BLUE RIDGE REGIONAL LIBRARY

MARTINSVILLE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

BLUE RIDGE REGIONAL LIBRARY

FOR THE YEAR ENDED JUNE 30, 2019

BLUE RIDGE REGIONAL LIBRARY

FOR THE YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Blue Ridge Regional Library, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Blue Ridge Regional Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of the Blue Ridge Regional Library, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Others Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedules related to pension and OPEB funding on pages 3-6, 34, and 35-40 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of the Blue Ridge Regional Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Ridge Regional Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Ridge Regional Library's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
January 30, 2020

Blue Ridge Regional Library
Martinsville, Virginia

The Management's Discussion and Analysis (MD&A) offers readers of the Library's financial statements a narrative overview and analysis of the Library's financial activities for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in our financial statements and notes to the financial statements (which immediately follow this discussion). The library follows the financial reporting requirements of GASB Statement No. 34 (*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*). Sections include this Management's Discussion and Analysis, the Government-wide Statement of Net Position, the Government-wide Statement of Activities, the concept of major fund reporting, and the reporting of infrastructure capital assets and long-term debt liabilities in the governmental activities. These concepts are explained throughout this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The Blue Ridge Regional Library reported expenditures that exceeded revenues for the year ended June 30, 2019 by $48,311.
- As of June 30, 2019, the Library's net position was $129,803.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected fees, unpaid vendor invoices for items received by June 30, 2019, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2019.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Blue Ridge Regional Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Library's net position was $129,803 as of June 30, 2019. Of this amount, $614,648 is accounted for by capital assets, which includes furniture and equipment and software. GASB Statement No. 34 requires that all capital assets be reported. The Library facilities at the Martinsville Branch are owned by the City of Martinsville, and the facilities at the Patrick County Branch are owned by Patrick County; these facilities are recorded on each jurisdiction's financial statements. The facilities at the Bassett and Ridgeway Branches are owned by the Library. The facilities at the Collinsville Branch are held under an operating lease.

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

The Library has $710,722 in cash and investments. In addition, the Library had outstanding liabilities of $1,227,711, which consist of accounts payable of $34,795, compensated absences of $53,833, net pension liability of $1,081,299, and net group life insurance OPEB liability of $57,784. Refer to the notes to the financial statements for a more in depth discussion of compensated absences.

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

Statement of Activities - Changes in Net Position

Total revenues for the Blue Ridge Regional Library were $1,942,196 for the year ended June 30, 2019.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

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

Governmental Fund Revenue and Expense Analysis

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Fund Revenue and Expense Analysis (Continued)

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

	2019	2018
Participating localities	$ 1,311,896	$ 1,294,397
Intergovernmental	325,783	325,784
Fines and costs	39,157	38,857
Revenue from use of money and property	10,453	8,993
Recovered costs	2,302	6,965
Miscellaneous	60,773	107,087
Total revenues	$ 1,750,364	$ 1,782,083

The following provides an explanation of revenues by source.

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

The following provides an explanation of expenditures by category.

	2019	2018
Personnel	$ 1,123,047	$ 1,124,338
Materials	195,936	196,801
Internet and communications	52,885	58,772
Capital improvement	69,762	26,146
Other	382,699	353,829
	$ 1,824,329	$ 1,759,886

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Blue Ridge Regional Library's total investment in capital assets for its governmental activities as of June 30, 2019, totaled 614,648 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements as well as machinery and equipment.

Long-Term Obligations

At June 30, 2019, Blue Ridge Regional Library had no long-term obligations other than those associated with compensated absences and net pension and OPEB as described in Note 5 of the accompanying Notes to Financial Statements.

HISTORY

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

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

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

REQUEST FOR INFORMATION

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

- Basic Financial Statements -

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2019

		Governmental Activities
Assets		
Current assets:		
Cash and cash equivalents	$	354,963
Investments		355,759
Total Current Assets	$	710,722
Noncurrent Assets:		
Capital assets (net of accumulated depreciation):		
Land	$	92,646
Buildings and improvements		264,389
Machinery and equipment		257,613
Total Noncurrent Assets	$	614,648
Total Assets	$	1,325,370
Deferred Outflows of Resources		
Pension related items	$	120,500
OPEB related items		6,732
Total deferred outflows of resources	$	127,232
Total assets and deferred outflows of resources	$	1,452,602
Liabilities		
Current liabilities:		
Accounts payable	$	34,795
Long-term obligations, current portion		5,383
Total current liabilities	$	40,178
Noncurrent liabilities:		
Long-term obligations, net of current portion	$	1,187,533
Total Liabilities	$	1,227,711
Deferred Inflows of Resources		
Pension related items	$	87,215
OPEB related items		7,873
Total deferred inflows of resources	$	95,088
Net Position		
Investment in capital assets	$	614,648
Unrestricted		(484,845)
Total net position	$	129,803
Total liabilities, deferred inflows of resources and net position	$	1,452,602

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

Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total**
Governmental Activities:					
Library	$ 1,707,998	$ 39,157	$ 1,637,679	$ 143,480	$ 112,318
	General revenues:				
	Revenue from use of money and property				$ 36,107
	Miscellaneous				85,773
	Total general revenues				$ 121,880
	Change in net position				$ 234,198
	Net position - beginning				(104,395)
	Net position - ending				$ 129,803

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

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2019

		General Fund		Capital Projects Fund		Total Govern-mental Funds
Assets:						
Cash in bank - checking	$	301,586	$	53,327	$	354,913
Petty cash		50		-		50
Investments		-		355,759		355,759
Total assets	$	301,636	$	409,086	$	710,722
Liabilities:						
Accounts payable	$	34,795	$	-	$	34,795
Total liabilities	$	34,795	$	-	$	34,795
Fund balances:						
Restricted:						
Computer replacement	$	117,872	$	-	$	117,872
Committed:						
Capital improvements - Expanding Knowledge 1985		-		52,373		52,373
Capital improvements - Great Expectations 1988		-		356,713		356,713
Unassigned		148,969		-		148,969
Total fund balances	$	266,841	$	409,086	$	675,927
Total liabilities and fund balance	$	301,636	$	409,086	$	710,722

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

Total fund balances per above			$	675,927
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				614,648
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.				
Pension related items	$	120,500		
OPEB related items		6,732		127,232
Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.				(1,192,916)
Deferred inflows of resources are not due and apayable in the current period and, therefore, are not reported in the funds.				
Pension related items	$	(87,215)		
OPEB related items		(7,873)		(95,088)
Net position of General Government Activities			$	129,803

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Fines and costs	$ 39,157	$ -	$ 39,157
Revenue from use of money and property	10,453	25,654	36,107
Miscellaneous	60,773	25,000	85,773
Recovered costs	2,302	-	2,302
Participating localities	1,311,896	-	1,311,896
Intergovernmental	325,783	-	325,783
Total revenues	$ 1,750,364	$ 50,654	$ 1,801,018
Expenditures:			
Cultural - library services	$ 1,824,329	$ 25,000	$ 1,849,329
Excess (deficiency) of revenues over (under) expenditures	$ (73,965)	$ 25,654	$ (48,311)
Other financing sources (uses):			
Transfers in	$ 100,505	$ -	$ 100,505
Transfers (out)	-	(100,505)	(100,505)
Total other financing sources (uses)	$ 100,505	$ (100,505)	$ -
Net changes in fund balance	$ 26,540	$ (74,851)	$ (48,311)
Fund balance at beginning of year	240,301	483,937	724,238
Fund balance at end of year	$ 266,841	$ 409,086	$ 675,927

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

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

				Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:				
Net change in fund balances - total governmental funds			$	(48,311)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. Details supporting this adjustment are as follows:				
Capital outlay	$	140,968		
Depreciation expense		(36,797)		104,171
The net effect of miscellaneous transactions involving capital assets (i.e., sales and dontations) is to increase net assets.				
Contributed asset (bookmobile)				143,480
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:				
Pension related items	$	31,439		
OPEB related items		6,479		
Change in compensated absences		(3,060)		34,858
Change in net position of governmental activities			$	234,198

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

A. Organization and Purpose:

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

B. Financial Reporting Entity:

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

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

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

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

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

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

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

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

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

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

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

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

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

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

1. Governmental Funds

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

a. General Fund - The General Fund is the primary operating fund of the Library. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from state and local contributions, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

b. Capital Projects Funds – The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund for reporting purposes.

D. Capital Assets:

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

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

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

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

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

E. Cash and Cash Equivalents:

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

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

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

F. Use of Estimates:

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

G. Compensated Absences:

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

H. Net Position:

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

I. Net Position Flow Assumption:

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

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

J. Accounts Receivable:

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

K. Collections and Books:

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

L. Pensions:

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Fund Balance:

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

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

N. Fund Balance: (Continued)

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

O. Deferred Outflows/Inflows of Resources:

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes

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

P. Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61,* provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations,* provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

NOTE 2 - CONTRIBUTED SERVICES:

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

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits:

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

NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

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

Fair Value Measurements:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

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

The Library has the following recurring fair value measurements as of June 30, 2019:

	Fair Value Measurement Using	
Investment Type	**6/30/2019**	**Quoted Prices in Active Markets for Idential Assets (Level 1)**
Mutual Fund	$ 355,759	$ 355,759
Total	$ 355,759	$ 355,759

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2019, there is no portion of the Library’s portfolio that exceeds 5% of the total portfolio. At present the Library does not have a policy related to custodial credit risk.

NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk:

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

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year
Mutual Funds	$ 355,759	$ 355,759
Total	$ 355,759	$ 355,759

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

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

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

NOTE 5 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Library for the year ended June 30, 2019.

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Compensated absences	$ 50,775	$ 13,215	$ 10,155	$ 53,835	$ 5,383
Net pension liability	1,148,214	438,586	505,503	1,081,297	-
Net OPEB liability	60,885	10,819	13,920	57,784	-
Total Long Term Obligations	$ 1,259,874	$ 462,620	$ 529,578	$ 1,192,916	$ 5,383

NOTE 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 92,646	$ -	$ -	$ 92,646
Total capital assets not being depreciated	$ 92,646	$ -	$ -	$ 92,646
Capital assets being depreciated:				
Buildings and improvements	$ 596,097	$ 33,097	$ -	$ 629,194
Machinery and equipment	906,827	251,350	-	1,158,177
Total capital assets being depreciated	$ 1,502,924	$ 284,447	$ -	$ 1,787,371
Accumulated depreciation:				
Buildings and improvements	$ 345,737	$ 19,068	$ -	$ 364,805
Machinery and equipment	882,835	17,729	-	900,564
Total accumulated depreciation	$ 1,228,572	$ 36,797	$ -	$ 1,265,369
Total capital assets being depreciated, net	$ 274,352	$ 247,650	$ -	$ 522,002
Net capital assets	$ 366,998	$ 247,650	$ -	$ 614,648

NOTE 7 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Library are automatically covered by a VRS Retirement Plan upon employment, through the City of Martinsville, Virginia. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through City of Martinsville, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the 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.

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service.

NOTE 7 - PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total creditable service. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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.

NOTE 7 - PENSION PLAN: (CONTINUED)

Contributions: (Continued)

The Library's contractually required employer contribution rate for the year ended June 30, 2019 was 16.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were $117,481 and $119,288 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the Library reported a liability of $1,081,299 for its proportionate share of the net pension liability. The Library's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. The Library's proportionate share of the same was calculated using creditable compensation as of June 30, 2018 and 2017 as a basis for allocation. At June 30, 2018 and 2017, the Library's proportion was 5.3576% and 5.5697%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Library's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

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

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

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

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

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

Long-Term Expected Rate of Return

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

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

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Library was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
Library's proportionate share of Martinsville retirement Plan Net Pension Liability (Asset)	$ 1,691,787	$ 1,081,299	$ 567,175

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

For the year ended June 30, 2019, the Library recognized pension expense of $31,772. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

NOTE 7 - PENSION PLAN: (CONTINUED)

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

At June 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 15,106
Change in assumptions	3,019	-
Net difference between projected and actual earnings on pension plan investments	-	37,129
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	34,980
Employer contributions subsequent to the measurement date	117,481	-
Total	$ 120,500	$ 87,215

$117,481 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2020	$ (3,462)
2021	(14,819)
2022	(53,487)
2023	(12,428)
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

Plan Description: (Continued)

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were $3,894 and $3,934 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

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

At June 30, 2019, the entity reported a liability of $57,784 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0038% as compared to 0.0041% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $(161). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,838	$ 1,018
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,874
Change in assumptions	-	2,410
Changes in proportion	-	2,571
Employer contributions subsequent to the measurement date	3,894	-
Total	$ 6,732	$ 7,873

$3,894 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	$ (1,446)
2021	(1,446)
2021	(1,446)
2022	(910)
2023	(55)
Thereafter	268

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

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

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		GLI OPEB Program
Total GLI OPEB Liability	$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	$	1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Library's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 75,510	$ 57,784	$ 43,378

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9 - LITIGATION:

At June 30, 2019, there were no matters of litigation involving the Library which would materially affect the Library's financial position should any court decisions on pending matters not be favorable to the Library.

- Required Supplementary Information -

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended June 30, 2019

	Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Fines and costs	$ 45,000	$ 45,000	$ 39,157	$ (5,843)
Revenue from use of money and property	-	-	10,453	10,453
Miscellaneous	38,500	38,500	60,773	22,273
Recovered costs	-	-	2,302	2,302
Participating localities	1,312,126	1,312,126	1,311,896	(230)
Intergovernmental	320,626	320,626	325,783	5,157
Total revenues	$ 1,716,252	$ 1,716,252	$ 1,750,364	$ 34,112
Expenditures:				
Cultural - library services	$ 1,716,252	$ 1,861,757	$ 1,824,329	$ 37,428
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (145,505)	$ (73,965)	$ 71,540
Other financing sources (uses):				
Transfers in	$ -	$ 100,505	$ 100,505	$ -
Net changes in fund balance	$ -	$ (45,000)	$ 26,540	$ 71,540
Fund balance at beginning of year	-	45,000	240,301	195,301
Fund balance at end of year	$ -	$ -	$ 266,841	$ 266,841

Schedule of Library's Proportionate Share of the Net Pension Liability
VRS Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Employee Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2018	5.3576%	$ 1,081,299	$ 739,038	146.31%	79.88%
2017	5.5697%	1,148,214	744,751	154.17%	79.02%
2016	5.3715%	1,302,329	720,314	180.80%	74.76%
2015	5.3700%	1,178,817	709,752	166.09%	77.41%
2014	5.4400%	1,058,696	696,178	152.07%	78.66%

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

Schedule of Employer Contributions
VRS Pension Plan
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 117,481	$ 117,481	$ -	$ 726,986	16.16%
2018	119,288	119,288	-	739,083	16.14%
2017	120,203	120,203	-	744,751	16.14%
2016	135,923	135,923	-	720,314	18.87%
2015	133,930	133,930	-	709,752	18.87%
2014	128,584	128,584	-	696,178	18.47%
2013	147,056	147,056	-	796,188	18.47%
2012	163,791	163,791	-	1,028,838	15.92%
2011	150,449	150,449	-	945,031	15.92%
2010	145,137	145,137	-	994,770	14.59%

Notes to Required Supplementary Information
VRS Pension Plan
For the Year Ended June 30, 2019

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Schedule of Library's Share of the Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2018	0.0038%	$ 57,784	$ 750,783	7.70%	51.22%
2017	0.0041%	60,885	746,152	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 3,894	$ 3,894	$ -	$ 748,846	0.52%
2018	3,934	3,934	-	750,783	0.52%
2017	3,880	3,880	-	746,152	0.52%
2016	3,588	3,588	-	747,445	0.48%
2015	3,542	3,542	-	737,920	0.48%
2014	3,436	3,436	-	715,850	0.48%
2013	3,335	3,335	-	694,835	0.48%
2012	1,965	1,965	-	701,874	0.28%
2011	1,972	1,972	-	704,181	0.28%
2010	1,516	1,516	-	561,073	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

- Other Supplementary Information -

Supporting Schedules

General Fund - Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Amended Budget	Actual	Variance Positive (Negative)
Fines and costs	$ 45,000	$ 45,000	$ 39,157	$ (5,843)
Revenue from use of money and property	$ -	$ -	$ 10,453	$ 10,453
Miscellaneous:				
Miscellaneous	$ -	$ -	$ 458	$ 458
Donations	-	-	16,904	16,904
Refunds	38,500	38,500	43,411	4,911
Total miscellaneous	$ 38,500	$ 38,500	$ 60,773	$ 22,273
Recovered costs	$ -	$ -	$ 2,302	$ 2,302
Participating localities:				
City of Martinsville	$ 295,803	$ 295,803	$ 295,310	$ (493)
Henry County	735,541	735,541	735,698	157
Patrick County	280,782	280,782	280,888	106
Total participating localities	$ 1,312,126	$ 1,312,126	$ 1,311,896	$ (230)
Intergovernmental:				
Revenue from the Commonwealth:				
Commonwealth of Virginia	$ 320,626	$ 320,626	$ 325,783	$ 5,157
Totals	$ 1,716,252	$ 1,716,252	$ 1,750,364	$ 34,112

General Fund - Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Branch manager	$ 153,863	$ 153,863	$ 166,483	$ (12,620)
Director salary	63,454	63,454	63,454	-
Regional system services librarian	37,945	37,945	72,693	(34,748)
Branch librarians	39,113	39,113	75,895	(36,782)
Outreach assistants	39,807	39,807	38,652	1,155
Regional system personnel	96,123	96,123	48,568	47,555
Children's librarians	39,135	39,135	39,135	-
Reference librarian	46,371	46,371	46,371	-
Courier	9,138	9,138	11,175	(2,037)
Administrative assistant	33,825	33,825	37,283	(3,458)
Library assistants	214,964	214,964	158,682	56,282
Custodians	21,247	21,247	19,290	1,957
Pages	9,791	9,791	11,784	(1,993)
Electronic resources staff	45,248	45,248	43,852	1,396
Program coordinator	-	-	10,920	(10,920)
Social security	52,701	52,701	49,430	3,271
Medicare / FICA	12,327	12,327	11,560	767
Retirement payments	118,358	118,358	115,581	2,777
Disability insurance	-	-	469	(469)
Group medical insurance	98,700	98,700	89,910	8,790
State life insurance	9,561	9,561	9,433	128
Workers compensation	2,427	2,427	2,427	-
Assistance service	600	600	417	183
Audit	5,800	5,800	5,700	100
Professional services	3,800	3,800	3,321	479
Building and grounds	38,000	43,760	46,445	(2,685)
Fiscal services	3,600	3,600	3,600	-
EDP maintenance	37,000	37,000	31,166	5,834
Bibliographical services	22,500	22,500	22,351	149
Repairs and maintenance	6,000	6,000	1,929	4,071
Maintenance service contracts	5,300	5,300	5,753	(453)
IT maintenance service contracts	-	-	1,278	(1,278)
Advertising	2,000	2,000	2,030	(30)
Electricity	57,300	57,300	52,980	4,320
Fuel	7,600	7,600	5,343	2,257
Water	2,660	2,660	2,163	497

General Fund - Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2019 (Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Sewer	$ 2,660	$ 2,660	$ 2,132	$ 528
Garbage	700	700	530	170
Postal service	5,100	5,100	4,666	434
Telephone	7,510	7,510	11,353	(3,843)
Internet access charge	42,240	42,240	36,032	6,208
Insurance	12,475	12,475	12,385	90
Lease/rental of equipment	6,050	6,050	6,975	(925)
Lease/rental of building	37,200	37,200	37,200	-
Travel	2,500	2,500	832	1,668
Employee training	2,000	2,000	1,791	209
Recruitment	300	300	837	(537)
Membership	2,500	2,500	2,653	(153)
Office supplies	31,000	31,000	31,978	(978)
Janitorial supplies	2,500	2,500	1,742	758
Repair and maintenance supplies	4,000	31,553	23,301	8,252
Vehicle equipment and supplies	9,300	9,300	5,862	3,438
Computer supplies	3,000	3,000	2,524	476
Program supplies	16,061	16,061	15,203	858
Books	123,848	123,848	126,509	(2,661)
E-Books	15,500	15,500	15,326	174
Binding	500	500	248	252
Microfilm	2,300	2,300	2,036	264
Recordings and cassettes	22,000	22,000	24,592	(2,592)
Subscriptions	12,500	12,500	11,973	527
PC software	-	-	49	(49)
Online resources	5,500	5,500	5,500	-
Summer reading	-	-	5,153	(5,153)
Non-capital building improvements	-	4,321	2,482	1,839
Non-capital equipment	8,750	8,750	9,901	(1,151)
Capital Improvement	-	62,871	69,762	(6,891)
Capital outlay software	2,000	2,000	279	1,721
Bookmobile purchase	-	45,000	45,000	-
Totals	$ 1,716,252	$ 1,861,757	$ 1,824,329	$ 37,428

- Compliance -

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Blue Ridge Regional Library as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Blue Ridge Regional Library's financial statements and have issued our report thereon dated January 30, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
January 30, 2020