BLUE RIDGE REGIONAL LIBRARY MARTINSVILLE, VIRGINIA FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

FOR THE YEAR ENDED JUNE 30, 2018

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FOR THE YEAR ENDED JUNE 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE LIBRARY BOARD OF DIRECTORS BLUE RIDGE REGIONAL LIBRARY MARTINSVILLE, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Blue Ridge Regional Library, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Blue Ridge Regional Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of the Blue Ridge Regional Library, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 10 to the financial statements, in 2018, the Blue Ridge Regional Library adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 10 to the financial statements, in 2018, the Blue Ridge Regional Library restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Others Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the schedules related to pension and OPEB funding on pages 4-8, 54, and 55-61 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 The budgetary comparison schedule has been subjected to the auditing or provide any assurance. procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blue Ridge Regional Library's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019, on our consideration of the Blue Ridge Regional Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Ridge Regional Library's 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 Blue Ridge Regional Library's internal control over financial reporting and compliance.

holimon, Found, Cox associates

Charlottesville, Virginia January 4, 2019

Blue Ridge Regional Library Martinsville, Virginia

The Management's Discussion and Analysis (MD&A) offers readers of the Library's financial statements a narrative overview and analysis of the Library's financial activities for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in our financial statements and notes to the financial statements (which immediately follow this discussion). The library follows the financial reporting requirements of GASB Statement No. 34 (*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*). Sections include this Management's Discussion and Analysis, the Government-wide Statement of Net Position, the Government-wide Statement of Activities, the concept of major fund reporting, and the reporting of infrastructure capital assets and long term debt liabilities in the governmental activities. These concepts are explained throughout this discussion and analysis.

In 2018, the Library adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. To reflect the requirements of GASB Statement No. 75, it was necessary to restate beginning net position. The restated amount was utilized for purposes of discussion and analysis herein.

FINANCIAL HIGHLIGHTS

- The Blue Ridge Regional Library reported revenues that exceeded expenditures for the year ended June 30, 2018 by \$40,224.
- As of June 30, 2018, the Library's net position was \$(104,395).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Blue Ridge Regional Library's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements.

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.

The <u>Statement of Net Position</u> presents information on all of the Library's assets and deterred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating. However, this is just one indicator of financial health of the Library. Other indicators include the condition of the Library's systems and general economic conditions within the local and state governments.

The <u>Statement of Activities</u> presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected fees, unpaid vendor invoices for items received by June 30, 2018, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2018.

The Library has no separately identified component units included in the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 Blue Ridge Regional Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Library maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by fulltime positions. Capital outlays are approved by the Library on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget. Budgetary variances for the General Fund are discussed in some detail later in this section.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Library's net position was \$(104,395) as of June 30, 2018. Of this amount, \$366,998 is accounted for by capital assets, which includes furniture and equipment and software. GASB Statement No. 34 requires that all capital assets be reported. The Library facilities at the Martinsville Branch are owned by the City of Martinsville, and the facilities at the Patrick County Branch are owned by Patrick County; these facilities are recorded on each jurisdiction's financial statements. The facilities at the Bassett and Ridgeway Branches are owned by the Library. The facilities at the Collinsville Branch are held under an operating lease.

Additionally, the Library must elect to either 1) depreciate these assets over their estimated useful life or 2) develop a system of asset management designed to maintain their condition perpetually and to report on their condition within the financial statements. The Library has elected the first method and will use the depreciation method on systems reporting.

The Library has \$788,501 in cash and investments. In addition, the Library had outstanding liabilities of \$1,324,137, which consist of accounts payable of \$64,263, compensated absences of \$50,775, net pension liability of \$1,148,214, and net group life insurance OPEB liability of \$60,885. Refer to the notes to the financial statements for a more in depth discussion of compensated absences.

The largest portion of the Library's net position reflects its investment in capital assets. The Library's capital assets are used to provide services to citizens. Consequently, investments in capital assets are not available for future spending.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities - Changes in Net Position

Total revenues for the Blue Ridge Regional Library were \$1,793,145 for the year ended June 30, 2018.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As noted earlier, the Blue Ridge Regional Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is financial analysis of the Library's governmental fund.

Governmental Fund Revenue and Expense Analysis

The Governmental Fund is the chief operating fund of the Library. The focus of the Library's Governmental Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table represents revenues compared to the prior year amounts.

	2018	2017
Participating localities	\$ 1,294,397	\$ 1,281,920
Intergovernmental	325,784	330,634
Fines and costs	38,857	41,087
Revenue from use of money and property	8,993	36,401
Recovered costs	6,965	-
Miscellaneous	107,087	81,311
Total revenues	\$1,782,083	\$

The following provides an explanation of revenues by source.

- Participating localities This consists of funding from local governments. By formal contract the City of Martinsville and Henry and Patrick Counties agree to contribute local funds toward the mutual costs of operating the Library.
- Intergovernmental Funds received from Library of Virginia state aid allocation.
- Fines and costs Revenues from the daily fines on materials and the replacement of lost library cards.
- Revenue from use of money and property Revenues from bank accounts and investments.
- Miscellaneous Revenues from donations, set-off debt collection of past due accounts, and miscellaneous revenues.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS (continued)

Governmental Fund Revenue and Expense Analysis (continued)

The following provides an explanation of expenditures by category.

	_	2018 201		2017
Personnel	\$	1,124,338	\$	1,113,029
Materials		196,801		185,636
Internet and communications		58,772		70,021
Capital improvement		26,146		38,475
Other	_	353,829	_	374,365
	\$	1,759,886	\$	1,781,526

- Personnel This category includes all paid employees salary, wages and benefits including FICA, retirement, and health insurance.
- Materials This includes all costs associated with purchasing and maintaining collection materials, including purchases of books, reference materials, periodicals, audio books and tapes as well as bindery repairs.
- Internet and Communications This includes all the costs associated with Internet services for use by Library programs and patrons as well as telephone and FAX services.
- Other This includes all other costs including occupancy, supplies, maintenance, and support expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Blue Ridge Regional Library's total investment in capital assets for its governmental activities as of June 30, 2018, totaled \$366,998 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements as well as machinery and equipment.

Long-Term Obligations

At June 30, 2018, Blue Ridge Regional Library had no long-term obligations other than those associated with compensated absences and net pension and OPEB as described in Note 5 of the accompanying Notes to Financial Statements.

HISTORY

The history of the Library can be traced back to 1913 when a group of Martinsville Woman's Club members conceived the idea to buy books to be circulated during the year and then donated them to form a library. A similar group formed a Library in Patrick County in 1941 and they subsequently added a bookmobile in 1946. The Collinsville Library was formed in 1972.

These three libraries joined forces in 1974 to form the Blue Ridge Regional Library and the Martinsville City Council and the Boards of Supervisors for Henry and Patrick counties formalized this arrangement on May 29, 1975 with the adoption of a contractual agreement to operate a free public library for the use and benefit of the citizens of local areas. This group operated together until 1990 when a group of local citizens got together and constructed the Ridgeway Branch which is now part of the system.

In 1992, the Bassett Public Library became a part of the Blue Ridge Regional Library System. The Bassett Branch housed a great deal of historical and genealogical materials and was bursting at the seams. Funds were raised for the purchase of the building across the street and 1998 the newly purchased building became the "regular" library while the genealogy materials remained in the original building and operated as the Bassett Historical Center. In 2012, the Bassett Historical Center elected to separate from the Blue Ridge Regional Library. The Blue Ridge Regional Library and the Bassett Historical Center both continue to operate as separately governed and managed organizations.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Blue Ridge Regional Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Blue Ridge Regional Library, P.O. Box 5264, Martinsville, VA 24115-5264.

- Basic Financial Statements -

Government-wide Financial Statements

Statement of Net Position As of June 30, 2018

	(Governmental Activities
Assets		
Current assets: Cash and cash equivalents Investments	\$	357,565 430,936
Total Current Assets	\$	788,501
Noncurrent Assets: Capital assets (net of accumulated depreciation): Land Buildings and improvements	\$	92,646 250,360
Machinery and equipment	_	23,992
Total Noncurrent Assets	\$	366,998
Total Assets	\$	1,155,499
Deferred Outflows of Resources Pension related items OPEB related items	\$	165,073 3,934
Total deferred outflows of resources	\$	169,007
Total assets and deferred outflows of resources	\$	1,324,506
Liabilities Current liabilities: Accounts payable Long-term obligations, current portion	\$	64,263 5,078
Total current liabilities	\$	69,341
Noncurrent liabilities: Long-term obligations, net of current portion	_	1,254,796
Total Liabilities	\$	1,324,137
Deferred Inflows of Resources Pension related items OPEB related items	\$	96,312 8,452
Total deferred inflows of resources	\$	104,764
Net Position Investment in capital assets Unrestricted	\$	366,998 (471,393)
Total net position	\$	(104,395)
Total liabilities, deferred inflows of resources and net position	\$	1,324,506

Statement of Activities For the Year Ended June 30, 2018

			Program Revenue	25		Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	-	Total			
Governmental Activities: Library	\$ 1,726,953	\$ 38,857	\$ 1,620,181	\$-	\$	(67,915)			
	\$	27,020 107,087							
	Total genera	al revenues			\$_	134,107			
	Change in ne	t position			\$	66,192			
	Net position - beginning, as restated								
	Net position -	- ending			\$_	(104,395)			

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet Governmental Funds As of June 30, 2018

	_	General Fund		Capital Projects Fund		Total Govern- mental Funds
Assets: Cash in bank - checking Petty cash	\$	304,514 50	\$	53,001	\$	357,515 50
Investments		-		430,936		430,936
Total assets	\$	304,564	\$	483,937	\$	788,501
Liabilities:						
Accounts payable	\$	64,263	. \$ <u>-</u>	-	\$	64,263
Total liabilities	\$ _	64,263	\$	-	\$	64,263
Fund balances: Restricted:						
Computer replacement New Bookmobile Committed:	\$	117,872 35,000	\$	-	\$	117,872 35,000
Capital improvements - Expanding Knowledge 1985		-		52,050		52,050
Capital improvements - Great Expectations 1988		-		430,951		430,951
Capital improvements - Collinsville Building		-		936		936
Unassigned	-	87,429		-		87,429
Total fund balances	\$	240,301	\$_	483,937	\$	724,238
Total liabilities and fund balance	\$ =	304,564	\$	483,937	\$	788,501
Detailed explanation of adjustments from fund statements	to gover	nment-wide	Sta	tement of No	et Po	osition:
Total fund balances per above					\$	724,238
Capital assets used in governmental activities are not finant not reported in the funds.	ancial re	sources and	, th	nerefore, are		366,998
Deferred outflows of resources are not available to pay for and, therefore, are not reported in the funds.	current-	period expe	ndi	tures		
Pension related items			\$	165,073		
OPEB related items			_	3,934	-	169,007
Long-term liabilities applicable to the locality's govern payable in the current period and accordingly are no liabilitiesboth current and long-termare reported in the	t report	ed as fund	lia	abilities. All		(1,259,874)
Deferred inflows of resources are not due and apayable in t	the curre	ent period a	nd,			
therefore, are not reported in the funds.						
Pension related items			\$	(96,312)		
•			\$	(96,312) (8,452)		(104,764)

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2018

	_	General Fund		Capital Projects Fund		Total Governmental Funds
Revenues:	<u>_</u>	00.057	<i>•</i>		<i>•</i>	00.057
Fines and costs	\$	38,857	\$		\$	38,857
Revenue from use of money and property		8,993		18,027		27,020
Miscellaneous		107,087		-		107,087
Recovered costs		6,965		-		6,965
Participating localities		1,294,397		-		1,294,397
Intergovernmental	_	325,784		-		325,784
Total revenues	\$_	1,782,083	\$_	18,027	\$	1,800,110
Expenditures:						
Cultural - library services	\$_	1,759,886	\$	-	\$	1,759,886
Excess (deficiency) of revenues						
over (under) expenditures	\$_	22,197	\$	18,027	\$	40,224
Net changes in fund balance	\$	22,197	\$	18,027	\$	40,224
Fund balance at beginning of year	_	218,104		465,910		684,014
Fund balance at end of year	\$_	240,301	\$	483,937	\$	724,238

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2018

		Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	6 40,224
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period. Details supporting this adjustment are as follows: Depreciation expense		(25,195)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred inflows - pension related	(53,450)	
Change in deferred inflows - OPEB related	(8,452)	(61,902)
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. The following is a summary of items supporting this adjustment:		
Change in deferred outflows - pension related \$		
Change in deferred outflows - OPEB related Change in net pension liability	153 154,115	
Change in net group life insurance OPEB liability	11,899	
Change in compensated absences	4,141	113,065
Change in net position of governmental activities	9	66,192

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

A. Organization and Purpose:

The Blue Ridge Regional Library was formed by contractual agreement adopted by the City Council of the City of Martinsville and the Boards of Supervisors for the Counties of Henry and Patrick dated May 29, 1975. The primary purpose of the Library is to establish, maintain, and operate a free public Library for the use and benefit of the citizens of local areas.

B. Financial Reporting Entity:

The basic criteria for including organizations within the reporting entity, as set forth in GASB No. 14 and as amended by GASB No. 39, is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present the Blue Ridge Regional Library and include all operations of the Blue Ridge Regional Library.

The Library is a joint venture of the two counties and the city since its continued existence is dependent upon their operating contributions.

C. <u>Measurement Focus</u>, <u>Basis of Accounting</u>, and <u>Financial Statement Presentation</u>:

The financial statements of the Blue Ridge Regional Library have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

<u>Management's Discussion and Analysis</u> - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD & A).

<u>Government-wide Financial Statements</u> - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Library.

<u>Statement of Net Position</u> - The Statement of Net Position is designed to display financial position of the Library. The Library will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense-the cost of "using up" capital assets-in the Statement of Activities. The net position of the Library will be broken down into three categories - 1) investment in capital assets; 2) restricted; and 3) unrestricted.

C. <u>Measurement Focus</u>, Basis of Accounting, and Financial Statement Presentation: (continued)

<u>Statement of Activities</u> - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Library's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. State aid and other items not properly included among program revenues are reported instead as general revenues.

<u>Budgetary Comparison Schedules</u> - Demonstrating compliance with the adopted budget is an important component of a Library's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budget of the Library and have a keen interest in following the actual financial progress of their regional library over the course of the year. Many libraries revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, libraries will provide budgetary comparison information in their annual reports, along with the requirement to add the Library's original budget to the current comparison of final budget and actual results.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

C. <u>Measurement Focus</u>, Basis of Accounting, and Financial Statement Presentation: (continued)

Intergovernmental revenues, consisting primarily of contributions from participating localities, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the Library.

In the fund financial statements, financial transactions and accounts of the Library are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and /or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Library reports the following major governmental funds.

- a. <u>General Fund</u> The General Fund is the primary operating fund of the Library. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from state and local contributions, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.
- b. <u>Capital Projects Funds</u> The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund for reporting purposes.

D. <u>Capital Assets:</u>

Capital assets, which include property, plant, and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of at least \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)

D. Capital Assets: (continued)

Property, plant, and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40
Machinery and equipment	5-15
Vehicles	5-12

E. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Blue Ridge Regional Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Library.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

F. 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 could differ from those estimates.

G. <u>Compensated Absences:</u>

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

H. <u>Net Position:</u>

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation and less any outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

I. <u>Net Position Flow Assumption:</u>

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as *restricted - net position* and *unrestricted - net position* in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider *restricted - net position* to have been depleted before *unrestricted - net position* is applied.

J. <u>Accounts Receivable:</u>

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts are recorded.

K. <u>Collections and Books:</u>

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Collections that are exhaustible and books used in the circulating Library have not been capitalized due to their individually insignificant amounts.

L. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's Retirement Plan and the additions to/deductions from the Library's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). 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.

M. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the <u>Code of Virginia</u>, as amended, and which provides the Library under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Fund Equity:

The Library reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Library's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Library Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Library Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the Library strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% of the actual GAAP basis expenditures and other financing sources and uses.

0. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Library has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

O. Deferred Outflows/Inflows of Resources: (continued)

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes

P. Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Notes to Financial Statements As of June 30, 2018 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)

P. <u>Upcoming Pronouncements: (continued)</u>

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 2 - CONTRIBUTED SERVICES:

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Library. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the <u>Code of Virginia</u>. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the Library to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)

Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Library maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Library has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurement Using						
	_	Quoted Prices						
				in Active Markets				
		for Idential Asset						
Investment Type		6/30/2018	_	(Level 1)				
Mutual Fund	\$	430,936	\$	430,936				
Total	\$	430,936	\$	430,936				

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2018, there is no portion of the Library's portfolio that exceeds 5% of the total portfolio. At present the Library does not have a policy related to custodial credit risk.

NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Investment Maturities (in years)									
Investment Type		Fair Value	Less Than 1 Year						
Mutual Funds	\$	430,936	5 430,936						
Total	\$	430,936	430,936						

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

The Library follows these procedures in developing its annual budget for the upcoming fiscal year:

In December, the Board of Trustees' Budget and Finance Director and the Library's Director prepare a preliminary budget for the general fund that is submitted to the Board of Trustees for review before submission to the jurisdictions. In February or March, a revised budget is prepared and submitted to the Board of Trustees for approval. In June, the Board of Trustees formally adopts the final budget for the upcoming fiscal year.

Amounts shown in the accompanying financial statements represent original appropriations authorized by the Board of Trustees; any additional and supplemental appropriations authorized during the year are shown in the final budget. Certain grants, contributions, in-kind support, capital projects, program revenues, and related expenditures are not budgeted items.

NOTE 5 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Library for the year ended June 30, 2018.

		Restated Balance at July 1, 2017		Increases	_	Decreases	_	Balance at June 30, 2018		Amounts Due Within One Year
Compensated absences	\$	54,916	\$	6,842	\$	10,983	\$	50,775	\$	5,078
Net pension liability		1,302,329		510,585		664,700		1,148,214		-
Net OPEB liability	_	72,784		334		12,233		60,885	_	-
Total Long Term Obligations	\$	1,430,029	\$	517,761	\$	687,916	\$	1,259,874	\$	5,078

Notes to Financial Statements As of June 30, 2018 (Continued)

NOTE 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2018:

		Balance July 1, 2017	_	Additions	Deletions	_	Balance June 30, 2018
Capital assets not being depreciated: Land	\$	92,646	\$	-	\$ -	\$	92,646
Total capital assets not being depreciated	\$	92,646	\$	-	\$ -	\$	92,646
Capital assets being depreciated: Buildings and improvements Machinery and equipment	\$	596,097 906,827	\$	-	\$ -	\$	596,097 906,827
Total capital assets being depreciated	\$	1,502,924	\$	-	\$ -	\$	1,502,924
Accumulated depreciation: Buildings and improvements Machinery and equipment	\$	328,324 875,053	\$	17,413 7,782	\$ -	\$	345,737 882,835
Total accumulated depreciation	\$	1,203,377	\$	25,195	\$ -	\$	1,228,572
Total capital assets being depreciated, net	\$_	299,547	\$	(25,195)	\$ -	\$	274,352
Net capital assets	\$_	392,193	\$	(25,195)	\$ -	\$	366,998

NOTE 7 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Library are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Eligible Library employees participate in the VRS plan through the City of Martinsville, Virginia. The Library reports its proportionate information on the basis of a cost-sharing plan with the City.

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Plan Description (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	 About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. 		

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
About Plan 1 (Cont.)	About Plan 2 (Cont.)	 About the Hybrid Retirement Plan (Cont.) In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. 		
 Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	 Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. 		

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.		
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.		

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. Defined Contribution Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.			

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.Defined Contribution Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.Members are always 100% vested in the contributions that they make.			

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Vesting (Cont.)	Vesting (Cont.)	 Vesting (Cont.) <u>Defined Contribution</u> <u>Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½. 		
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.		

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution</u> <u>Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.		
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.		
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non- hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution</u> <u>Component:</u> Not applicable.		

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.		
Political subdivisions hazardous duty employees: Age 60.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable.		
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.		
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.		
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.		

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)		
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. Defined Contribution <u>Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.		
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.		

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
PLAN 1 Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long- term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment	-				
• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits					
 Program. The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 					

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.			
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	 Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable. 			

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <u>http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf</u>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Library's contractually required employer contribution rate for the year ended June 30, 2018 was 16.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were \$119,288 and \$120,203 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Library reported a liability of \$1,148,214 for its proportionate share of the net pension liability. The Library's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Library's proportionate share of the same was calculated using retirement expense as of June 30, 2017 as a basis for allocation. At June 30, 2017 and 2016, the Library's proportion was 5.5697% and 5.3715%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Library's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment
	expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates, females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014
retirement healthy, and disabled)	projected to 2020
Retirement Rates	Lowered rates at older ages and changed final
	retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age
	and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Non-Hazardous Duty:

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-	Update to a more current mortality table - RP-2014
retirement health, and disabled)	projected to 2020
Retirement Rates	Lowered rates at older ages and changed final
	retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age
	and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
*E	xpected arithme	etic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Blue Ridge Regional Library Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. 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 active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Library's proportionate share of the net pension liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate			
	(6.00%)		(7.00%)	 (8.00%)
Library's proportionate share of Martinsville retirement				
Plan Net Pension Liability (Asset)	\$ 1,780,596	\$	1,148,214	\$ 616,026

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

For the year ended June 30, 2018, the Library recognized pension expense of \$98,441. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ 596	\$	32,382
Change in assumptions	6,746		-
Net difference between projected and actual earnings on pension plan investments	-		63,930
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,443		-
Employer contributions subsequent to the measurement date	 119,288	_	
Total	\$ 165,073	\$	96,312

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$119,288 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	
2018	\$	(50,103)
2019		21,497
2020		9,528
2021		(31,449)
Thereafter		-

NOTE 8 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- <u>Natural Death Benefit</u> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit The accidental death benefit is double the natural death benefit.
- <u>Other Benefit Provisions</u> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - o Safety belt benefit
 - Repatriation benefit
 - o Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program were \$3,934 and \$3,880 for the years ended June 30, 2018 and June 30, 2017, respectively.

Notes to Finar	ncial St	atements
As of June 30,	2018	(Continued)

NOTE 8 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) PENSION PLAN: (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, a liability of \$60,885 was reported for the Library for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00405% as compared to 0.00416% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$334. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ - 9	5 1,390
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,280
Change in assumptions	-	3,114
Changes in proportion	-	1,668
Employer contributions subsequent to the measurement date	3,934	
Total	\$ 3,934	8 8,452

\$3,934 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

_	Year Ended June 30	-	
	2019	\$	(1,724)
	2020		(1,724)
	2021		(1,724)
	2022		(1,724)
	2023		(1,168)
	Thereafter		(388)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

NOTE 8 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) PENSION PLAN: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

NOTE 8 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) PENSION PLAN: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each
	age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

. . .

	_	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage		
of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Notes to Final	ncial Statements	
As of June 30	, 2018 (Continued)	

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
k	Expected arithme	tic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

			Rate	
	_	1% Decrease	Current Discount	1% Increase
	_	(6.00%)	(7.00%)	 (8.00%)
Library's proportionate share of the Group Life				
Insurance Program Net OPEB Liability	\$	78,734	\$ 60,885	\$ 46,373

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <u>http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf</u>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9 - LITIGATION:

At June 30, 2018, there were no matters of litigation involving the Library which would materially affect the Library's financial position should any court decisions on pending matters not be favorable to the Library.

NOTE 10 - ADOPTION OF ACCOUNTING PRINCIPLES:

The Library implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Authority implemented Governmental Accounting Standards Board Statement No. 85, Omnibus 2017 during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

Net position as reported at June 30, 2017	\$	(101,584)	
Implementation of GASB 75	_	(69,003)	
Net Position as restated at June 30, 2017	\$	(170,587)	

- Required Supplementary Information -

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund For the Year Ended June 30, 2018

Revenues:	_	Budget		Amended Budget		Actual		Variance Positive (Negative)
	\$	4E 000	¢	45,000	¢	20 057	¢	(6 142)
Fines and costs	Þ	45,000	Ф	45,000	Ф	38,857	Ф	(6,143)
Revenue from use of money and property		-		-		8,993		8,993
Miscellaneous		42,500		42,500		107,087		64,587
Recovered costs		-		-		6,965		6,965
Participating localities		1,291,956		1,291,956		1,294,397		2,441
Intergovernmental	_	325,626		325,626		325,784		158
Total revenues	\$	1,705,082	\$	1,705,082	\$	1,782,083	\$	77,001
Expenditures:								
Cultural - library services	\$	1,705,082	\$	1,705,082	\$	1,759,886	\$	(54,804)
Excess (deficiency) of revenues								
over (under) expenditures	\$	-	\$	-	\$	22,197	\$	22,197
Net changes in fund balance	\$	-	\$	-	\$	22,197	\$	22,197
Fund balance at beginning of year	_	-		-		218,104		218,104
Fund balance at end of year	\$_	-	\$	-	\$	240,301	\$	240,301

Schedule of Library's Proportionate Share of the Net Pension Liability VRS Pension Plan For the Years Ended June 30, 2015 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Employee Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2017	5.5697% \$	1,148,214	\$ 744,751	154.17%	79.02%
2016	5.3715%	1,302,329	720,314	180.80%	74.76%
2015	5.3700%	1,178,817	709,752	166.09%	77.41%
2014	5.4400%	1,058,696	696,178	152.07%	78.66%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions VRS Pension Plan For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 119,288 \$	119,288 \$	-	\$ 739,083	16.14%
2017	120,203	120,203	-	744,751	16.14%
2016	135,923	135,923	-	720,314	18.87%
2015	133,930	133,930	-	709,752	18.87%
2014	128,584	128,584	-	696,178	18.47%
2013	147,056	147,056	-	796,188	18.47%
2012	163,791	163,791	-	1,028,838	15.92%
2011	150,449	150,449	-	945,031	15.92%
2010	145,137	145,137	-	994,770	14.59%
2009	152,802	152,802	-	1,047,306	14.59%

Notes to Required Supplementary Information VRS Pension Plan June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Non nazaraous barg.					
Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP- 2014 projected to 2020				
2014 projected to 2020					
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75				
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service				
Disability Rates	Lowered rates				
Salary Scale	No change				
Line of Duty Disability	Increased rate from 14% to 20%				

Largest 10 - Non-Hazardous Duty:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-
retirement healthy, and disabled)	2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each
withdrawar Kates	year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

_	Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	 Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
	2017	0.0041% \$	60,885	\$ 746,152	8.16%	79.02%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions Group Life Insurance Program For the Years Ended June 30, 2008 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 3,934 \$	3,934 \$	-	\$ 750,783	0.52%
2017	3,880	3,880	-	746,152	0.52%
2016	3,588	3,588	-	747,445	0.48%
2015	3,542	3,542	-	737,920	0.48%
2014	3,436	3,436	-	715,850	0.48%
2013	3,335	3,335	-	694,835	0.48%
2012	1,965	1,965	-	701,874	0.28%
2011	1,972	1,972	-	704,181	0.28%
2010	1,516	1,516	-	561,073	0.27%
2009	2,029	2,029	-	751,587	0.27%

Notes to Required Supplementary Information Group Life Insurance Program For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014
retirement healthy, and disabled)	projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each
	age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

- Other Supplementary Information -

Supporting Schedules

General Fund - Schedule of Revenues - Budget and Actual For the Year Ended June 30, 2018

	_	Budget	 Amended Budget		Actual		Variance Positive (Negative)
Fines and costs	\$	45,000	\$ 45,000	_\$_	38,857	_ \$ _	(6,143)
Revenue from use of money and property	\$_	-	\$ -	\$	8,993	_ \$ _	8,993
Miscellaneous:							
Miscellaneous	\$	-	\$ -	\$	1,368	\$	1,368
Donations		-	-		17,554		17,554
Patrick County - donation for bookmobile		-	-		35,000		35,000
Refunds	_	42,500	 42,500		53,165		10,665
Total miscellaneous	\$_	42,500	\$ 42,500	_\$_	107,087	\$	64,587
Recovered costs	\$_	-	\$ -	\$	6,965	\$	6,965
Participating localities:							
City of Martinsville	\$	292,197	\$ 292,197	\$	292,197	\$	-
Henry County		722,368	722,368		722,368		-
Patrick County	_	277,391	 277,391		279,832		2,441
Total participating localities	\$_	1,291,956	\$ 1,291,956	_\$_	1,294,397	_\$_	2,441
Intergovernmental:							
Revenue from the Commonwealth:							
Commonwealth of Virginia	\$_	325,626	\$ 325,626	\$	325,784	\$	158
Totals	\$_	1,705,082	\$ 1,705,082	\$	1,782,083	\$	77,001

Schedule 2 Page 1 of 2

General Fund - Schedule of Expenditures - Budget and Actual For the Year Ended June 30, 2018

	_	Original Budget	 Amended Budget	 Actual	F	ariance Positive egative)
Branch manager	\$	153,862	\$ 153,862	\$ 171,297	\$	(17,435)
Director salary		63,454	63,454	63,454		-
Regional system services librarian		37,945	37,945	72,317		(34,372)
Branch librarians		39,113	39,113	75,895		(36,782)
Outreach assistants		39,503	39,503	38,652		851
Regional system personnel		96,123	96,123	61,913		34,210
Children's librarians		39,135	39,135	39,135		-
Reference librarian		46,371	46,371	46,775		(404)
Courier		8,904	8,904	11,175		(2,271)
Administrative assistant		33,825	33,825	33,825		-
Library assistants		216,053	216,053	159,255		56,798
Custodians		20,852	20,852	17,145		3,707
Pages		9,791	9,791	13,821		(4,030)
Electronic resources staff		45,248	45,248	45,248		-
Social security		52,711	52,711	50,033		2,678
Medicare / FICA		12,329	12,329	11,701		628
Retirement payments		118,240	118,240	116,875		1,365
Disability insurance		-	-	487		(487)
Group medical insurance		88,830	88,830	83,401		5,429
State life insurance		10,926	10,926	9,486		1,440
Workers compensation		3,755	3,755	2,449		1,306
Assistance service		600	600	440		160
Audit		5,700	5,700	5,700		-
Professional services		3,100	3,100	4,091		(991)
Building and grounds		38,000	38,000	46,976		(8,976)
Fiscal services		3,600	3,600	3,600		-
EDP maintenance		35,500	35,500	37,624		(2,124)
Bibliographical services		21,400	21,400	21,316		84
Repairs and maintenance		6,000	6,000	2,891		3,110
Maintenance service contracts		5,300	5,300	6,981		(1,681)
Advertising		2,000	2,000	5,707		(3,707)
Electricity		61,300	61,300	58,779		2,521
Fuel		7,600	7,600	6,642		958
Water		2,660	2,660	2,523		137

Schedule 2 Page 2 of 2

General Fund - Schedule of Expenditures - Budget and Actual For the Year Ended June 30, 2018 (Continued)

	_	Original Budget	 Amended Budget	 Actual	_	Variance Positive (Negative)
Sewer	\$	2,660	\$ 2,660	\$ 2,493	\$	167
Garbage		700	700	591		109
Penalties and fines		-	-	33		(33)
Postal service		5,100	5,100	3,868		1,232
Telephone		7,510	7,510	10,582		(3,072)
Internet access charge		39,684	39,684	42,706		(3,022)
Insurance		12,701	12,701	12,027		674
Lease/rental of equipment		6,050	6,050	5,743		307
Lease/rental of building		37,200	37,200	37,200		-
Travel		2,500	2,500	2,637		(137)
Employee training		2,000	2,000	766		1,234
Recruitment		300	300	463		(163)
Membership		2,500	2,500	2,381		119
Office supplies		31,000	31,000	47,577		(16,577)
Janitorial supplies		2,000	2,000	3,039		(1,039)
Repair and maintenance supplies		4,000	4,000	3,894		106
Vehicle equipment and supplies		9,300	9,300	5,706		3,594
Computer supplies		2,500	2,500	3,309		(809)
Program supplies		16,061	16,061	15,142		919
Books		122,836	122,836	122,389		447
E-Books		15,500	15,500	16,610		(1,110)
Binding		500	500	281		219
Microfilm		2,000	2,000	2,478		(478)
Recordings and cassettes		22,000	22,000	27,984		(5,984)
Toys		-	-	352		(352)
Subscriptions		12,500	12,500	11,917		583
Online resources		5,500	5,500	5,484		16
Summer reading		-	-	4,480		(4,480)
Non-capital equipment		8,750	8,750	13,921		(5,171)
Capital Improvement		-	-	26,146		(26,146)
Capital outlay software	_	2,000	 2,000	 80	_	1,920
Totals	\$_	1,705,082	\$ 1,705,082	\$ 1,759,886	\$_	(54,804)

- Compliance -

Robinson, Farmer, Cox Associates

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

TO THE LIBRARY BOARD OF DIRECTORS BLUE RIDGE REGIONAL LIBRARY MARTINSVILLE, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Blue Ridge Regional Library as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Blue Ridge Regional Library's financial statements and have issued our report thereon dated January 4, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blue Ridge Regional Library'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Charlottesville, Virginia January 4, 2019