PAMUNKEY REGIONAL LIBRARY

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2018

And Report of Independent Auditor

PAMUNKEY REGIONAL LIBRARY
TABLE OF CONTENTS

JUNE 30, 2018

PAMUNKEY REGIONAL LIBRARY
BOARD OF TRUSTEES

JUNE 30, 2018

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Board of Trustees
Pamunkey Regional Library
Hanover, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Pamunkey Regional Library (the "Library"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the governmental activities and the General Fund of the Pamunkey Regional Library, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note I to the basic financial statements, the Library implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information other than Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Supplemental Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the Library's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
January 23, 2019

The Management's Discussion and Analysis ("MD&A") offers the readers of the Pamunkey Regional Library's (the "Library") financial statements a narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2018.

Financial Highlights

In fiscal year 2018, the Library's Commonwealth of Virginia aid award, slightly less than what was received in the previous year, was $435,537.

The Library's state aid grant changes from year to year, with the two primary factors impacting the amount of the grant being total amount of state aid available, and changes in the Library's local funding.

The Library Board classified the use of the General Fund balance at June 30, 2018 as follows: $700,000 (committed), and $1,877,043 (assigned).

Overview of the Financial Statements

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

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

Government-Wide Financial Statements – The Government-wide financial statements, similar to those used by private-sector companies, report information about the Library as a whole. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off financially as a result of the year's activities?". The Statement of Net Position and the Statement of Activities, the Government-wide financial statements, report information about Library finances as a whole and about its activities in a way that helps answer this question. These financial statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources prepared using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These financial statements include short-term, spendable resources with capital assets and long-term obligations. In the Statement of Net Position and the Statement of Activities on pages 10 and 11, respectively, reports the Library's activities, which consist of the following: personnel related expenses; books, periodicals, and other related materials; donated administrative services and facilities; utility expense; rent; depreciation; and other operational expenses. Primarily, operating contributions either through local government appropriations, Commonwealth of Virginia aid, or through donations finance most of these Library activities.

Fund Financial Statements – The fund financial statements focus on the Library's General Fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate fiscal accountability by using governmental fund financial statements to provide more detailed information about the Library's General Fund.

Fund – Within accounting principles generally accepted in the United States of America ("GAAP"), an operating fund is used to report all of an entity's basic services. The Library has one operating fund, which is the General Fund, where the focus is on (1) cash and other financial resources that can be readily converted to cash and (2) balances left at year-end that are available for spending. Consequently, the General Fund's statements provide a near or short-term view of the Library's finances that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance Library programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation statement of the operating funds that explains the relationship (or differences) between them. The General Fund's financial statements can be found on pages 12 through 15 of this annual financial report.

Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the financial information provided in the financial statements and can be found on pages 16 through 35 of this annual financial report.

Government-Wide Financial Analysis

Net Position

The following table reflects condensed information on the Library's net position as of June 30, 2018 and 2017:

Summary of Net Position

	Library activities	
	Years ended June 30	
	2018	2017
Current and other assets	$ 2,646,328	$ 3,147,747
Due from Hanover County	5,543	45,825
Net other postemployment benefits asset*	7,702	-
Capital assets	39,237	55,823
Total assets	2,698,810	3,249,395
Deferred outflows of resources	406,562	527,741
Current and other liabilities	74,828	224,882
Long-term liabilities*	729,902	888,732
Total liabilities	804,730	1,113,614
Deferred inflows of resources	103,811	49,953
Net position:		
Invested in capital assets	39,237	55,823
Restricted for other postemployement benefits*	7,702	-
Unrestricted for library services*	2,149,892	2,557,746
Total net position	$ 2,196,831	$ 2,613,569

*Balances for 2017 have been restated due to a chang in accounting principle

As noted earlier, net position may serve over time as a useful indicator of the Library's financial status. In the case of the Library's net position as of June 30, 2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $2,196,831 as compared to $2,613,569 as of June 30, 2017. As of June 30, 2018 and 2017, 1.79% or $39,237 and 2.04% or $55,823, respectively, of the Library's net position reflects its net investment in capital assets (e.g., vehicles, furniture and fixtures, and equipment). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Of the remaining net position balance as of June 30, 2018 and 2017, $2,149,892 and $2,597,746, respectively, are unrestricted.

Change in Net Position

For the years ended June 30, 2018 and 2017, the Library's total revenues and expenses for the Library's activities are reflected in the following table:

	Library activities	
	Years ended June 30	
	2018	**2017**
Revenues:		
Charges for services	$ 38,864	$ 39,580
Operating contributions	4,431,358	4,385,026
General revenues:		
Miscellaneous	517,885	156,767
Total revenues	4,988,107	4,581,373
Expenses:		
Personnel related expenses	2,702,877	2,635,908
Books, periodicals, and other related materials	593,861	719,258
Donated administrative services and facilities	304,717	306,620
Utility expense	183,842	184,705
Rent	174,515	172,449
Depreciation	16,586	15,441
Other operating expenses	1,428,447	469,550
Total expenses	5,404,845	4,503,931
Increase in net position	(416,738)	77,442
Net position, beginning of year as restated	2,613,569	2,536,127
Net position, end of year	$ 2,196,831	$ 2,613,569

Revenues

For the year ended June 30, 2018, revenues from all sources totaled $4,988,107 compared with the year ended June 30, 2017, when revenues from all sources were $4,581,373. Operating contributions, including donated services, are the largest component of revenues with $4,431,358 for the year ended June 30, 2018 (approximately 88.8% of the total Library activities revenues) and $4,385,026 for the year ended June 30, 2017 (approximately 95.7% of the total Library activities revenues). For the years ended June 30, 2018 and 2017, the remaining revenues consist mainly of miscellaneous general revenue, ($517,885 or 11.2%) and ($156,767 or 3.4%), respectively. Charges for services are the smallest source of revenue with $38,864 for the year ended June 30, 2018 (0.1% of the total Library activities revenues) and $39,580 for the year ended June 30, 2017 (0.1% of the total Library activities revenues).

Expenses

For the year ended June 30, 2018, program expenses for Library activities totaled $5,404,845 compared to $4,503,931 for the year ended June 30, 2017.

Personnel related expenses of $2,702,877 and $2,635,908 for the years ended June 30, 2018 and 2017, respectively, were the largest expenses of Library services, representing 50.1% for the year ended June 30, 2018 and 58.5% for the year ended June 30, 2017. For the year ended June 30, 2018, books, periodicals, and other related materials ($593,861 or 11.04%) was the second largest expense with the third largest expense ($304,717, or 5.7%) being donated administrative services and facilities. For the year ended June 30, 2017, books, periodicals, and other related materials ($719,258 or 16.0%) was the second largest expense with the third largest expense ($306,620 or 6.8%) being donated administrative services and facilities.

Capital assets depreciation for the year ended June 30, 2018 was $16,586 and for the year ended June 30, 2017, it was $15,441.

Financial Analysis of the Library's General Fund

General Fund

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

- At June 30, 2018, the Library's General Fund reported a fund balance of $2,577,043 compared with $2,968,690 at June 30, 2017. At June 30, 2018:
  - Assigned fund balance of $1,877,043 is established to be used in fiscal year 2019 for facilities related expenses,
  - Committed fund balance of $700,000 is established to be used in fiscal year 2019 for facilities, technology, and Library programming related expenses.

General Fund Library Revenues and Expenditures

The following table presents a summary of revenues of the Library General Fund for the years ended June 30, 2018 and 2017, along with the amount and percentage of increases and decreases in relation to prior year revenues:

	Year ended June 30, 2018	Percent of total	Year ended June 30, 2017	Percent of total	Increase (decrease) from 2017	Percent increase (decrease)
Revenues:						
Fines, penalties and fees	$ 38,864	1%	$ 39,580	1%	$ (716)	(2%)
Operating contributions:						
From local governments	3,691,104	74	3,619,532	79	71,572	2%
Donated administrative services and facilities	304,717	6	306,620	7	(1,903)	(1%)
State aid	435,537	9	458,874	10	(23,337)	(5%)
Miscellaneous	517,887	10	156,767	3	361,120	230%
Total revenues	$ 4,988,109	100%	$ 4,581,373	100%	$ 406,736	9%

Overall revenues for Library functions were generally even compared to last year.

The following table presents a summary of expenditures of the General Fund for the years ended June 30, 2018 2018 and 2017, along with the amount and percentage of increases and decreases in relation to prior year expenditures:

	Year ended June 30, 2018	Percent of total	Year ended June 30, 2017	Percent of total	Increase (decrease) from 2017	Percent increase (decrease)
Expenditures:						
Personnel related	$ 2,694,373	50%	$ 2,584,729	58%	$ 109,644	4%
Books, periodicals, and other related materials	593,861	11	719,258	16	(125,397)	(17%)
Donated administrative services and facilities	304,717	6	306,620	7	(1,903)	(1%)
Utility expense	183,842	3	184,705	4	(863)	0%
Rent	174,515	3	172,449	4	2,066	1%
Miscellaneous	1,428,448	27	516,118	11	912,330	177%
Total expenditures	$ 5,379,756	100%	$ 4,483,879	100%	$ 895,877	20%

Overall, expenditures were 20% higher than prior year led by miscellaneous, which included $900,000 in one-time funding for the design and engineering of a new Atlee Branch Library. Books, periodicals, and other related materials (4.24%) was the second largest increase in expenditures. Rent increases are specified in the lease agreement.

The following table presents a summary of the Library's budgetary highlights for the year ended June 30, 2018, along with the variances as compared to the actual June 30, 2017 revenues and expenditures.

Year Ended June 30, 2018 General Fund Budgetary Highlights

	Original budget	Amended budget	Actual	Variance positive (negative)
Revenues:				
Fines, penalties and fees	$ -	$ -	38,864	$ 38,864
Operating contributions	3,691,105	3,691,104	3,691,104	-
Donated administrative services and facilities	-	-	304,717	304,717
State aid	435,307	435,518	435,537	19
Miscellaneous	1,029,000	1,329,000	517,887	(811,113)
Total	$ 5,155,412	$ 5,455,622	$ 4,988,109	$ (467,513)
Expenditures:				
Personnel related	$ 2,936,393	$ 2,936,393	$ 2,694,373	$ 242,020
Books, periodicals and other related materials	581,580	581,790	593,861	(12,071)
Donated administrative services and facilities	-	-	304,717	(304,717)
Utility	152,520	152,520	183,842	(31,322)
Rent	177,953	360,953	174,515	186,438
Miscellaneous	1,306,966	1,423,966	1,428,448	(4,482)
Total	$ 5,155,412	$ 5,455,622	$ 5,379,756	$ 75,866

Capital Assets

The Library's changes in capital assets, net of accumulated depreciation, for the year ended June 30, 2018 for its Library activities are reflected in the table below:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Vehicles	$ 118,860	$ -	$ (16,648)	$ 102,212
Furniture and fixtures	119,494	-	-	119,494
Equipment	35,786	-	-	35,786
Total capital assets	274,140	-	(16,648)	257,492
Less accumulated depreciation for:				
Vehicles	(78,501)	(9,314)	16,648	(71,167)
Furniture and fixtures	(104,030)	(7,272)	-	(111,302)
Equipment	(35,786)	-	-	(35,786)
Total accumulated depreciation	(218,317)	(16,586)	16,648	(218,255)
Total capital assets, net	$ 55,823	$ (16,586)	$ -	$ 39,237

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

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

Economic Factors and Next Year's Budgets

The Library's four participating counties are experiencing mixed economic stability. Goochland and Hanover are stable and economically healthy. King and Queen and King William are experiencing decreased tax revenues. The Library's long-range plan supports budget requests from the four local governments. For fiscal year 2019, the Library is requesting increases in local government contributions to support staff raises. The Commonwealth's aid is expected to remain stable.

Requests for Information

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

PAMUNKEY REGIONAL LIBRARY
STATEMENT OF NET POSITION

JUNE 30, 2018

Assets	
Cash and investments	$ 2,646,328
Due from Hanover County	5,543
Net other postemployment benefits asset	7,702
Capital assets, net of accumulated depreciation	39,237
Total Assets	2,698,810
Deferred Outflows of Resources	
Deferred outflows relating to pension	381,972
Deferred outflows relating to other postemployment benefits	24,590
Total Deferred Outflows of Resources	406,562
Liabilities	
Accounts payable	26,451
Due to Hanover County	48,377
Compensated absences	172,551
Net pension liability	439,495
Net other postemployment benefits liability	117,856
Total Liabilities	804,730
Deferred Inflows of Resources	
Deferred inflows relating to pension	91,741
Deferred inflows relating to other postemployment benefits	12,070
Total Deferred Inflows of Resources	103,811
Net Position	
Invested in capital assets	39,237
Restricted for other postemployment benefits	7,702
Unrestricted for Library operations	2,149,892
Total Net Position	$ 2,196,831

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

PAMUNKEY REGIONAL LIBRARY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Program expenses:	
Personnel related	$ 2,702,877
Books, periodicals and other related materials	593,861
Donated administrative services and facilities	304,717
Utility expense	183,842
Rent	174,515
Depreciation	16,586
Other operational expenses	1,428,447
Total program expenses	5,404,845
Program revenues:	
Fines, penalties and fees	38,864
Operating contributions:	
Donated administrative services and facilities	304,717
State aid	435,537
Total program revenues	779,118
Net program loss	(4,625,727)
General revenues:	
Operating contributions from local governments	3,691,104
Miscellaneous	517,885
Total general revenues	4,208,989
Net decrease in net position	(416,738)
Net position, beginning of year, as restated	2,613,569
Net position, end of year	$ 2,196,831

PAMUNKEY REGIONAL LIBRARY

BALANCE SHEET – GENERAL FUND

JUNE 30, 2018

Assets		
Cash and investments	$	2,646,328
Due from Hanover County		5,543
Total Assets	$	2,651,871
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	26,451
Due to Hanover County		48,377
Total Liabilities		74,828
Fund balance:		
Committed		700,000
Assigned		1,877,043
Total Fund Balance		2,577,043
Total Liabilities and Fund Balance	$	2,651,871

PAMUNKEY REGIONAL LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND TO THE STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2018

Ending fund balance – General Fund	$	2,577,043
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		
Capital assets, being depreciated:		
Vehicles		102,212
Furniture and fixtures		119,494
Equipment		35,786
Total capital assets		257,492
Less accumulated depreciation		(218,255)
		39,237
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the fund:		
Compensated absences		(172,551)
GAAP requires the recognition of net pension liability and deferred inflows and outlflows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds.		
Net pension liability		(439,495)
Pension investment experience		31,515
Pension contributions after measurement date		121,371
Difference between expected and actual experience		125,361
Change in assumptions		11,984
GAAP requires the recognition of net other postemployment benefits asset, net other postemployment benefits liability, and deferred inflows and outflows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the funds.		
Net other postemployment benefits asset		7,702
Net other postemployment benefits liability		(117,856)
OPEB investment experience		(3,817)
Difference between expected and actual experience		(3,000)
Employer activity after measurement date		(220)
GLI and HIC contributions after measurement date		18,590
Change in assumptions		(5,033)
Change in proportion		6,000
Net position of governmental activities	$	2,196,831

PAMUNKEY REGIONAL LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GENERAL FUND

YEAR ENDED JUNE 30, 2018

Revenues:	
Fines, penalties and fees	$ 38,864
Operating contributions:	
From local governments	3,691,104
Donated administrative services and facilities	304,717
State aid	435,537
Miscellaneous	517,887
Total revenues	4,988,109
Expenditures:	
Personnel related	2,694,373
Books, periodicals and other related materials	593,861
Donated administrative services and facilities	304,717
Utilities	183,842
Rent	174,515
Miscellaneous	1,428,448
Total expenditures	5,379,756
Net change in fund balance	(391,647)
Fund balance, beginning of year	2,968,690
Fund balance, end of year	$ 2,577,043

PAMUNKEY REGIONAL LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Net change in fund balance – total General Fund	$	(391,647)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation expense		(16,586)
Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they are presented for payment. In the Statement of Activities, they are reported as expenses:		
Increase in obligation for compensated absences		(1,409)
Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. Pension expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net pension liability and deferred inflows and outflows of resources related to pension.		(20,132)
Other postemployment benefits (OPEB) contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. OPEB expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net OPEB asset, net OPEB liability, and deferred inflows and outflows of resources related to OPEB.		13,036
Change in net position	$	(416,738)

Note 1—Summary of significant accounting policies

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

Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities, whether short-term or long-term, of the Library. Governmental activities, which are mainly supported by operating contributions received from various counties, are reported on the government-wide financial statements.

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

Fund Financial Statements – The fund financial statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) of the Library's governmental fund reports the finances of the Library and generally include only short-term information, the most readily available assets and present due liabilities, and just the resources that flow into and out of the Library during the year and shortly thereafter.

Whereas the government-wide financial statements provide an all-encompassing view of all the Library's finances, the fund financial statements provide a narrower look at the Library's current resources as noted above. A reconciliation is provided that explains the reasons that total fund balance in the Balance Sheet differ from total net position in the government-wide Statement of Net Position. A reconciliation is also provided explaining the differences between the net change in fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the change in net position on the Statement of Activities. The differences noted on the reconciliations relate to the fact that the fund financial statements primarily report short-term financial information, whereas the government-wide statements report both short and long-term information.

The Library reports the following major governmental fund:

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

Note 1—Summary of significant accounting policies (continued)

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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

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

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

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

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

Note 1—Summary of significant accounting policies (continued)

Net Position and Fund Balance

Net position in government-wide statements may be classified as net investment in capital assets, restricted or unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through state statute. At June 30, 2018, there was $7,702 of net position restricted for other postemployment benefits.

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

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Library does not have any nonspendable fund balances at June 30, 2018.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The Library does not have any restricted fund balances at June 30, 2018.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes imposed by majority vote resolution of the Library Board. Any changes or removal of specific purpose requires majority action by the governing body. At June 30, 2018, the committed fund balance was $700,000.

Assigned Fund Balance – This classification includes the portion of fund balance that the Library intends to use for specific purposes and assigned by the Library Board. At June 30, 2018, the assigned fund balance was $1,877,043.

Unassigned Fund Balance – This classification includes the portion of the General Fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. At June 30, 2018, the Library had no unassigned fund balance.

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

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

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

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

Note 1—Summary of significant accounting policies (continued)

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

Pension Plan – The Library participates in the Virginia Retirement System ("VRS") Political Subdivision Retirement Plan, an agent multiple-employer plan, administered by the VRS. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS agent multiple-employers, and the additions to/deductions from the VRS agent multiple-employer net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retiree Medical Benefits Plan and Trust – The Library participates in the Hanover County Retiree Medical Benefits Plan a multiple-employer defined benefit plan and related Trust to provide health insurance benefits to the employees and retired employees of the County and other participating employers including the Hanover County School Board, the Pamunkey Regional Library, and the Pamunkey Regional Jail Authority. The Hanover County Finance Board was established pursuant to *Code of Virginia* §15.2-1547 is responsible for the oversight of the Hanover Retiree Medical Benefits Trust, established pursuant to *Code of Virginia* §15.2-1544, which provides the authority under which benefit terms are established or may be amended. The Library's portion of the related Medical Trust other postemployment benefits (OPEB) asset, deferred outflows or resources and deferred inflows of resources related to the Medical Trust OPEB Plan, and Medical Trust OPEB expense have been measured and reported in accordance with GAAP as prepared by Hanover County's external actuary. Additionally, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources representing a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources (expense) until then. The Library has pension and OPEB related items that qualify for reporting in this category and they relate to activity resulting from contributions made subsequent to the measurement date, the difference in projected and actual earnings on pension or OPEB plan investments, the difference between expected and actual experience, changes in assumptions and changes in proportion. Contributions made subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liability/asset in 2019. The difference between estimated and actual experience, changes in assumptions and changes in proportion will be amortized over the average remaining service life of the plan participants and the difference between projected earnings and actual experience will be amortized over the next five year period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources representing an acquisition of net position or fund balance that applies to future periods and thus, will not be recognized as an inflow of resources (revenue) until that time. The Library has deferred inflows of resources relating to pension and OPEB activity resulting from the difference between expected and actual experience, changes in assumptions, employer activity subsequent to the measurement date, changes in proportion, and the difference in projected and actual earnings on pension or OPEB plan investments. Employer activity subsequent to the measurement date will reduce the net OPEB asset in 2019. The difference between estimated and actual experience, changes in assumptions and changes in proportion will be amortized over the average remaining service life of the plan participants and the difference between projected earnings and actual experience will be amortized over the next five year period.

Note 1—Summary of significant accounting policies (continued)

New Accounting Pronouncements –

- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions and to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

  The Library adopted this statement in fiscal year 2018, presenting related amounts on the face of the financial statements and describing the related activity in Note 1—Summary of significant accounting policies. Additionally, the Required Supplementary Information (RSI) Schedules have been amended for the new presentation requirements. As a result of the change in accounting requirements, the fiscal year 2017 net position balance presented in this report differ from the items presented in the previously issued fiscal year 2017 financial statements. To facilitate the implementation of this change in accounting requirements, 2017 ending balances are adjusted as follows:

Net position - as previousl reported at June 30, 2017	$	2,724,239
Net other postemployment benefits asset at June 30, 2017		7,171
Net other postemployment benefits liability at June 30, 2017		(117,841)
	$	2,613,569

Note 2—Stewardship, compliance, and accountability

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

1) The Director of the Library prepares the overall proposed annual operating budget, which includes local appropriations from each county.

2) The Board of the Library approves the proposed annual operating budget and authorizes all operating expenditures and appropriates funds through the adoption of the budget.

3) The budget for the General Fund is adopted on a basis consistent with GAAP.

Note 3—Regional library agreement among the Counties of Hanover, Goochland, King and Queen, and King William

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

Note 4—Deposits and investments

Deposits – At June 30, 2018, the carrying value of the deposits of the Library was $238,911 and the bank balances were $298,064. The bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, which requires banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions.

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

The cash and investments balance at June 30, 2018 was composed of the following amounts:

	2018	2017
Cash on hand	$ 285	$ 285
Carrying amount of deposits	238,911	884,471
Investments	2,407,132	2,262,991
	$ 2,646,328	$ 3,147,747

Interest Rate Risk –Library policy limits the investment of operating funds to the LGIP or LGIP-type accounts as a means of limiting exposure to risks of fair value losses. The investment types in the pooled investment portfolio are presented below using the segmented time distribution reporting method, by maturity in days:

Weighted Average Maturity (WAM) Investments	WAM*	FV
LGIP EM	370	$ 1,536,706
LGIP	60	870,426
*Duration in days		$ 2,407,132

Note 4—Deposits and investments (continued)

Credit Risk – As required by State statute, the Library requires that commercial paper have a short-term debt rating of no less than A-1 (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Ratings, and that its maturity may not exceed 270 days and the issuing corporation, or its guarantor must have a net worth of at least $50 million and the issuer's net income must average $3 million for the five previous years. Corporate notes must have a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The final maturity shall not exceed a period of 5 years from the time of purchase. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Negotiable Certificates of Deposit and Bank Deposit Notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service.

Credit Quality Rating

Investment	AAA/AAAf
LGIP EM	$ 1,536,706
LGIP	870,426
	$ 2,407,132

Concentration of Credit Risk – The Library limits investments to the LGIP to control concentration of credit risk. Safeguarding principal by mitigating credit risk and interest rate risk are the foremost objectives of the Library's investment program. All other objectives are subordinate to the attainment of this objective.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. However, the Library requires that all securities purchased by the Library be properly and clearly labeled as an asset of the Library and held in safekeeping by a third-party custodial bank or institution in compliance with Section 2.2-4515 of the *Code of Virginia*. Therefore, the Library has no custodial credit risk.

Fair Value Measurement – Fair value was estimated for each class of financial instrument for which it was practical to estimate fair value. Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not acting under duress. Fair value hierarchy disclosures are based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. The three levels of the fair value hierarchy are defined as follows:

> Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.
>
> Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, significant other observable inputs, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
>
> Level 3 – inputs to the valuation methodology are significant unobservable for the asset or liability and are significant to the fair value measurement.

Note 4—Deposits and investments (continued)

Fair values of the Library's investment portfolio are estimated using unadjusted prices obtained by its investment manager from third-party pricing services, where available. For securities where the Library is unable to obtain fair values from a pricing service or broker, fair values are estimated using information obtained from the Library's investment manager.

Management performs several procedures to ascertain the reasonableness of investment values included in the financial statements including 1) obtaining and reviewing internal control reports from the Library's investment manager that obtain fair values from third party pricing services, 2) discussing with the Library's investment manager its process for reviewing and validating pricing obtained from outside pricing services, 3) reviewing the security pricing received from the Library's investment manager and monitoring changes in unrealized gains and losses. The Library has evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the balances of assets measured at fair value on a recurring basis as of June 30, 2018 by level within the fair value hierarchy:

Fair Value Measurement

Investment	Level 1	Level 2	Level 3	Total
LGIP EM	$ -	1,536,706	$ -	$ 1,536,706

Note 5—Capital Assets

Capital assets at June 30, 2018 were composed of the following amounts:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Vehicles	$ 118,860	$ -	$ (16,648)	$ 102,212
Furniture and fixtures	119,494	-	-	119,494
Equipment	35,786	-	-	35,786
Total capital assets	274,140	-	(16,648)	257,492
Less accumulated depreciation for:				
Vehicles	(78,501)	(9,314)	16,648	(71,167)
Furniture and fixtures	(104,030)	(7,272)	-	(111,302)
Equipment	(35,786)	-	-	(35,786)
Total accumulated depreciation	218,317	(16,586)	16,648	(218,255)
Total capital assets, net	$ 55,823	$ (16,586)	$ -	$ 39,237

Note 6—Compensated absences

The following is a summary of the compensated absences of the Library for the year ended June 30, 2018:

	Compensated absences
Balance at June 30, 2017	$ 171,142
Additions	133,780
Deletions	(132,371)
Balance at June 30, 2018	$ 172,551

Note 7—Donated administrative services and facilities

In addition to the yearly appropriation of funds described in note 3, the Counties of Goochland, Hanover, and King and Queen and the Town of West Point provide certain branch libraries with free utility services, library space, and building improvements. Hanover County also provides certain free general government administrative and accounting services relating to payroll record keeping for the Library. The value of such contributions from the County amounted to $241,228 for the year ended June 30, 2018. The Counties of King and Queen and Goochland, and the Town of West Point, collectively contributed $63,489 for the year ended June 30, 2018.

Note 8—Defined benefit pension plan – Virginia Retirement System

Pension Plan

Agent Multiple-Employer Plan – Library employees participate in the VRS Political Subdivision Retirement Plan administered by the VRS as an individual entity.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS agent multiple-employer and the additions to/deductions from the VRS agent multiple-employer net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR) and GASB 68 Report. A copy of the 2017 VRS CAFR and GAAP Pension Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

VRS Plan Description

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

The VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out as described below:

VRS Plan 1 and Plan 2

Overview: Plan 1 and Plan 2 are defined benefit plans. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for and in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Employees are eligible for and in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. VRS Plan 1 and Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service: Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future Library retirees.

Vesting: Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.

Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

Benefit Calculations: The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

For Plan 1, a member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. The Plan 1 retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Under Plan 1, the normal retirement age is 65, with a provision of age 60 for hazardous duty members. The earliest unreduced retirement can occur at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. The earliest reduced retirement can occur at age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

For Plan 2, a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. The service retirement multiplier factor is the same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Under Plan 2, the normal retirement age is consistent with the normal Social Security retirement age. The earliest unreduced retirement can occur at normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. The earliest reduced retirement can occur at Age 60 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment in Retirement: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Under Plan 1, the Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Under Plan 2, the COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The

  COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% under Plan 1 and 1.65% under Plan 2 on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Hybrid Plan

Overview: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan as noted:

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window held January 1-April 30, 2014.

Contributions: A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

Creditable Service: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit, as well as determining vesting for the employer contribution portion of the plan. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future Library retirees.

Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.

Vesting: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service, as follows:

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Benefit Calculations: The benefit calculations for the Hybrid Plan are as outlined in Plan 1 and 2, except the benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

The average final compensation is a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. It is used in the retirement formula for the defined benefit component of the plan.

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

The service retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

The normal retirement age is consistent with the normal Social Security retirement age, with a provision that members are eligible to receive distributions upon leaving employment, subject to restrictions. The earliest member unreduced retirement can occur at normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. The COLA in retirement terms are consistent with the provisions noted for Plan 2.

Disability Coverage: Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service: Considerations are the same as noted under Plan 1, with the following exceptions:
- Hybrid Retirement Plan members are ineligible for ported service.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Pension Employees
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	3
Non-vested inactive members	3
Inactive members active elsewhere in VRS	2
Total inactive members	20
Active members:	26
Total covered employees	46

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

Contributions
The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The Library through the Hanover County Board of Supervisors elected to continue contributing the 5% employee contribution amount for all eligible Plan 1 and Plan 2 employees through June 30, 2012. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Library, through the Hanover County Board of Supervisors, elected to require that employees pay the 5% member contribution effective July 1, 2012 and provided a salary increase equal to the 5% employee-paid member contribution. In addition, the Library is required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees.

The contractually required contribution rates for the Library in VRS for the fiscal year ended June 30, 2018, was 10.71% of their annual covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were $121,371 and $110,831 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability
At June 30, 2018, the Library reported a net pension liability of $439,495. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

Actuarial Assumptions

The total pension liability was measured as of June 30, 2016 for Library employees, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return* (net of pension plan investment expense, including inflation)	7.00%
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; general employees males 95% of rates and 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 and females 1.0% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates and females 125% of rates

* 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 GAAP 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.

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

Library Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates
No change in salary scale
Increased line of duty disability from 14 to 15%

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class 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%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic normal return	7.30%

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

Discount Rate

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

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 4,699,926	$ 4,093,006	$ 606,920
Changes for the year:			
Service cost	113,345	-	113,345
Interest	327,679	-	327,679
Changes of assumptions	15,875	-	15,875
Differences between expected and actual experience	(81,306)	-	(81,306)
Contributions - employer	-	110,831	(110,831)
Contributions - employee	-	51,205	(51,205)
Net investment income	-	383,253	(383,253)
Benefit payments, including refunds of employee contributions	(37,592)	(37,592)	-
Administrative expenses	-	(1,822)	1,822
Other changes	-	(449)	449
Net changes	338,001	505,426	(167,425)
Balances at June 30, 2017	$ 5,037,927	$ 4,598,432	$ 439,495

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

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

	1% Decrease (6.00%)	Discount Rate (7.0%)	1 % Increase (8.0%)
Library Employees			
Net Pension Liability (Asset)	$ 1,002,811	$ 439,495	$ (36,040)

Note 8—Defined benefit pension plan – Virginia Retirement System (continued)

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

For the year ended June 30, 2018, the Library recognized pension expense of $141,503. At June 30, 2018, the Library reported a deferred outflows of resources and a deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 217,102	$ 91,741
Changes of assumptions	11,984	-
Net difference between projected and actual earnings on pension plan investments	31,515	-
Employer contributions subsequent to the measurement date	121,371	-
Total	$ 381,972	$ 91,741

Deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date of $121,371 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2019	$ 40,201
2020	100,197
2021	48,240
2022	(19,778)
2023	-
Thereafter	-
Total	$ 168,860

Note 9—OPEB plan

The Library provides for optional participation by eligible retirees and their eligible spouses and dependents in the medical and prescription drug healthcare benefit program available to employees. The County has established the County Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Retiree Medical Benefits Trust Agreement (Trust), which are administered as one plan for the County and its affiliates (collectively, Employers). The Library accounts for and reports its participation in the Plan by applying the requirements for a cost-sharing multiple-employer plan. The Plan covers eligible retirees of the Library. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The *Code of Virginia* assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (Board). The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries.

The Trust is considered part of the County's financial reporting entity and is included in County's financial statements as an Other Postemployment Benefits Trust Fund. The Library is required to make periodic contributions to fund its share of the plan based on periodic actuarial analysis of its future obligations. A copy of Hanover County's FY2018 CAFR may be downloaded from the following website, https://www.hanovercounty.gov/283/Comprehensive-Annual-Financial-Report.

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

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from $333 to $957 per month and, for those electing retiree and family coverage, from $943 to $2,869 per month. Costs of administering the Plan will be borne by the Trust or by the Employers.

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

Note 9—OPEB plan (continued)

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

The July 1, 2017 actuarial valuation used the Entry Age Normal actuarial funding method calculated on a closed basis with an amortization period of 22 years as of July 1, 2015. The actuarial assumptions include a 7% discount rate of return based on advice from the Trust's investment advisors and an annual payroll increase assumption of 2.5%. The initial unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis over thirty years. Mortality rates were based on the RP-2000 Fully Generational Combined table.

The geometric method is used for the long-term expected rate of return of OPEB plan investments is 7.7% on Equities (Including US and International), 5.0% on Core Bonds, 6.0% on Intermediate Investment Grade Investments, 7.3% on Emerging Market Debt, 6.0% on High Yield Investments, and 5.2% on Bank Loans.

The discount rate used to measure the total OPEB liability was 7.0%, unchanged from Plan Inception. This is the expected rate of return on trust assets. The OPEB Trust Board established 7.0% as the long-term target rate for the Plan over a rolling five-year period. This is included in the most recent Investment Policy adopted on May 31, 2016. The OPEB Trust Board reviews annual feasibility studies performed by the Plan's investment consultant to consider the ongoing appropriateness of the target rate and whether a change should be considered. The Plan is not affected by changes in the Long Term Medical Trend.

Contributions - The Plan is funded through member and employer contributions on a pay-as-you-go basis. Retirees receiving benefits contribute a minimum of 74.6% of the health insurance premium rate for retiree only, retiree + one minor child, retiree & spouse, retiree + children, and family coverage, respectively. The actual contribution within each range depends on the health plan selected by the retiree. During the current year, retired Library members contributed $6,726, of the total premiums through their required contributions.

The Library contributed $879 in pay-as-you-go contributions to the Self Insurance Plan for the year ended June 30, 2018. These contributions equate to 0.48% of the Library's proportionate share in the Plan. It is the intent of the Library to fully fund the Actuarially Determined Contributions each year.

Net Postemployment Healthcare Plan and OPEB Asset
At June 30, 2018, the Library reported a net OPEB asset of $7,702 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of April 1, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The covered employer's proportion of the net OPEB asset was based on the covered employer's actuarially determined employer contributions to the Plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Library's proportion was 0.72%.

Note 9—OPEB plan (continued)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Library at June 30, 2018, using the discount rate of 7%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.0%)	1 % Increase (8.0%)
Library Employees			
Net OPEB Asset	$ 6,633	$ 7,702	$ 8,699

Long-Term Medical Trend – As Plan funding is used subsidize premium rates, the OPEB Plan liability is not affected by changes in the Long-Term Medical Trend.

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Library recognized OPEB expense for its retiree medical plan of $141. At June 30, 2018, the Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ -	$ 672
Employer activity subsequent to the measurement date	-	220
Total	$ -	$ 892

The $220 reported as deferred inflows of resources represents the excess amount of funds withdrawn from the Trust in excess of related retiree subsidy payments for the year ended June 30, 2018. This amount will be used to reduce retiree subsidies during fiscal year ending June 30, 2019. This amount will be recognized as a reduction of the Net OPEB asset in the fiscal year ending June 30, 2019.

The differences between expected and actual experience and net difference between projected and actual earnings on OPEB plan investments will be recognized in OPEB expense as follows:

Years Ending June 30,	
2019	$ (168)
2020	(168)
2021	(168)
2022	(168)
2023	-
Thereafter	-
Total	$ (672)

Note 10—Health Insurance Credit program – Virginia Retirement System

The Library participates in the Political Subdivision Health Insurance Credit (HIC) Program as an agent multiple-employer plan.

Plan Description
All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Eligible Employees
The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees of participating localities are enrolled automatically upon employment. They include Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts
The Library's Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

Note 10—Health Insurance Credit program – Virginia Retirement System (continued)

Program Notes
The monthly HIC benefit cannot exceed the individual premium amount. No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Note 10—Health Insurance Credit program – Virginia Retirement System (continued)

Employees Covered by Benefit Terms
As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	HIC Employees
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	3
Active members:	26
Total covered employees	29

Contributions
The contribution requirement for active employees is governed by §51.1-1402(E) 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. The Library's contractually required employer contribution rate for the year ended June 30, 2018 was 0.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the Library to the Political Subdivision HIC Program were $3,177 and $2,887 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB liability
The Library's net HIC OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Note 10—Health Insurance Credit program – Virginia Retirement System (continued)

Actuarial Assumptions

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

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return* (net of pension plan investment expense, including inflation)	7.00%
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; general employees males 95% of rates and 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 and females 1.0% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates and females 125% of rates

* 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 GAAP 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 the OPEB liabilities.

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

Library Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates
No change in salary scale
Increased line of duty disability from 14 to 15%

Note 10—Health Insurance Credit program – Virginia Retirement System (continued)

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

Note 10—Health Insurance Credit program – Virginia Retirement System (continued)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at June 30, 2016	$ 32,817	$ 2,089	$ 30,728
Changes for the year:			
Service cost	1,369	-	1,369
Interest	2,292	-	2,292
Changes of assumptions	(1,223)	-	(1,223)
Contributions - employer	-	2,887	(2,887)
Net investment income	-	424	(424)
Benefit payments, including refunds of employee contributions	(128)	(128)	-
Administrative expenses	-	(11)	11
Other changes	-	10	(10)
Net changes	2,310	3,182	(872)
Balances at June 30, 2017	$ 35,127	$ 5,271	$ 29,856

Sensitivity of the HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Library's HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Library's net HIC 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:

	1% Decrease (6.00%)	**Discount Rate (7.0%)**	**1 % Increase (8.0%)**
Library Employees			
Net HIC OPEB Liability	$ 33,652	$ 29,856	$ 26,617

Note 10—Health Insurance Credit program – Virginia Retirement System (continued)

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2018, the Library recognized HIC Program OPEB expense $3,193. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to the Library's HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 145
Change in assumptions	-	1,033
Employer contributions subsequent to the measurement date	3,177	-
Total	$ 3,177	$ 1,178

$3,177 reported as deferred outflows of resources related to the HIC OPEB resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Years Ending June 30,	
2019	$ (226)
2020	(226)
2021	(226)
2022	(227)
2023	(190)
Thereafter	(83)
Total	$ (1,178)

Note 11—Group Life Insurance Program – Virginia Retirement System

The Library participates in the VRS Group Life Insurance ("GLI") Program, cost-sharing multiple employer plans, for both its professional and non-professional employees.

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by VRS, along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

Note 11—Group Life Insurance Program – Virginia Retirement System (continued)

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

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

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

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

Benefit Amounts: **–** The benefits payable under GLI Program have several components.

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

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

Minimum Benefit Amount and Cost-of-Living Adjustment – For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Note 11—Group Life Insurance Program – Virginia Retirement System (continued)

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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Library were $15,413 and $14,009 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities
At June 30, 2018, the Library reported a liability of $88,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Library's proportion was 0.00580% as compared to 0.00539% at June 30, 2016.

GLI OPEB Expense
For the year ended June 30, 2018, the Library recognized GLI OPEB expense of $2,000. 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.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB
At June 30, 2018, the Library 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
Difference between expected and actual experience	$ -	$3,000
Net difference between projected and actual earnings on GLI OPEB investments		3,000
Changes of assumptions	-	4,000
Change in proportion	6,000	-
Employer contributions subsequent to the measurement date	15,413	-
Total	$21,413	$10,000

Note 11—Group Life Insurance Program – Virginia Retirement System (continued)

$15,413 reported as deferred outflows of resources related to the GLI OPEB resulting from the Library's non-professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Years Ending June 30,		
2019	$	(1,000)
2020		(1,000)
2021		(1,000)
2022		(1,000)
2023		-
Thereafter		-
Total	$	(4,000)

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

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return* (net of pension plan investment expense, including inflation)	7.00%
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; general employees males 95% of rates and 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 and females 1.0% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates and females 125% of rates

* 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 GAAP 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 the OPEB liabilities.

Note 11—Group Life Insurance Program – Virginia Retirement System (continued)

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

Library Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates
No change in salary scale
Increased line of duty disability from 14 to 15%

Net GLI OPEB Liability

The Net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

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

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in VRS's notes to the financial statements and required supplementary information.

Note 11—Group Life Insurance Program – Virginia Retirement System (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS'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%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic normal return	7.30%

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

Discount Rate

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

Note 11—Group Life Insurance Program – Virginia Retirement System (continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate
The following presents the Library'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:

	1% Decrease (6.00%)	Discount Rate (7.0%)	1 % Increase (8.0%)
Library Employees			
Net GLI OPEB Liability	$ 113,000	$ 88,000	$ 67,000

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

Note 12—Lease Commitments

Certain Library premises (i.e., Atlee Square, Upper King William, and the Montpelier branches) are leased under various operating leases that expire in 2020. Total rent expense for the year ended June 30, 2018 was $174,515.

As of June 30, 2018, future minimum lease payments due under operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Years ending June 30,	Future minimum lease payments
2019	$ 148,687
2020	153,148
2021	29,945
	$ 331,780

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

PAMUNKEY REGIONAL LIBRARY

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)

JUNE 30, 2018

	Budgeted amounts			Variance with final positive
	Original	Final	Actual	(negative)
Revenues:				
Fines, penalties and fees	$ -	$ -	$ 38,864	$ 38,864
Operating contributions:				
From local governments	3,691,105	3,691,104	3,691,104	-
Donated administrative services and facilities	-	-	304,717	304,717
State aid	435,307	435,518	435,537	19
Miscellaneous	1,029,000	1,329,000	517,887	(811,113)
Total revenues	5,155,412	5,455,622	4,988,109	(467,513)
Expenditures:				
Library services:				
Personnel related	2,936,393	2,936,393	2,694,373	242,020
Books, periodicals and other related materials	581,580	581,790	593,861	(12,071)
Donated administrative services and facilities	-	-	304,717	(304,717)
Utility	152,520	152,520	183,842	(31,322)
Rent	177,953	360,953	174,515	186,438
Miscellaneous	1,306,966	1,423,966	1,428,448	(4,482)
Total expenditures	5,155,412	5,455,622	5,379,756	75,866
Net change in fund balance	-	-	(391,647)	(391,647)
Fund balance – beginning	-	-	2,968,690	2,968,690
Fund balance – ending	$ -	$ -	$ 2,577,043	$ 2,577,043

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2018

	2018*	2017*	2016*	2015**
Total pension liability				
Service cost	$ 113,345	$ 114,279	$ 133,615	$ 124,981
Interest	327,679	281,576	271,337	239,812
Changes of assumptions	15,875	-	-	-
Differences between expected and actual experience	(81,306)	390,782	(56,250)	-
Benefit Payments, including refunds of employee contributions	(37,592)	(218,452)	(120,639)	(101,928)
Other changes	-	-	163,969	-
Net change in total pension liability	338,001	568,185	392,032	262,865
Total pension liability - beginning	4,699,926	4,131,741	3,739,709	3,476,844
Total pension liability - ending (a)	$ 5,037,927	$ 4,699,926	$ 4,131,741	$ 3,739,709
Plan fiduciary net position				
Contributions - employer	$ 110,831	$ 99,771	$ 113,256	$ 115,441
Contributions - employee	51,205	47,326	54,205	49,626
Net investment income	383,253	86,221	164,581	457,979
Benefit Payments, including refunds of employee contributions	(37,592)	(218,452)	(120,639)	(101,928)
Administrative expense	(1,822)	244	(2,167)	(2,392)
Other	(449)	(14)	484,035	24
Net change in plan fiduciary net position	505,426	15,096	693,271	518,750
Plan fiduciary net position - beginning	4,093,006	4,077,910	3,384,639	2,865,889
Plan fiduciary net position - ending (b)	$ 4,598,432	$ 4,093,006	$ 4,077,910	$ 3,384,639
Net pension liability ending (a) - (b)	$ 439,495	$ 606,920	$ 53,831	$ 355,070
Plan fiduciary net position as a percentage of the total Pension liability	91.28%	87.09%	98.70%	90.51%
Covered payroll	$ 1,068,959	$ 978,129	$ 1,048,018	$ 1,092,211
Net pension liability as a percentage of covered payroll	41.11%	62.05%	5.14%	32.51%

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

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

** For the fiscal year ended June 30, 2015, the Library VRS Plan was considered a cost-sharing employer in the Hanover County Plan. During the year, the Library's proportionate share of net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense were allocated based on plan contributions, approximately 1.79% for the year ended June 30, 2014.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

JUNE 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a% of Covered Employee Payroll (5)
2018	$ 121,371	$ 121,371	$ -	$ 1,175,436	10.37%
2017	$ 110,831	$ 110,831	$ -	$ 1,068,959	10.37%
2016	$ 99,771	$ 99,771	$ -	$ 978,129	10.20%
2015	$ 113,256	$ 113,256	$ -	$ 1,048,018	10.81%

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

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB ASSET HANOVER MEDICAL BENEFITS PLAN (UNAUDITED)

JUNE 30, 2018

Hanover County, Virginia Retiree Medical Benefits Plan - Library Portion

Library's share		**2018***
Library's Proportion of the Net OPEB Asset		0.48%
Library's Proportionate Share of the Net OPEB Asset	$	7,702
Covered Payroll	$	1,068,959
Library's Proportionate Share of the Net OPEB Asset as a Percentage of its Covered Payroll		0.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset		144.81%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

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

PAMUNKEY REGIONAL LIBRARY
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

JUNE 30, 2018

Date *	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a% of Covered Employee Payroll (5)
Medical Retiree Trust					
2018	$ 879	$ 879	$ -	$ 1,175,436	0.07%
2017	$ 1,049	$ 1,049	$ -	$ 1,068,959	0.10%
VRS - Health Insurance Credit					
2018	$ 3,177	$ 3,177	$ -	$ 1,175,436	0.27%
2017	$ 2,887	$ 2,887	$ -	$ 1,068,959	0.27%
VRS - Group Life Insurance					
2018	$ 15,413	$ 15,413	$ -	$ 1,175,436	1.31%
2017	$ 14,009	$ 14,009	$ -	$ 1,068,959	1.31%

Virginia Retirement System-Net OPEB HIC Plan

		2018*
Total OPEB liability		
Service cost	$	1,369
Interest on total HIC OPEB liability		2,292
Changes of assumptions		(1,223)
Benefit payments		(128)
Net change in total OPEB liability		2,310
Total OPEB liability - beginning		32,817
Total OPEB liability - ending (a)	$	35,127
Total fiduciary net position		
Contributions - employer	$	2,887
Net investment income		424
Benefit Payments, including refunds of employee contributions		(128)
Administrative expense		(11)
Other		10
Net change in plan fiduciary net position		3,182
Plan fiduciary net position - beginning		2,089
Plan fiduciary net position - ending (b)	$	5,271
Net OPEB liability ending (a) - (b)	$	29,856
Plan fiduciary net position as a percentage of the total OPEB liability		15.01%
Covered payroll		1,068,959
Political subdivision's net OPEB liability as a percentage of covered payroll		2.79%

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

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM (UNAUDITED)

JUNE 30, 2018

Virginia Retirement System-Net GLI OPEB Plan

Library's share	**2018***
Library's Proportion of the Net GLI OPEB Liability	0.00580%
Library's Proportionate Share of the Net GLI OPEB Liability	$ 88,000
Covered Payroll	$ 1,068,959
Library's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.232%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

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

VRS Pension, Health Insurance Credit, and Group Life Insurance Program

Changes of Benefit Terms **–** For the Pension valuation and disclosures, there have been no material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the numbers of participants were relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

For the Health Insurance Credit and Group Life Insurance Program, 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:

Library Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates
No change in salary scale
Increased line of duty disability from 14 to 15%

SUPPLEMENTAL INFORMATION

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GENERAL FUND

YEAR ENDED JUNE 30, 2018

Revenues:	
County of Hanover	$ 2,708,296
County of Goochland	424,810
County of King William	399,650
County of King and Queen	158,348
State Aid grants	435,537
Fines, penalties and fees	38,864
Other revenue	475,534
Donated administrative services and facilities	304,717
Expenditure refund	13,167
Interest income	29,186
Total Revenues	4,988,109
Expenditures:	
Professional staff salaries	626,498
Other staff salaries	1,516,292
Personnel related expense	551,583
Books and periodicals	593,861
Donated administrative services and facilities	304,717
Utilities	134,735
Telephone	49,107
Rent	174,515
Supplies	72,488
Library equipment	163,933
Equipment rental and repair	89,643
Reserve Fund Expenditure	900,000
Professional fees	151,122
Insurance	13,619
Bookmobile and van expenses	15,762
Continuing education	17,725
Other	4,156
Total Expenditures	5,379,756
Revenues over Expenditures	(391,647)
Fund balance, beginning of year	2,968,690
Fund balance, end of year	$ 2,577,043

COMPLIANCE SECTION

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

The Board of Trustees
Pamunkey Regional Library
Hanover, 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* ("Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the General Fund of the Pamunkey Regional Library (the "Library"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated January 23, 2019. Our report recognizes that the Library implemented one new accounting standard effective July 1, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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* or the Specifications.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cherry Bekaert LLP

Richmond, Virginia
January 23, 2019