098	
Modified accrual adjustments to revenues	-	-
Revenues and other financing sources per Fund Financial	<u>1,910,098</u>	
Expenditures and other financing uses per Cash-basis Budget	1,817,406	
Additional accrued expenses	186,846	(186,846)
Expenditures and other financing uses per Fund Financial	<u>\$ 2,004,252</u>	
Net Change in fund balance – Fund Financials		\$ <u>(94,154)</u>

HANCOCK COUNTY LIBRARY SYSTEM
Schedule of Changes in the Library's Net Pension Liability
And Related Ratios¹
Last 10 Fiscal Years²

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Library's proportion of the net pension liability (asset)	0.011%	0.012%	0.011%	0.012%	0.012%	0.013%	0.013%	0.014%
Library's proportionate share of the net pension liability (asset)	\$ 2,222,209	1,703,889	2,203,810	2,113,851	2,055,338	2,236,844	2,467,704	2,232,139
Library's covered payroll	\$ 743,247	766,500	758,006	782,552	789,143	863,194	883,765	902,127
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	298.99%	222.29%	290.74%	270.12%	260.45%	259.14%	279.23%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.40%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

¹The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

²GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years. The Library has presented information for the years in which it is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

HANCOCK COUNTY LIBRARY SYSTEM
Schedule of Library's Contributions¹
Last 10 Fiscal Years²

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 125,972	136,438	132,938	126,120	118,805	137,220	133,563	140,274
Contributions in relation to the contractually required contribution	<u>125,972</u>	<u>136,438</u>	<u>132,938</u>	<u>126,120</u>	<u>118,805</u>	<u>137,220</u>	<u>133,563</u>	<u>140,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 723,977	784,126	764,009	780,446	754,317	871,238	848,019	890,629
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

¹The amounts presented were determined as of the fiscal year presented ended September 30.

² GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years.
The Library has presented information for the years in which it is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule

HANCOCK COUNTY LIBRARY SYSTEM

Notes to the Pension Schedules

For the Year Ended September 30, 2022

Changes of assumptions.

➤ 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-2021 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-2021 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

➤ 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

HANCOCK COUNTY LIBRARY SYSTEM

Notes to the Pension Schedules

For the Year Ended September 30, 2022

- 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 reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 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 reflect actual experience more closely.
 - Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions

- 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 of five percent.

Methods 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, 2019 valuation for the June 30, 2021 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	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increases	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OTHER INFORMATION

HANCOCK COUNTY LIBRARY SYSTEM
Schedule of Subgrant Payments from the Mississippi Library Commission
For the Year Ended September 30, 2022

Mississippi Library Commission

Subgrant Payments Report

October 1, 2021 - September 30, 2022

Contract Number	Date	Program	Payment
HANCOCK CTY LIBRARY			
Funding Source : Federal			
ARFLL22 - - 14 - 0	6/1/2022	ARPA Lifelong Learning	10,031.45
Total Paid for Program			\$10,031.45
FIT19 - 1909- 14 - 0	9/23/2022	ILL Transport #5	860.49
Total Paid for Program			\$860.49
FLL22 - - 14 - 0	5/31/2022	Lifelong Learning	6,990.00
Total Paid for Program			\$6,990.00
ARFLL22 - - 14 - 1	6/26/2022	ARPA Lifelong Learning	7,367.20
Total Paid for Program			\$7,367.20
Total for Funding Source	\$25,249.14		
Funding Source : State			
SH22 - 360 - 14 - 0	10/27/2021	Health Insurance	9,336.00
SH22 - 360 - 14 - 0	10/27/2021	Health Insurance	9,336.00
SH22 - 360 - 14 - 0	11/30/2021	Health Insurance	9,336.00
SH22 - 360 - 14 - 0	6/27/2022	Health Insurance	10,300.00
SH22 - 360 - 14 - 0	6/27/2022	Health Insurance	10,300.00
SH22 - 360 - 14 - 0	6/27/2022	Health Insurance	9,725.00
SH22 - 360 - 14 - 0	6/27/2022	Health Insurance	9,725.00
SH22 - 360 - 14 - 0	8/3/2022	Health Insurance	9,476.00
SH22 - 360 - 14 - 0	8/3/2022	Health Insurance	11,124.00
SH22 - 360 - 14 - 0	8/4/2022	Health Insurance	9,888.00
SH22 - 360 - 14 - 0	8/4/2022	Health Insurance	8,675.00
SH22 - 360 - 14 - 0	8/4/2022	Health Insurance	16,708.00
Total Paid for Program			\$123,929.00
SH23 - 360 - 14 - 0	8/30/2022	Health Insurance	9,064.00
Total Paid for Program			\$9,064.00
SL22 - 361 - 14 - 0	10/27/2021	Life Insurance	130.32
SL22 - 361 - 14 - 0	10/27/2021	Life Insurance	130.32
SL22 - 361 - 14 - 0	11/30/2021	Life Insurance	130.32
SL22 - 361 - 14 - 0	6/27/2022	Life Insurance	134.10
SL22 - 361 - 14 - 0	6/27/2022	Life Insurance	134.10
SL22 - 361 - 14 - 0	6/27/2022	Life Insurance	134.10
SL22 - 361 - 14 - 0	6/27/2022	Life Insurance	146.88
SL22 - 361 - 14 - 0	8/3/2022	Life Insurance	135.90

HANCOCK COUNTY LIBRARY SYSTEM
Schedule of Subgrant Payments from the Mississippi Library Commission
For the Year Ended September 30, 2022

Mississippi Library Commission

Subgrant Payments Report

October 1, 2021 - September 30, 2022

Contract Number		Date	Program	Payment
SL22	- 361 - 14 - 0	8/3/2022	Life Insurance	115.92
SL22	- 361 - 14 - 0	8/4/2022	Life Insurance	166.95
SL22	- 361 - 14 - 0	8/4/2022	Life Insurance	104.22
SL22	- 361 - 14 - 0	8/4/2022	Life Insurance	126.63
Total Paid for Program				\$1,589.76
SL23	- 361 - 14 - 0	8/30/2022	Life Insurance	112.14
Total Paid for Program				\$112.14
SP22	- 362 - 14 - 0	12/10/2021	PIGP Payment-December	12,826.64
SP22	- 362 - 14 - 0	3/11/2022	PIGP Payment-March	12,826.64
SP22	- 362 - 14 - 0	6/10/2022	PIGP Payment-June	12,826.63
Total Paid for Program				\$38,479.91
SP23	- 362 - 14 - 0	9/28/2022	PIGP Payment-September 2022	12,541.67
Total Paid for Program				\$12,541.67
Total for Funding Source		\$185,716.48		

HANCOCK COUNTY LIBRARY SYSTEM
Schedule of Subgrant Payments from the Mississippi Library Commission
For the Year Ended September 30, 2022

Mississippi Library Commission

Subgrant Payments Report

October 1, 2021 - September 30, 2022

Contract Number	Date	Program	Payment
-----------------	------	---------	---------

Total Subgrant Payments \$210,965.62

Notes: Reporting/Audits - Each subgrant listed in this report is the result of an agreement entered into by the Mississippi Library Commission and the Subgrantee. Agreements call for the Subgrantee to itemize, by subgrant number, all funds received from the Mississippi Library Commission. Subgrantee and audit staff should be made aware of this requirement. Detailed information is available in the agreement.

The information given in this report is representative of the payments to, or in support of, a subgrant made to the library/library system listed in the heading of this report.

A negative dollar amount indicates funds received by the Subgrantee and returned to the Mississippi Library Commission because funds were not expensed by the Subgrantee as required. The original subgrant funds may have been received by the Subgrantee in a prior year.

Federal funds are provided through a grant to the Mississippi Library Commission from the Institute of Museum and Library Services (ALN/T:45.310), under the Library Services and Technology Act (LSTA).

State funds are provided through the Mississippi State Legislature in the annual appropriation to the Mississippi Library Commission.



Jennifer Peacock

Deputy Director, Administrative Services

SPECIAL REPORTS

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

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

Board of Trustees and Management of the
Hancock County Library System, Mississippi

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 of the Hancock County Library System, Mississippi (the "Library") as and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

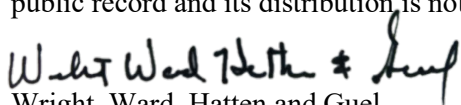
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Wright, Ward, Hatten and Guel

September 15, 2023

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

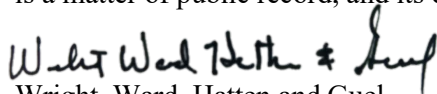
Board of Trustees and Management of the
Hancock County Library System

In planning and performing our audit of the financial statements of the Hancock County Library System, Mississippi for the year ended September 30, 2022, we considered the Library's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the Hancock County Library System, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Library's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 15, 2023, on the financial statements of the Hancock County Library System, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Library Council, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record, and its distribution is not limited.


Wright, Ward, Hatten and Guel
September 15, 2023

HANCOCK COUNTY LIBRARY SYSTEM
Schedule of Finding and Responses
For the Year Ended September 30, 2022

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | | |
|----|---|------------|
| 1. | Type of auditor’s report issued: | Unmodified |
| 2. | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | No |
| 3. | Noncompliance material to the financial statements noted? | No |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings noted during the fiscal year ended September 30, 2022.