



PAMUNKEY REGIONAL LIBRARY

Annual Financial Report

June 30, 2015

(With Independent Auditors' Reports Thereon)

PAMUNKEY REGIONAL LIBRARY

Annual Financial Report

June 30, 2015

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PAMUNKEY REGIONAL LIBRARY

Board of Trustees

June 30, 2015

Joseph O'Connor, Chair	Hanover County
Tom Wulf, Vice Chair	Hanover County
Eileen Ford, Secretary	Goochland County
Shirley Foutz	Goochland County
Gwynn Litchfield	King and Queen County
Brenda Meadows	Hanover County
Audrey Mitchell	King William County
Lisa Newman	Hanover County
James Taylor	King and Queen County
Rebecca Townsend	King William County



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Independent Auditors' Report

The Board of Trustees
Pamunkey Regional Library:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Pamunkey Regional Library (the Library) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Library'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 Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Pamunkey Regional Library as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(i) to the financial statements, in fiscal year 2015, the Library adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which provide new accounting guidance that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 5 through 12, the Budgetary Comparison Schedule – General Fund on page 50, Schedule of Library's Share of Net Pension Liability and Schedule of Employer Contributions on page 51, and the Schedule of Funding Progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The Supplemental Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental 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 Supplemental 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 December 23, 2015 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

KPMG LLP

December 23, 2015

PAMUNKEY REGIONAL LIBRARY

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

The Management Discussion and Analysis (MD&A) offers the readers of the Pamunkey Regional Library's financial statements a narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2015.

Financial Highlights

In fiscal year 2015, the Library's state aid award was slightly less than what received in the previous year. The total amount of state aid received was \$417,367 for fiscal year 2015. Funding for state aid remained level, but other factors such as increased local support of libraries across the Commonwealth can change the amount of the awards.

The Library Board classified the use of the General Fund fund balance at June 30, 2015 as follows: \$20,000 is committed, \$15,000 is assigned, and the remaining fund balance amount of \$2,415,064 is unassigned.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The Library's financial statements present two kinds of statements, each with a different snapshot of the Library's finances. The focus is on both the Library as a whole (Government-wide) and the fund financial statements (general fund). The Government-wide financial statements provide both short-term and long-term information about the Library's overall financial status. The fund financial statements focus on individual parts of the Library, reporting the Library's operations in more detail than the Government-wide financial statements. Both perspectives (Government-wide and fund) allow the reader to address the relevant questions, broaden the basis of comparison and enhance the Library's accountability.

Government-wide financial statements: The Government-wide financial statements, similar to those used by private-sector companies, report information about the Library as a whole. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the Government-wide financial statements, report information about Library finances as a whole and about its activities in a way that helps answer this question. These financial statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources being prepared using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These financial statements include short-term, spendable resources with capital assets and long-term obligations. In the Statement of Net Position and the Statement of Activities on pages 13 and 14, respectively, of this annual financial report, the Library reports its Library activities, which consist of the following: personnel related expenses, books, periodicals and other related materials, utility expense, rent, depreciation, miscellaneous and interest and donated administrative services and facilities. Primarily, operating contributions either through local government appropriations, state aid or through donations finance most of these Library activities.

In fiscal year 2015, the Library implemented Government Auditing Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, hereafter referred to as "GASB Statement No. 68" or "GASB 68." The

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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense. The Statement requires the liability of employers for defined benefit pensions to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. Accordingly, the Library recorded the impact of the related net pension liability on net position, deferred outflows of resources, deferred inflows of resources, and pension expense. The accounting treatment to restate the beginning net position for the adoption of GASB 68 resulted in a reduction of \$495,514 in unrestricted net position. The Library reported a net pension liability of \$355,994 at June 30, 2015, deferred inflow of resources relating to pensions of \$204,722, and deferred outflow of resources related to pensions of \$113,256. For further information regarding the Library's adoption of the new pension standard, refer to Notes 1(i) and 8 of the accompanying notes to the financial statements.

Fund financial statements: The fund financial statements focus on the Library's most significant fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate fiscal accountability. The Library uses governmental fund financial statements to provide more detailed information about the Library's general fund.

Funds: The operating fund is used to report all of the Library's basic services. The Library has one operating fund, which is the general fund. This fund's focus is on (1) cash and other financial resources that can be readily converted to cash, and (2) balances left at year-end that are available for spending. Consequently, the operating fund statements provide a near or short-term view of the Library's finances that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance Library programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation statement of the operating funds that explains the relationship (or differences) between them. The basic operating fund financial statements can be found on pages 16 through 18 of this annual financial report.

Notes to the financial statements: The notes to the financial statements provide additional information that is essential to a full understanding of the financial information provided in the government (Library)-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 49 of this annual financial report.

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Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014

Government-Wide Financial Analysis

Net Position

The following table reflects condensed information on the Library's net position as of June 30, 2015 and 2014:

Summary of Net Position

		Library activities	
		Years ended June 30	
		2015 ⁽¹⁾	2014
Current and other assets	\$	2,443,783	2,267,184
Due from Hanover County		46,202	—
Capital assets		34,110	43,523
Other assets		—	125
Total assets		<u>2,524,095</u>	<u>2,310,832</u>
Deferred outflow of resources		<u>113,256</u>	<u>—</u>
Current and other liabilities		39,921	62,079
Due to Hanover County		—	14,097
Long term liabilities		<u>501,052</u>	<u>154,326</u>
Total liabilities		<u>540,973</u>	<u>230,502</u>
Deferred inflow of resources		<u>204,722</u>	<u>—</u>
Net assets:			
Net investment in capital assets		34,110	43,523
Unrestricted for Library operations		<u>1,857,546</u>	<u>2,036,807</u>
Total net position	\$	<u><u>1,891,656</u></u>	<u><u>2,080,330</u></u>

(1) The Library implemented GASB Statement Nos. 68 and 71 in fiscal year 2015. See Notes 1(i) and 8 of the notes to the financial statements for more information. Fiscal year 2014 was not restated herein.

As noted earlier, net position may serve over time as a useful indicator of the Library's financial status. In the case of the Library's net position as of June 30, 2015, total assets and deferred outflow of resources exceeded total liabilities and deferred inflow of resources by \$1,891,656 as compared to \$2,080,330 as of June 30, 2014. As of June 30, 2015 and 2014, 1.8% or \$34,110 and 2.1% or \$43,523, respectively, of the Library's net position reflects its net investment in capital assets (e.g., vehicles, furniture and fixtures, and equipment). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Of the remaining net position balance as of June 30, 2015 and 2014, \$1,857,546 and \$2,036,807, respectively, are unrestricted.

PAMUNKEY REGIONAL LIBRARY
Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014

Change in Net Position

For the years ended June 30, 2015 and 2014, the Library's total revenue and expenses for the Library's activities are reflected in the following table:

	Library activities	
	Years ended June 30	
	2015 ⁽¹⁾	2014
Revenues:		
Fines, penalties and fees	\$ 41,076	41,072
Operating contributions	3,762,007	3,917,380
State aid	417,367	417,979
Miscellaneous	107,102	140,682
Total revenues	<u>4,327,552</u>	<u>4,517,113</u>
Expenses:		
Personnel related	2,408,983	2,500,347
Books, periodicals and other related materials	632,679	617,226
Donated administrative services and facilities	239,421	411,034
Utilities	205,094	199,172
Rent	163,089	160,153
Depreciation	9,413	11,069
Other operating expenses	327,862	354,575
Total expenses	<u>3,986,541</u>	<u>4,253,576</u>
Increase in net position	<u>341,011</u>	<u>263,537</u>
Total net position, beginning of year - as restated ⁽¹⁾	<u>1,550,645</u>	<u>1,816,793</u>
Total net position, end of year	<u>\$ 1,891,656</u>	<u>2,080,330</u>

(1) The Library implemented GASB Statement Nos. 68 and 71 in fiscal year 2015. See Notes 1(i) and 8 of the notes to the financial statements for more information. Fiscal year 2014 was not restated herein.

Revenues

For the year ended June 30, 2015, revenues from all sources totaled \$4,327,552 compared with the year ended June 30, 2014 when revenues from all sources were \$4,517,113. Operating contributions are the largest component of revenues. Local government contributions are the largest single source of operating contributions, \$3,522,586 for the year ended June 30, 2015 (approximately 81.4% of the total Library activities revenues) and \$3,506,346 for the year ended June 30, 2014 (approximately 77.6% of the total Library activities revenues). For the years ended June 30, 2015 and 2014, the remaining revenues consist mainly of state aid, (\$417,367 or 9.6%) and (\$417,979 or 9.3%), respectively. Donated administrative services and facilities relating to services provided by the Counties on behalf of the Library for payroll recordkeeping, utility services and Library space is the third largest source of contributions of \$239,421 for the year ended June 30, 2015 (5.5% of the total Library activities revenues) and of \$411,034 for the year ended June 30, 2014 (9.1% of the total Library activities revenues).

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Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014

Expenses

For the year ended June 30, 2015, operating expenses for Library activities totaled \$3,986,541 as compared to \$4,253,576 for the year ended June 30, 2014. Depreciation of capital assets for the years ended June 30, 2015 was \$9,413.

Personnel related expenses, of \$2,408,983 and \$2,500,347 for the years ended June 30, 2015 and 2014, respectively, were the largest expenses of Library services, representing 60.4% for the year ended June 30, 2015 and 58.8% for the year ended June 30, 2014. For the year ended June 30, 2015, books, periodicals and other related materials (\$632,679 or 15.7%) was the second largest expense with the third largest expense (\$239,421 or 5.8%) being donated administrative services and facilities. For the year ended June 30, 2014, books, periodicals and other related materials (\$617,226 or 14.5%) was the second largest expense with the third largest expense (\$411,034 or 9.7%) being donated administrative services and facilities.

Financial Analysis of the Library's General Fund

General Fund

The focus of the Library's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, the fund balance may serve as a useful measure of a Library's resources available for spending at the end of the fiscal year.

- At June 30, 2015, the Library's General Fund reported a fund balance of \$2,450,064 compared with \$2,191,008 at June 30, 2014.
- The assigned fund balance at June 30, 2015 of \$15,000 is assigned for fiscal year 2016 facilities related expenses. The committed fund balance of \$20,000 is assigned to fiscal year 2016 anticipated vehicle replacement. The remaining fund balance amount of \$2,415,064 is unassigned.
- The fund balance at June 30, 2014 of \$2,191,008 was unassigned.

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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

General Fund Library Revenues and Expenditures

The following table presents a summary of revenues of the Library General Fund for the years ended June 30, 2015 and 2014, along with the amount and percentage of increases and decreases in relation to prior year revenues:

	<u>Year ended June 30, 2015</u>	<u>Percent of total</u>	<u>Year ended June 30, 2014</u>	<u>Percent of total</u>	<u>Increase (decrease) from 2014</u>	<u>Percent increase (decrease)</u>
Revenues:						
Fines, penalties and fees	\$ 41,076	95%	\$ 41,072	91%	\$ 4	0%
Operating contributions:						
From local governments	3,522,586	81.40	3,506,346	77.62	16,240	-
Donated administrative service and facilities	239,421	5.53	411,034	9.10	(171,613)	(0.42)
State aid	417,367	9.64	417,979	9.25	(612)	-
Miscellaneous	107,102	2.47	140,682	3.11	(33,580)	(0.24)
Total revenues	<u>\$ 4,327,552</u>	<u>100%</u>	<u>\$ 4,517,113</u>	<u>100%</u>	<u>\$ (189,561)</u>	<u>(0.04)%</u>

Revenues for Library functions were generally even compared to last year. The value of donated services and state aid decreased.

The following table presents a summary of expenditures of the General Fund for the years ended June 30, 2015 and 2014, along with the amount and percentage of increases and decreases in relation to prior year expenditures:

	<u>Year ended June 30, 2015</u>	<u>Percent of total</u>	<u>Year ended June 30, 2014</u>	<u>Percent of total</u>	<u>Increase (decrease) from 2014</u>	<u>Percent increase (decrease)</u>
Expenditures:						
Personnel related	\$ 2,500,251	61.46%	\$ 2,524,850	59.06%	\$ (24,599)	(0.01)%
Books, periodicals, and other related materials	632,679	15.55	617,226	14.44	15,453	0.03
Donated administrative services and facilities	239,421	5.88	411,034	9.61	(171,613)	(0.42)%
Utilities	205,094	5.04	199,172	4.66	5,922	0.03
Rent	163,089	4.01	160,153	3.75	2,936	0.02
Miscellaneous	327,862	8.06	362,769	8.49	(34,907)	(0.10)%
Total expenditures	<u>\$ 4,068,396</u>	<u>100.00%</u>	<u>\$ 4,275,204</u>	<u>100.00%</u>	<u>\$ (206,808)</u>	<u>(0.05)%</u>

The Library's efforts to maintain or reduce spending in preparation for anticipated reductions for fiscal year 2015 were successful. Personnel spending was slightly lower and materials spending was slightly higher. Rent increases are specified in the lease agreement.

PAMUNKEY REGIONAL LIBRARY
Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014

The following table presents a summary of the Library's budgetary highlights for the year ended June 30, 2015, along with the variances as compared to the actual June 30, 2015 revenues and expenditures.

Year ended June 30, 2015 General Fund Budgetary Highlights

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues:				
Fines, penalties and fees	\$ —	—	41,076	41,076
Operating contributions from local governments	3,547,546	3,522,586	3,522,586	—
State aid	417,244	417,244	417,367	123
Miscellaneous	139,000	139,000	107,102	(31,898)
Donated administrative services and facilities	—	—	239,421	239,421
Total	<u>\$ 4,103,790</u>	<u>4,078,830</u>	<u>4,327,552</u>	<u>248,722</u>
Expenditures:				
Personnel related	\$ 2,825,000	2,800,040	2,500,351	299,689
Books, periodicals and other related materials	609,259	609,259	632,679	(23,420)
Donated administrative services and facilities	—	—	239,421	(239,421)
Utilities	161,000	161,000	205,094	(44,094)
Rent	166,000	166,000	163,089	2,911
Miscellaneous	342,531	342,531	327,862	14,669
Total	<u>\$ 4,103,790</u>	<u>4,078,830</u>	<u>4,068,496</u>	<u>10,334</u>

PAMUNKEY REGIONAL LIBRARY
Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014

Capital Assets

The Library's changes in capital assets, net of accumulated depreciation, for the year ended June 30, 2015 for its Library activities are reflected in the table below:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Vehicles	\$ 72,293	—	—	72,293
Furniture and fixtures	119,494	—	—	119,494
Equipment	78,983	—	—	78,983
Total capital assets	<u>270,770</u>	<u>—</u>	<u>—</u>	<u>270,770</u>
Less accumulated depreciation for:				
Vehicles	(72,293)	—	—	(72,293)
Furniture and fixtures	(82,208)	(7,274)	—	(89,482)
Equipment	(72,746)	(2,139)	—	(74,885)
Total accumulated depreciation	<u>(227,247)</u>	<u>(9,413)</u>	<u>—</u>	<u>(236,660)</u>
Total capital assets, net \$	<u><u>43,523</u></u>	<u><u>(9,413)</u></u>	<u><u>—</u></u>	<u><u>34,110</u></u>

Operating fund assets with a cost of \$5,000 or more and an estimated useful life of more than one year are capitalized and depreciated over their useful lives using the straight – line method.

Additional information on the Library's capital assets can be found in Note 5 of the notes to the financial statements.

Economic Factors and Next Year's Budgets

The Library's four participating counties are experiencing mixed economic stability. Goochland and Hanover are stable and economically healthy. King and Queen and King William are experiencing decreased tax revenues. The Library's long range plan supports budget requests from the four local governments. For fiscal year 2016, local government contributions will include increases from Goochland and Hanover to support staff raises; King and Queen and King William will provide level funding. State aid is expected to increase from \$417,367 to \$434,367.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Library's finances. Should you have any questions about this report or need additional information, please contact the Library Director at Pamunkey Regional Library, P. O. Box 119, Hanover, VA 23069.

PAMUNKEY REGIONAL LIBRARY

Statement of Net Position

June 30, 2015

	<u>2015</u>
Assets:	
Cash and cash equivalents	\$ 2,443,783
Due from Hanover County	46,202
Capital assets, net of accumulated depreciation	<u>34,110</u>
Total assets	<u>2,524,095</u>
 Deferred Outflow of Resources:	
Pension contributions after measurement date	<u>113,256</u>
Total deferred outflow of resources	<u>113,256</u>
 Liabilities:	
Accounts payable	39,921
Compensated absences	145,058
Net pension liability	<u>355,994</u>
Total liabilities	<u>540,973</u>
 Deferred Inflow of Resources:	
Pension investment experience	<u>204,722</u>
Total deferred inflow of resources	<u>204,722</u>
 Net Position:	
Net investment in capital assets	34,110
Unrestricted for Library operations	<u>1,857,546</u>
Total net position	<u>\$ 1,891,656</u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

Statement of Activities

Year ended June 30, 2015

	<u>2015</u>
Program expenses:	
Personnel related	\$ 2,408,983
Books, periodicals and other related materials	632,679
Donated administrative services and facilities	239,421
Utilities	205,094
Rent	163,089
Depreciation	9,413
Other operational expenses	<u>327,862</u>
Total program expenses	<u>3,986,541</u>
Program revenues:	
Fines, penalties and fees	41,076
Operating contributions:	
Donated administrative services and facilities	239,421
State aid	<u>417,367</u>
Total program revenues	<u>697,864</u>
Net program loss	<u>(3,288,677)</u>
General revenues:	
Operating contributions from local governments	3,522,586
Miscellaneous	<u>107,102</u>
Total general revenues	<u>3,629,688</u>
Net increase in net position	341,011
Total net position, beginning of year - as restated (see Note 1(i))	<u>1,550,645</u>
Total net position, end of year	\$ <u><u>1,891,656</u></u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

Balance Sheet
General Fund

June 30, 2015

	Assets	2015
Cash and cash equivalents		\$ 2,443,783
Due from Hanover County		<u>46,202</u>
Total assets		<u><u>\$ 2,489,985</u></u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable		\$ <u>39,921</u>
Total liabilities		<u>39,921</u>
Fund balance:		
Committed		20,000
Assigned		15,000
Unassigned		<u>2,415,064</u>
Total fund balance		<u>2,450,064</u>
Total liabilities and fund balance		<u><u>\$ 2,489,985</u></u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

Reconciliation of the Balance Sheet of the General Fund to the
Statement of Net Position

Years ended June 30, 2015

	<u>2015</u>
Ending fund balance – general fund	\$ 2,450,064
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	
Capital assets, being depreciated:	
Vehicles	72,293
Furniture and fixtures	119,494
Equipment	<u>78,983</u>
Total capital assets	270,770
Less accumulated depreciation	<u>(236,660)</u>
	<u>34,110</u>
Long-term obligations are not due and payable in the current period and therefore are not reported in the fund:	
Compensated absences	(145,058)
GASB Statement No. 68 requires the recognition of net pension liability and deferred inflows and outflows related to pensions. These amounts do not use current financial resources and are not reported in the fund.	
Net pension liability	(355,994)
Pension investment experience	(204,722)
Pension contributions after measurement date	<u>113,256</u>
Net position of governmental activities	<u>\$ 1,891,656</u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

**Statement of Revenues, Expenditures, and Changes in Fund Balance
of the General Fund**

Year ended June 30, 2015

	<u>2015</u>
Revenues:	
Fines, penalties and fees	\$ 41,076
Operating contributions:	
From local governments	3,522,586
Donated administrative services and facilities	239,421
State aid	417,367
Miscellaneous	<u>107,102</u>
Total revenues	<u>4,327,552</u>
Expenditures:	
Personnel related	2,500,351
Books, periodicals and other related materials	632,679
Donated administrative services and facilities	239,421
Utilities	205,094
Rent	163,089
Miscellaneous	<u>327,862</u>
Total expenditures	<u>4,068,496</u>
Net change in fund balance	259,056
Fund balance, beginning of year	<u>2,191,008</u>
Fund balance, end of year	<u><u>\$ 2,450,064</u></u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the General Fund to the
Statement of Activities

Years ended June 30, 2015

	<u>2015</u>
Net change in fund balance – total general fund	\$ 259,056
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation expense	(9,413)
Under the modified accrual basis of accounting used in governmental funds, other postemployment benefit asset is not recognized as a prepaid item. In the statement of activities, it is reported as a reduction to expenses.	(125)
Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they are presented for payment. In the statement of activities, they are reported as expenses:	
Decrease in obligation for compensated absences	9,268
Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the statement of net position. Pension expenses reported on the statement of activities do not use current financial resources and are not reported in the funds.	
Pension contributions after measurement date	113,256
Pension expenses	(31,031)
Net increase in net position	\$ <u><u>341,011</u></u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Pamunkey Regional Library (the Library) was organized in 1941 to operate as a regional free library system pursuant to the Code of Virginia. The Library provides services to the Counties of Hanover, Goochland, King and Queen, and King William and the towns of Ashland and West Point under the administration and control of the Board of Trustees (the Board). The ten member Board consists of four citizens from the County of Hanover and two citizens from each of the Counties of Goochland, King and Queen, and King William. The Board of Supervisors from each county appoints the Library Board trustees to four-year terms. The Library is not a component unit of Hanover County and is therefore not reported in Hanover's County's Comprehensive Annual Financial Report as a component unit.

(b) Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities, whether short-term or long-term, of the Library. Governmental activities, which are mainly supported by operating contributions received from various counties, are reported on the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers for overdue books, lost books and dog tag fees, and 2) State aid for library operations. Other items not included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements (balance sheet and statement of revenues, expenditures, and changes in fund balance) of the Library's governmental fund reports the finances of the Library and generally include only short-term information, the most readily available assets and present due liabilities, and just the resources that flow into and out of the Library during the year and shortly thereafter.

Whereas the government-wide financial statements provide an all-encompassing view of all the Library's finances, the fund financial statements provide a narrower look at the Library's current resources as noted above. A reconciliation is provided that explains the reasons that total fund balance in the balance sheet differ from total net position in the government-wide statement of net position. A reconciliation is provided explaining the differences between the net change in fund balance on the statement of revenues, expenditures, and changes in fund balance and the change in net position on the statement of activities. The differences noted on the reconciliations relate to the fact that the fund financial statements primarily report short-term financial information, whereas the government-wide statements report both short and long-term information.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

The Library reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Library. The General Fund is used to account for all of the Library's expendable financial resources and related liabilities.

(c) Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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.

Fund Financial Statements

The governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are measurable and available) to pay the liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within 90 days after the end of the current fiscal period. Fine, penalties, and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for certain compensated absences, which is recognized when the obligation is expected to be liquidated with expendable available financial resources.

(d) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflow of resources and liabilities and deferred inflow of resources and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and a demand deposit account. Cash equivalents are stated at cost, which approximates fair value, and have maturities of less than three months at the time of acquisition.

(f) Capital Assets

Capital assets, which include vehicles, furniture and fixtures and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical cost records exist. Based on this definition, the Library expenses the costs of library books acquired. The buildings associated with the various branches of the Library which provide services are not owned by the Library and therefore are not recorded as capital assets by the Library.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

The Library depreciates capital assets using the straight-line method over their estimated useful lives as follows:

Assets	Years
Vehicles	5–10 years
Furniture and fixtures	10 years
Equipment	5–10 years

(g) Net Position and Fund Balance

Net position in government-wide statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute. At June 30, 2015, there was no portion of net position that was restricted.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Library does not have any nonspendable fund balances at June 30, 2015.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The Library does not have any restricted fund balances at June 30, 2015.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes imposed by majority vote resolution of the Library Board. Any changes or removal of specific purpose requires majority action by the governing body. At June 30, 2015, the committed fund balance is \$20,000.

Assigned Fund Balance – This classification includes the portion of fund balance that the Library intends to use for specific purposes and assigned by the Library Board. At June 30, 2015, the assigned fund balance is \$15,000.

Unassigned Fund Balance – This classification includes the portion of the general fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

(h) *Compensated Absences*

Library employees will earn vacation and sick leave in varying amounts on a monthly basis, based upon length of service. Annual carry over limitations apply to vacation hours but not to sick leave. Employees are compensated for unused vacation and sick leave upon separation, retirement or death based upon years of service and limited to a maximum dollar amount.

Annual leave begins to accrue during the first month of employment but may not be taken until three months employment has been completed. Employees who terminate prior to completion of three months employment are not entitled to annual leave pay. After the first three months employment, employees are eligible for payment for accrued annual leave upon termination.

Annual leave is accrued at the rate of 1.5 days per month with a maximum accrual of 24 days up to 5 years of service, 1.75 days per month with a maximum accrual of 30 days up to 10 years of service, and 2 days per month with a maximum accrual of 36 days over 10 years of service.

Sick leave is accrued at the rate of 1.25 days for each completed month of employment. There is no limit to the amount of sick leave that may be accrued. At the time of termination, an employee is paid for 25% of any credits exceeding 50 days. Part-time employees who work at least 20 hours each week are entitled to annual and sick leave on a pro rata basis depending on the number of hours worked. Sick leave is accrued under the vesting method which estimates the expected eligibility of all employees to receive termination payments.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

(i) ***New Accounting Pronouncement***

In fiscal year 2015, the Library implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions –an amendment of GASB Statement No.27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 68 establishes the standards for accounting and reporting regarding employee pension plans including the recognition and measurement of liabilities, deferred inflows and outflows, expenses and expenditures. Statement No. 71 specifies the treatment of contributions made subsequent to the liability measurement date in the year of implementation. GASB 68 represents a significant change in reporting and disclosure requirements for pension plans. Information previously discussed in the note disclosures will now be shown on the face of the financial statements. Under GASB 27, the information regarding pension assets or obligations was based on funding information. This has been replaced with the Net Pension Liability information, which represents the actuarially calculated amount of liability associated with the pension benefits accrued by current and former employees of the Library. The liability is presented net of the fiduciary net position of the pension trust funds. Certain estimates and assumptions are involved with the calculation and actual results may differ. The impact of the differences between the estimates and actual results are presented as deferred inflow or deferred outflow items. These will be applied in the calculation of pension expense and impact the liability over time, to reduce the volatility created from items such as investment performance. As a result of the change in accounting requirements, a net pension liability has been established on the statement of net position, and deferred outflow of resources associated with contributions made after the measurement date and deferred inflow of resources associated with pension investment experience have been recorded. The measurement date for the 2015 balances is June 30, 2014, and the measurement date for the 2014 balances was June 30, 2013. To facilitate the implementation of this change in accounting requirements, 2014 ending balances are adjusted as follows:

Total net position - as previously reported at June 30, 2014	\$ 2,080,330
Net pension liability at June 30, 2014	(529,685)
Total net position - as restated at June 30, 2014	<u>\$ 1,550,645</u>

(2) **Stewardship, Compliance and Accountability**

The following procedures are used by the Library in establishing the budgetary data reflected in the financial statements:

1. The Director of the Library prepares the overall proposed annual operating budget, which includes local appropriations from each county.
2. The Board of the Library approves the proposed annual operating budget and authorizes all operating expenditures and appropriates funds through the adoption of the budget.
3. The budget for the general fund is adopted on a basis consistent with GAAP.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

(3) Regional Library Agreement among The Counties of Hanover, Goochland, King and Queen, and King William

Each County agrees that it will make a yearly appropriation of funds to the Library in at least the amount necessary to permit the Library to meet the minimum requirements for the Commonwealth of Virginia grants-in-aid. Appropriations are made in proportion to the population of each respective county.

(4) Deposits and Cash Equivalents

Deposits

At June 30, 2015, the carrying value of the deposits of the Library was \$206,476 and the bank balances were \$283,062. The bank balances were covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions.

Cash Equivalents

The Library invests in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is a diversified portfolio of investments managed by the Commonwealth Department of Treasury. The LGIP is administered for the benefit of local governments and other public entities of the Commonwealth, and participation is voluntary. The LGIP is not SEC registered, but is managed as a "2a-7 like pool". Pursuant to Sec. 2.2-460 through 2.2-4606 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in the LGIP is the same as the value of the pool shares. Standard and Poor's has assigned an 'AAAm' rating to the LGIP. The LGIP has a one day maturity and therefore, no specific identification of interest rate or custodial risk is measured.

The cash and cash equivalents balance at June 30, 2015 was composed of the following amounts:

	2015
Cash on hand	\$ 815
Carrying amount of deposits	206,476
LGIP	2,236,492
	<u>\$ 2,443,783</u>

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

(5) Capital Assets

Capital assets at June 30, 2015 were composed of the following amounts:

	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
Vehicles	\$ 72,293	—	—	72,293
Furniture and fixtures	119,494	—	—	119,494
Equipment	78,983	—	—	78,983
Total capital assets	270,770	—	—	270,770
Less accumulated depreciation for:				
Vehicles	(72,293)	—	—	(72,293)
Furniture and fixtures	(82,208)	(7,274)	—	(89,482)
Equipment	(72,746)	(2,139)	—	(74,885)
Total accumulated depreciation	(227,247)	(9,413)	—	(236,660)
Total capital assets, net \$	43,523	(9,413)	—	34,110

(6) Compensated Absences

The following is a summary of the compensated absences of the Library for the year ended June 30, 2015:

	Compensated
	absences
Balance at June 30, 2014	154,326
Additions	148,231
Deletions	(157,499)
Balance at June 30, 2015	\$ 145,058

(7) Donated Administrative Services and Facilities

In addition to the yearly appropriation of funds described in note 3, Goochland, Hanover and King and Queen Counties and the Town of West Point provide certain branch libraries with free utility services, library space and building improvements. The County of Hanover also provides certain free general government administrative and accounting services relating to payroll record keeping for the Library. The value of such contributions from the County of Hanover amounted to \$184,934 for the year ended June 30, 2015. Counties of King and Queen and Goochland and the town of West Point contributions collectively amounted to \$54,487 for the year ended June 30, 2015.

(8) Defined benefit pension plan – Virginia Retirement System

Pension Plan

Agent Multiple-Employer Plan - The Library employees participate in an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS) through the County of Hanover's (the County) participation in the VRS. The County allocates net pension liability, deferred

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

outflows of resources and deferred inflows of resources related to pensions, and pension expense to the Library for its proportionate share based on annual plan contributions by the Library in relation to the County's annual plan contributions. As a result of the Library participating in the VRS through the County and the County's allocation of pension amounts, the Library is required by GASB Statement No. 68 to present its VRS pension disclosures as if it is a cost-sharing employer. The VRS requires periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The required employer contributions for Library employees are included in the rates established annually by VRS for the County's plan.

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 VRS agent multiple-employer and the additions to/deductions from the VRS agent multiple-employer net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR) and GASB 68 Report. A copy of the 2014 VRS CAFR and GASB 68 Report may be downloaded from the VRS website at <http://www.varetire.org/employers/financial-reporting/index.asp>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Plan Description

All full-time, salaried permanent employees of the Library are automatically covered by VRS upon employment. This plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and Library pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a 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:

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>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. Employees are eligible for 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.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none">• 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.• 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.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>Eligible Members</p> <p>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.</p> <p>Hybrid Opt-In Election</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division 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 <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>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.</p>
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PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions</p> <p>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.</p>
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PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>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.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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.</p>

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

<p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>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.</p> <p><u>Defined Contributions Component:</u></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none">• 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. <p>Distribution is not required by law until age 70½.</p>
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PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit</u> <u>Component:</u> See definition under Plan 1.</p> <p><u>Defined</u> <u>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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

<p>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%.</p>	<p>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.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p>
<p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p>Sheriffs and regional jail superintendents: Same as Plan 1.</p>	<p>Sheriffs and regional jail superintendents: Not applicable.</p>
<p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political</p>	<p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivision hazardous duty employees: Not applicable.</p>

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Notes to Financial Statements

June 30, 2015

subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.**		<u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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Notes to Financial Statements

June 30, 2015

<p>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.</p> <p>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.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
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Notes to Financial Statements

June 30, 2015

<p>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.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
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Notes to Financial Statements

June 30, 2015

<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><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.</p> <p>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</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>
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Notes to Financial Statements

June 30, 2015

<p>calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA</u> <u>Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none">• 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 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.	<p><u>Exceptions to COLA</u> <u>Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA</u> <u>Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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Notes to Financial Statements

June 30, 2015

<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> <p>School Professionals N/A</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> <p>School Professionals N/A</p>	<p>Disability Coverage Employees of political subdivisions and school divisions (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.</p> <p>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.</p>
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Notes to Financial Statements

June 30, 2015

<p>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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> - Hybrid Retirement Plan members are ineligible for ported service. - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>
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Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, 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. The Library through the Hanover County Board of Supervisors elected to continue contributing the 5% employee contribution amount for all eligible Plan 1 and Plan 2 employees through June 30, 2012. 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% 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 through the Hanover County Board of Supervisors elected to require

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

that employees pay the 5% member contribution effective July 1, 2012 and provided a salary increase equal to the 5% employee-paid member contribution. In addition, the Library is required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

The contractually required contribution rates for the Library through the County's participation in VRS for the fiscal year ended June 30, 2015, was 11.06% of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

These rates, when combined with employee contributions, were 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 \$113,256 and \$115,741 for the years ended June 30, 2015 and 2014, respectively.

Net Pension Liability

At June 30, 2015, the Library reported a liability of \$355,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to the measurement date of June 30, 2014. The Library's proportion of the net pension liability was allocated based on the Library's proportionate share of contributions in relation to the overall County's contributions to the pension plan for the year ended June 30, 2014. As of the measurement dates of June 30, 2014 and 2013, the Library's proportionate share of the net pension liability and pension amounts was 1.79% and 1.89%, respectively.

Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended June 30, 2015, the Library recognized pension expense of \$31,031. At June 30, 2015, the Library reported a deferred outflow of resources and a deferred inflow of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on pension plan investments	\$ —	204,722
Employer contributions subsequent to the measurement date	113,256	—
Total	<u>\$ 113,256</u>	<u>204,722</u>

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Notes to Financial Statements

June 30, 2015

Deferred outflow of resources related to pensions resulting from the Library's contributions subsequent to the measurement date of \$113,256 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30		
2016	\$	51,181
2017		51,181
2018		51,180
2019		51,180
		<hr/>
Total	\$	<u>204,722</u>

Changes in the net pension liability as of June 30, 2015 resulting from changes in proportionate share amounting to \$32,883 has not been deferred but has been recognized as a component of pension expense in FY2015 as effective July 1, 2015 the Library will no longer be participating in the County plan but has established its own defined benefit plan with the VRS.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

Actuarial Assumptions

The total pension liability was based on an actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method, the level percent closed amortization method, and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014:

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Payroll growth	3.00%
Discount rate	7.00%
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return (net of pension plan investment expense, including inflation)	7.00%
Mortality Rates	14 % of deaths are assumed to be service related
Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years
Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Updated mortality table
Decrease in rates of service retirement
Decrease in rates of disability retirement
Reduce rates of salary increase by 0.25% per year

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Notes to Financial Statements

June 30, 2015

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan 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 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 estimates of arithmetic real rates of return for each major asset class as provided by the VRS for use in the last actuarial experience study for the four-year period ending June 30, 2012 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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic normal return	<u><u>8.33%</u></u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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Notes to Financial Statements

June 30, 2015

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 plan 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, 2018, the rate contributed by the employer for the cost-sharing plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers and employees are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for the Library using the discount rate of 7.00%, as well as what their net pension liability (asset) 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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ 914,548	355,994	(103,610)

(9) Postemployment healthcare plan and Other Postemployment Benefits (OPEB)

Plan Description

The Library provides for optional participation by eligible retirees and their eligible spouses and dependents in the medical and prescription drug healthcare benefit program available to employees. The County of Hanover has established the Hanover County, Virginia, Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Hanover County, Virginia, Retiree Medical Benefits Trust Agreement (Trust), which are administered as one plan for the County of Hanover and its Affiliates (collectively, Employers). The Plan covers eligible retirees of the Library. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The Code of Virginia assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (Board). The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries. The Trust is considered part of the County of Hanover's financial reporting entity and is included in County of Hanover's financial statements as an Other Postemployment Benefits Trust Fund. The Library is required to make periodic contributions to fund its share of the plan based on periodic actuarial analyses of its future obligations.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

The Plan provides that the Employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents. In order to participate in the Plan, retirees must be enrolled in the health insurance program available to Hanover County employees at date of separation. In addition, participants must meet the Virginia Retirement System (VRS) retirement age and service retirement requirements, and, if hired after September 30, 2007, must have five years of service with an Employer, or retire pursuant to the disability requirements of Social Security or the VRS. The amount of monthly subsidy provided by the Plan is based on years of service and, as of June 30, 2015, ranged from \$100 per month for employees with 10 but less than 15 years of service to \$200 per month for 20 or more years of service. The subsidy for a retiree's spouse and dependents are equal to that of the retiree, with a limit of three subsidies per retiree. Effective for those who retire July 1, 2015 or later, there shall not be a subsidy for their spouse or dependents. The only available subsidy will be for the employee themselves. Retirees hired prior to October 1, 2007 have no years of service requirement, but must meet all other requirements for participation. In addition, retirees hired prior to October 1, 2007, who have at least ten years of service with an Employer and whose age and years of service equal at least 60 (grandfathered employees) will receive an initial subsidy of \$251 per month. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility. Any Plan participants currently in the Plan over age 65 must be enrolled in Medicare as primary insurer effective July 1, 2015. Additionally, any grandfathered retirees who are not yet age 65 must enroll in Medicare as primary insurer once they have met the Medicare eligibility requirements.

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan.

Depending upon the health care plan selected, the net retiree premium amounts range from \$323 to \$920 per month, and for those electing retiree and family coverage, from \$921 to \$2,760 per month. Costs of administering the Plan will be borne by the Trust or by the Employers.

The Library's OPEB cost (expense) under the Plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

The following table shows the components of the Library's annual OPEB cost, the amount of contributions to the Plan, changes in the Library's net OPEB asset, the Library's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB asset for fiscal year 2015.

ARC, for the fiscal year ended June 30, 2015	\$ 3,000
Annual OPEB cost	<u>3,000</u>
Employer contributions:	
Cash contribution to OPEB trust	(875)
Subsidies paid under Plan on behalf of retirees	<u>(2,000)</u>
Total employer contributions	<u>(2,875)</u>
Decrease in the net OPEB asset, for the year ended June 30, 2015	125
Net OPEB (asset), beginning of year	<u>(125)</u>
Net OPEB (asset), end of year	\$ <u><u>—</u></u>
Fiscal year ended June 30:	
Annual OPEB cost	\$ 3,000
Percentage of annual OPEB cost contributed by employer:	
Cash contributions to OPEB Trust	29.2%
Subsidies paid under Plan on behalf of retirees	<u>66.6%</u>
Total percentage contributed	<u><u>95.8%</u></u>

The funded status of the Plan as June 30, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (funding excess) (b-a)	Funded ratio (a/b)
July 1, 2014	\$ 27,000	29,000	2,000	93.1%

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Notes to Financial Statements

June 30, 2015

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The most recent actuarial valuation dated July 1, 2014 incorporated the plan amendments effective July 1, 2015.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7% annual investment rate of return (net of administrative expenses), including an inflation assumption of 2.8%, and an annual medical trend rate based on the Society of Actuaries Long Term Medical Trend Model, with the initial rate of 7.5% decreasing gradually to an ultimate rate of 5% for future years. The initial unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

PAMUNKEY REGIONAL LIBRARY

Notes to Financial Statements

June 30, 2015

(10) Lease Commitments

Certain Library premises are leased under various operating leases that expire in 2016 and 2017. The leased premises include the Atlee Square, Upper King William, and the Montpelier branches. Total rent expense for the years ended June 30, 2015 was \$ 163,089.

As of June 30, 2015, future minimum lease payments due under operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

	<u>Future minimum lease payments</u>
Years ending June 30:	
2016	\$ 166,246
2017	<u>129,248</u>
	<u><u>\$ 295,494</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

PAMUNKEY REGIONAL LIBRARY

Schedule of Required Supplementary Information
Budgetary Comparison Schedule – General Fund (Unaudited)

Year ended June 30, 2015

	Budgeted amounts		Actual	Variance with final positive (negative)
	Original	Final		
Revenues:				
Fines, penalties and fees	\$ —	—	41,076	41,076
Operating contributions:				
From local governments	3,547,546	3,522,586	3,522,586	—
Donated administrative services and facilities	—	—	239,421	239,421
State aid	417,244	417,244	417,367	123
Miscellaneous	139,000	139,000	107,102	(31,898)
Total revenues	<u>4,103,790</u>	<u>4,078,830</u>	<u>4,327,552</u>	<u>248,722</u>
Expenditures:				
Library services:				
Personnel related	2,825,000	2,800,040	2,500,351	299,689
Books, periodicals and other related materials	609,259	609,259	632,679	(23,420)
Donated administrative services and facilities	—	—	239,421	(239,421)
Utilities	161,000	161,000	205,094	(44,094)
Rent	166,000	166,000	163,089	2,911
Miscellaneous	342,531	342,531	327,862	14,669
Total expenditures	<u>4,103,790</u>	<u>4,078,830</u>	<u>4,068,496</u>	<u>10,334</u>
Net change in fund balance	—	—	259,056	259,056
Fund balance – beginning	—	—	2,191,008	2,191,008
Fund balance – ending	\$ <u>—</u>	<u>—</u>	<u>2,450,064</u>	<u>2,450,064</u>

Budget appropriates and expenditures:

For the year ended June 30, 2015, the Library's revenues exceeded budgeted revenues as amended by \$248,722 and budgeted expenditures as amended exceeded actual expenditures by \$10,334.

The excess of budgeted expenditures over actual for 2015 is due to less personnel related expenditures of \$299,689, offset by donated services not budgeted of \$239,421 for the year ended June 30, 2015.

See accompanying independent auditors' report.

PAMUNKEY REGIONAL LIBRARY
Schedules of Required Supplementary Information

Schedule of Library's Share of Net Pension Liability (Unaudited)
Year ended June 30, 2015

Virginia Retirement System:

	2015*
Employer's Proportion of the Net Pension Liability	1.79%
Employer's Proportionate Share of the Net Pension Liability	\$ 355,994
Employer's Covered-Employee Payroll	\$ 1,092,211
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	32.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.51%

Schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no other data are available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions (Unaudited)
Year ended June 30, 2015

Virginia Retirement System:

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a% of Covered Employee Payroll
Date	(1)	(2)	(3)	(4)	(5)
2015*	\$ 113,256	\$ 113,256	\$ -	\$ 1,048,018	10.81%

** Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.*

PAMUNKEY REGIONAL LIBRARY
Schedules of Required Supplementary Information
Schedule of Funding Progress (Unaudited)
Year ended June 30, 2015

Other postemployment benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ 27,000	29,000	2,000	93.1%	\$ 1,202,845	0.2%
7/1/2013	12,000	26,000	14,000	46.2%	1,258,532	1.1%
6/30/2012	52,323	140,485	88,162	37.2%	1,122,795	7.9%

SUPPLEMENTAL INFORMATION

PAMUNKEY REGIONAL LIBRARY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund**

Year ended June 30, 2015

Revenues:

County of Hanover	\$ 2,573,858
County of Goochland	399,600
County of King William	400,000
County of King and Queen	149,128
State aid	417,367
Fines, penalties and fees	41,076
Other revenue	77,569
Donated administrative services and facilities	239,421
Expenditure refund	27,309
Interest income	2,224
	<hr/>
Total revenues	4,327,552

Expenditures:

Professional staff salaries	546,453
Other staff salaries	1,443,927
Personnel related expense	509,971
Books, periodicals and other related materials	632,679
Donated administrative services and facilities	239,421
Utilities	205,094
Rent	163,089
Supplies	80,910
Library equipment	66,510
Equipment rental and repair	18,980
Professional fees	117,883
Insurance	13,865
Bookmobile and van expenses	16,855
Continuing education	7,531
Other	5,328
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Total expenditures	4,068,496

Revenues over expenditures	259,056
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Fund balance, beginning of year	<hr/> 2,191,008
Fund balance, end of year	\$ <hr/> <hr/> 2,450,064

See accompanying independent auditors' report.

COMPLIANCE SECTION



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

**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***

The Board of Trustees
Pamunkey Regional Library:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commission* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the general fund of the Pamunkey Regional Library (the Library) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated December 23, 2015, which included a paragraph emphasizing that in fiscal year 2015, the Library adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which provide new accounting guidance that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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* or the Specifications.

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 Library'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 Library's internal control and compliance. According, this communication is not suitable for any other purpose.

KPMG LLP

December 23, 2015