



LIBRARY BOARD'S AGENDA – FEBRUARY 24, 2020

Monday – 3:00 pm
Northside Library
705 West Rio Road
Charlottesville, VA 22901

- 3:00 p.m. Call to Order & Disposition of the Minutes of the Previous Meeting**
- 3:05 Announcements & Public Comments**
- 3:10 Trustee Continuing Education-**
1. JMRL Teen Volunteers and Teen Advisory Boards, Tim Carrier (JMRL Young Adult Services Manager)
- 3:25 New Business-**
1. FY19 Audit Update, Megan Argenbright (Brown, Edwards & Company, L.L.P.)
- 3:45 Committee Appointments and Reports-**
1. Five Year Plan Committee Report
- 3:50 Old Business-**
1. FY21 JMRL Budget Discussion
 2. State Aid Advocacy
 3. JMRL Policy 2.6 - Travel Regulations Discussion and Potential Vote
- 4:15 Library Director's Report**
- 4:30 Other Matters**
- 4:35 Future Agenda Items**
- 4:40 Proposed Adjournment**

Trustees are asked to stay for a few minutes to take new photographs for JMRL's website update



Jefferson-Madison Regional Library

201 East Market Street | Charlottesville, Virginia 22902 | (434) 979-7151 | FAX (434) 971-7035

DRAFT

MINUTES OF THE JANUARY 27, 2019 MEETING OF THE LIBRARY'S BOARD OF TRUSTEES

TRUSTEES PRESENT

President Marcia McDuffie (Nelson)
Carla Mullen (Charlottesville)
Thomas Unsworth (Albemarle)
Lisa Woolfork (Charlottesville)
James West (Greene)

Erica Younglove (Albemarle)
Jane B. Kulow (Albemarle)
Vice President Wendy Wheaton Craig (Louisa)
Kathy Johnson Harris (Charlottesville)

TRUSTEES ABSENT

OTHERS PRESENT

David Plunkett, Library Director
Ginny Reese, Staff Reporter & Greene Manager
Jerry Carchedi, Business Manager
Robert Babyok, Louisa County Board of Supervisors

Zach Weisser, Specialist
Krista Farrell, Assistant Library Director
Letitia Shelton, Deputy City Manager (Charlottesville)

CALL TO ORDER & DISPOSITION OF THE MINUTES OF THE PREVIOUS MEETING

The regular monthly meeting of the Jefferson-Madison Regional Library's (JMRL) Board of Trustees was convened on Monday, January 27, 2019 at 3:00 PM in the meeting room of Northside Library, 705 West Rio Road, Charlottesville, VA 22901. The minutes for the December 16, 2019 Board Meeting were approved unanimously.

ANNOUNCEMENTS AND PUBLIC COMMENTS

Trustee West thanked Director Plunkett for meeting with the County Administrator in Greene about the Proposed Budget.

TRUSTEE CONTINUING EDUCATION

1. *JMRL Monthly Financial and Circulation Reports, David Plunkett and Jerry Carchedi (JMRL Director and Business Manager)*

Trustees received an informative presentation on reading and interpreting JMRL Monthly Financial and Circulation Reports.

NEW BUSINESS

1. *FY19 Audit Update*

Director Plunkett and Manager Carchedi received the draft of the FY19 Audit. They are waiting on the Management Discussion and Analysis form. When that is complete, Director Plunkett will send an electronic copy of the audit to Trustees and provide a paper copy for general access. No major findings were reported, and the Operating Budget fund balance was under 5%.

COMMITTEE APPOINTMENTS AND REPORTS

1. *Policy Committee Report*

Three Policies were reported on. Policy 2.6 "Travel Regulations" was read to the Board with redline changes; it will be voted on at the February 2020 Board Meeting. The Committee will continue to refine Policy 4.7 "Computer and Internet Access" and will bring it before the Board in March 2020. Policy 5.5 "Photography, Audio And Video Taping In Library Facilities" will be revised in accordance with more specific legal opinions and brought to the Board at a future date.

OLD BUSINESS

1. *FY21 JMRL Budget Discussion*

Director Plunkett reported that, the Proposed Budget having been distributed, he had heard back from relevant staff at every jurisdiction. Many were not optimistic about revenue projections. In some cases, increases for their own staff would be at or

under 2%. If Albemarle County raises their minimum hourly wage then the Personnel Committee will take that into consideration when they strategize for next year's proposals.

2. State Aid Advocacy

Director Plunkett reported that the full funding measure did not make it into the Governor's Budget. Currently, three amendments to fully fund state aid over a four year period exist, with two in the Senate and one in the House. Boilerplate letters encouraging adoption of these amendments will be provided to Trustees.

LIBRARY DIRECTOR'S REPORT

Director Plunkett reported that the Library is accepting applications for the recently vacant positions of IT Supervisor and Historical Society Librarian. Director Plunkett submitted JMRL's quarterly outreach reports, statistical reports for the Greene, Louisa, and Nelson, a Return on Investment (ROI) report for the budget meeting with Louisa County staff on library usage during the new hours, a report on updates regarding the Nelson renovation project (including the fact that Nelson Library will effectively move into an "interior pop-up library" at the end of February 2020) and that the Grow Nelson Library fundraising effort is more than 80% of the way to achieving the Perry Challenge Grant requirement.

OTHER MATTERS

Trustee Woolfork said that she attended a presentation by Mr. McLellan regarding culturally competent reading programs. It would be an excellent community outreach initiative to support his efforts. Director Plunkett agreed.

FUTURE AGENDA ITEMS

Future agenda items include: a Five-Year Plan Committee report; presenting the updated Schedule of Fines and Fees to be voted on in April 2020; a vote on Policy 2.6 "Travel Regulations"; continuing education on weeding problematic juvenile materials; and a separate report by the auditors on the FY19 Audit. The next Board Meeting will take place at Northside Library on February 24, 2020.

ADJOURNMENT

Trustee Mullen motioned to adjourn the meeting. The meeting adjourned at 4:06pm.

(MM:DP:zw)

REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Members of the Board of Trustees
Jefferson-Madison Regional Library
Charlottesville, Virginia

We have audited the financial statements of the governmental activities and each major fund of the Jefferson-Madison Regional Library, hereafter referred to as the “Library,” for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The useful lives of capital assets are based on management’s knowledge and judgment, which is based on history.
- The net pension liability and other postemployment benefits liability are based on actuarial studies provided by actuaries engaged by the City of Charlottesville.

We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Capital assets, pensions, and other postemployment benefits liabilities.

The financial statement disclosures are neutral, consistent and clear.

Significant Audit Findings (Continued)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Corrected Misstatement

- Approximately \$16,000 increase to fund balance with a corresponding increase to intergovernmental revenue.

There were no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 29, 2020, a copy of which is attached.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Cybersecurity Risk Management

In today's environment of increasingly frequent cyber-attacks, ensuring the adequacy of cybersecurity is a critical aspect of board oversight. In addition to significant business disruption, substantial response cost, negative publicity, and reputational harm, cybersecurity breaches can result in litigation, and leaders may face potential liability if they failed to implement adequate steps to protect the organization.

Evidence suggests there may be a gap between the magnitude of exposure presented by cyber-risks and steps many corporate boards have taken to address these risks. Organizational leaders should be asking themselves what they can, and should, be doing to effectively oversee cyber-risk management.

Restriction on Use

This information is intended solely for the use of the management of the Library and the City of Charlottesville and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 29, 2020

Attachment

CITY OF CHARLOTTESVILLE
"A World Class City"



Office of Director of Finance

P.O. Box 911 • Charlottesville, Virginia 22902
Telephone 434-970-3200 • Fax 434-970-3232

January 29, 2020

Brown, Edwards, & Company, L.L.P.
Certified Public Accountants
319 McClanahan Street, S.W.
Roanoke, Virginia 24014-7705

This representation letter is provided in connection with your audit of the financial statements of the Jefferson-Madison Regional Library, which comprise the respective financial position of the governmental activities and each major fund as of June 30, 2019, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 29, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 22, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the Library required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or

payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. There were none for the June 30, 2019 audit.
- 9) You have proposed an adjusting journal entry that has been posted to the entity's accounts. We are in agreement with that adjustments.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.
- 12) We have provided the planning communication letter to all members of those charged with governance as requested.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements. Amounts paid directly by other organizations are not recorded as contributions in the financial statements.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control,
 - Service organizations used by the entity, or
 - Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

- 19) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 20) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 21) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.


Government – Specific

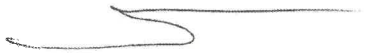
- 22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contract, and contract agreements, or abuse that you have reported to us, if applicable.
- 24) We have a process to track the status of audit findings and recommendations, if applicable.
- 25) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 26) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report, if applicable.
- 27) The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 28) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 29) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 30) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 31) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 32) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 33) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including

that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

- 34) The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 35) The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 36) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 37) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 38) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 39) Components of net position (investment in capital assets and unrestricted), and components of fund balance (committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 40) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Special and extraordinary items are appropriately classified and reported, if applicable.
- 45) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 46) Capital assets are properly capitalized, reported, and depreciated.
- 47) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
- 48) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 49) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board (GASBS) Statements that are not yet effective, as discussed in the notes to financial statements. The entity is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.
- 50) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- 51) We are following our established accounting policy regarding which resources (that is, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 52) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 53) Expenditures of federal awards were below the \$750,000 threshold in the audit period and we were not required to have an audit in accordance with the Uniform Guidance.
- 54) We reaffirm the representations made to you on December 19, 2018 as they related to your audit of the financial statements for the year ended June 30, 2018.

Signature: 
Title: Christopher Cullinan,
Director of Finance

Signature: 
Title: David Plunkett,
Library Director

JEFFERSON-MADISON REGIONAL LIBRARY

FINANCIAL REPORT

June 30, 2019

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INTRODUCTORY SECTION

JEFFERSON-MADISON REGIONAL LIBRARY

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2019

TRUSTEES

Marcia McDuffie – President
Wendy Wheaton Craig – Vice President
Kathy Johnson Harris
James West
Carla Mullen
Jane B. Kulow
Thomas Unsworth
Lisa Woolfork
Brian LaFontaine
Erica Younglove

OFFICIALS

Dr. Tarron J. Richardson..... City Manager
John C. Blair, II..... City Attorney
Chris Cullinan City Director of Finance

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Trustees
Jefferson-Madison Regional Library
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jefferson-Madison Regional Library (the "Library") as of and for the year ended June 30, 2019, 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.

Auditor's 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 *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Report on the Financial Statements (Continued)

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 each major fund of the Library, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Management has omitted the defined benefit pension plan schedules required by GASB 68 and the OPEB schedules required by GASB 75 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not modified with respect to this matter.

Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The introductory section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2020 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 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.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 29, 2020

**JEFFERSON-MADISON REGIONAL LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2019

This section of the Jefferson-Madison Regional Library's (the "Library") annual financial report presents a discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with your review of the Library's basic financial statements.

Financial Highlights for Fiscal Year 2019

Government-Wide Financial Statements: At the close of the fiscal year, the revenues of the Library exceeded its expenses by \$1,549,432. This is primarily due to actuarial changes in pension and other post-employment benefits calculations that lowered the liabilities, as well as deferred inflows and outflows for each.

Fund Financial Statements: As of the close of the current fiscal year, the Library's governmental funds reported a combined ending fund balance of \$1,040,878, an increase of \$79,581. At the end of the current fiscal year, the assigned fund balance was \$560.

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2019. This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The financial statements' focus is on both the Library as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the Library's accountability.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business. Government-wide financial reporting consists of two statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position – The statement of net position presents information on all the Library's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as the net position. The Library's net position is reported in two classifications: net investment in capital assets and unrestricted.

Over time, the increases or decreases in the Library's net position can be an indicator as to whether the financial position of the Library is improving or deteriorating. To accurately use the change in net position as an indicator of the Library's overall financial condition, the underlying factors contributing to the increase or decrease must be analyzed.

The Statement of Activities – The statement of activities presents information showing how the net position changed during the year. All changes in the net position are recognized as the underlying event occurs, regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

**JEFFERSON-MADISON REGIONAL LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2019

Since intergovernmental revenues principally support all of the Library's functions, they are reported as general revenues in the government-wide financial statements.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As is the case with other state and local governments, the Library ensures and demonstrates compliance with legal requirements through its use of fund accounting.

The governmental funds report essentially the same functions as the governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the Library's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 8 and 9 of this report.

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

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information detailing a comparison of the Library's budget as compared to actual results for the fiscal year ended June 30, 2019. Required supplementary information can be found on pages 30 and 31 of this report.

**JEFFERSON-MADISON REGIONAL LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2019

Government-Wide Financial Analysis

In accordance with the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Library presents the following financial analysis:

**Statement of Net Position
As of June 30, 2019 and 2018**

	2019	2018	% Change
Current assets	\$ 1,374,362	\$ 1,297,592	5.92%
Long-term assets			
Capital assets	<u>894,691</u>	<u>854,017</u>	4.76%
Total assets	<u>2,269,053</u>	<u>2,151,609</u>	5.46%
Deferred Outflows of resources			
Deferred charges - pensions	735,288	1,077,790	-31.78%
Deferred charges - OPEB	<u>232,385</u>	<u>252,012</u>	-7.79%
Total deferred outflows	<u>967,673</u>	<u>1,329,802</u>	-27.23%
Current liabilities	363,012	364,454	-0.40%
Long-term liabilities	<u>5,153,682</u>	<u>6,874,048</u>	-25.03%
	5,516,694	7,238,502	-23.79%
Deferred inflows of resources			
Deferred charges - pension	200,027	297,231	-32.70%
Deferred charges - OPEB	<u>119,724</u>	<u>94,829</u>	26.25%
Total deferred inflows	<u>319,751</u>	<u>392,060</u>	-18.44%
Net position			
Net investment in capital assets	894,691	854,017	4.76%
Unrestricted	<u>(3,494,410)</u>	<u>(5,003,168)</u>	-30.16%
Total net position	<u>\$ (2,599,719)</u>	<u>\$ (4,149,151)</u>	-37.34%

Net position may serve over time as useful indicator of the Library's financial position. In the case of the Library, liabilities and deferred inflows exceeded assets and deferred outflows by \$2,599,719 at the close of the most recent fiscal year. Of this amount, \$894,691 of the Library's net position reflects its investment in capital assets, net of related debt. Details on capital assets may be found in note 7. The Library has long-term obligations for pension, other post-employment benefits (OPEB), and compensated absences. Details on these obligations may be found in note 8. Details of pension and OPEB plans may be found in notes 10 and 11.

**JEFFERSON-MADISON REGIONAL LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2019

**Statement of Activities
For the Years Ended June 30, 2019 and 2018**

	2019	2018	% Change
Revenues:			
Intergovernmental revenue	\$ 8,232,354	\$ 7,967,598	3.32%
Charges for services	285,078	264,160	7.92%
Other	40,799	129,908	-68.59%
Total revenues	<u>8,558,231</u>	<u>8,361,666</u>	2.35%
Expenses:			
Administration	1,535,227	1,496,103	2.62%
Services	5,473,572	7,852,080	-30.29%
Total expenses	<u>7,008,799</u>	<u>9,348,183</u>	-25.03%
Change in net assets	1,549,432	(986,517)	-257.06%
Net position July 1, 2018	<u>(4,149,151)</u>	<u>(3,162,634)</u>	31.19%
Net position June 30, 2019	<u><u>\$ (2,599,719)</u></u>	<u><u>\$ (4,149,151)</u></u>	-37.34%

Intergovernmental revenues increased 2.35% in 2019 due to an increase in allocation from the participating localities. Overall, library long-term expenses decreased 25.03% in 2019 due to decreases in recognized pension and OPEB liability expenses.

Fund Financial Analysis

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financial requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$1,040,878, an increase of \$79,581.

Economic Factors and Next Year's Budget

Participating localities along with the Commonwealth of Virginia are the main source of revenue for the Library. Operating costs are allocated to the participating localities on the basis of library materials circulation. The fiscal year 2020 budget is planned to increase by approximately 3.2%. The Library expects continued strong public support.

Contacting the Library's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Jerry Carchedi, Business Manager, at 201 East Market Street, Charlottesville, Virginia 22902.

BASIC FINANCIAL STATEMENTS

JEFFERSON-MADISON REGIONAL LIBRARY

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
ASSETS:	
Cash and equivalents	\$ 1,262,839
Accounts receivable	12,613
Due from other governments	98,910
Capital assets, net of accumulated depreciation (Note 7)	894,691
Total assets	<u>2,269,053</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions (Note 10)	735,288
Deferred outflows related to other postemployment benefits (Note 11)	232,385
Total deferred outflows	<u>967,673</u>
LIABILITIES:	
Accounts payable	94,372
Accrued liabilities	230,712
Due to other governments	8,400
Compensated absences due within one year (Note 8)	29,528
Compensated absences due in more than one year (Note 8)	216,535
Net pension liability (Note 8 & 10)	2,842,652
Net other postemployment benefit liability (Note 8 & 11)	2,094,495
Total liabilities	<u>5,516,694</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pensions (Note 10)	200,027
Deferred inflows related to other postemployment benefits (Note 11)	119,724
Total deferred inflows	<u>319,751</u>
NET POSITION:	
Investment in capital assets	894,691
Unrestricted	(3,494,410)
Total net position	<u>\$ (2,599,719)</u>

The Notes to Financial Statements are an integral part of this statement.

JEFFERSON-MADISON REGIONAL LIBRARY

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
GOVERNMENTAL ACTIVITIES:			
Administration	\$ 1,535,227	\$ -	\$ (1,535,227)
Library Services	<u>5,473,572</u>	<u>285,078</u>	<u>(5,188,494)</u>
Total governmental activities	<u>\$ 7,008,799</u>	<u>\$ 285,078</u>	<u>(6,723,721)</u>
GENERAL REVENUES:			
Intergovernmental revenue (unrestricted)			8,232,354
Interest income			22,156
Miscellaneous revenue			<u>18,643</u>
Total general revenues			<u>8,273,153</u>
Net change in assets			1,549,432
NET POSITION - JULY 1, 2018			<u>(4,149,151)</u>
NET POSITION - JUNE 30, 2019			<u>\$ (2,599,719)</u>

The Notes to Financial Statements are an integral part of this statement.

JEFFERSON-MADISON REGIONAL LIBRARY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund	Equipment Fund	Total Governmental Funds
ASSETS			
Cash and temporary investments	\$ 663,208	\$ 599,631	\$ 1,262,839
Accounts receivable	12,613	-	12,613
Due from other governments	98,910	-	98,910
Total assets	<u>\$ 774,731</u>	<u>\$ 599,631</u>	<u>\$ 1,374,362</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 94,372	\$ -	\$ 94,372
Accrued liabilities	230,712	-	230,712
Due to other governments	8,400	-	8,400
Total liabilities	<u>333,484</u>	<u>-</u>	<u>333,484</u>
FUND BALANCE			
Committed	-	599,631	599,631
Assigned	560	-	560
Unassigned	440,687	-	440,687
Total fund balance	<u>441,247</u>	<u>599,631</u>	<u>1,040,878</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 774,731</u>	<u>\$ 599,631</u>	<u>\$ 1,374,362</u>

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION:

Total fund balance per Balance Sheet for governmental funds	\$ 1,040,878
Amounts reported for governmental activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	894,691
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	735,288
Other postemployment benefits	232,385
Deferred inflows related to:	
Pensions	(200,027)
Other postemployment benefits	(119,724)
Net pension liability	(2,842,652)
Net other postemployment benefits liability	(2,094,495)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(246,063)
Net position of governmental activities	<u>\$ (2,599,719)</u>

JEFFERSON-MADISON REGIONAL LIBRARY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Equipment Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Intergovernmental revenues:			
Revenue from the Commonwealth of Virginia	\$ 633,295	\$ -	\$ 633,295
Local government contributions:			
City of Charlottesville	1,945,479	-	1,945,479
County of Albemarle	4,585,509	-	4,585,509
County of Greene	395,892	-	395,892
County of Louisa	369,200	-	369,200
County of Nelson	294,069	-	294,069
Other local governments	8,910	-	8,910
Charges for services	-	285,078	285,078
Other revenues	40,799	-	40,799
Total revenues	<u>8,273,153</u>	<u>285,078</u>	<u>8,558,231</u>
EXPENDITURES:			
Salaries and employee-related benefits	5,821,591	-	5,821,591
Supplies and materials	882,681	198,477	1,081,158
Contractual services	1,510,630	27,154	1,537,784
Repairs and maintenance	15,357	-	15,357
Capital outlay	15,600	7,086	22,686
Other operating expenses	74	-	74
Total expenditures	<u>8,245,933</u>	<u>232,717</u>	<u>8,478,650</u>
Net change in fund balances	27,220	52,361	79,581
FUND BALANCE – JULY 1, 2018	<u>414,027</u>	<u>547,270</u>	<u>961,297</u>
FUND BALANCE – JUNE 30, 2019	<u>\$ 441,247</u>	<u>\$ 599,631</u>	<u>\$ 1,040,878</u>
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES:			
Net change in fund balance - governmental funds			\$ 79,581
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.			
Depreciation			(475,809)
Capital outlay			516,483
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not related in the funds.			
Deferred outflows related to:			
Pensions			(342,502)
Other postemployment benefits			(19,627)
Deferred inflows related to:			
Pensions			97,204
Other postemployment benefits			(24,895)
Net pension liability			926,543
Net other postemployment benefit liability			803,856
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Compensated absences			(11,402)
Change in Net Position of Government-wide Activities			<u>\$ 1,549,432</u>

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies

Reporting entity

The Jefferson-Madison Regional Library (the “Library”) is a joint venture operated in accordance with a regional library agreement among the City of Charlottesville, Virginia (the “City”) and the Virginia counties of Albemarle, Greene, Louisa, and Nelson (the “Counties”). These participating localities along with the Commonwealth of Virginia are the main source of revenue for the Library. Operating costs are allocated to the participating localities on the basis of library materials circulation. The City is the fiscal agent and is responsible for maintaining certain financial records for the Library.

A separate Board of Trustees governs the Library. Designation of management and accountability for fiscal matters rests with the Library’s Board of Trustees. The Library formulates and approves its own budget. There are no direct or indirect liabilities borne by the Counties or the City for the operation of the Library.

The Library is a jointly governed organization. All activities over which the Library is financially accountable have been incorporated in the Library’s reporting entity.

Basis of presentation

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Library as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental in nature. In the government-wide statement of net position, the governmental activities column (i) is presented on an aggregated basis, and (ii) is reflected on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. This presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide statement of activities reflects both the gross and net cost per functional category (library services, etc.) that are otherwise being supported by general government revenues (certain intergovernmental revenues, interest, etc.). The statement of activities reduces gross expenses (including depreciation) by directly related program revenues and contributions.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Items not specifically restricted to the various programs are reported as general revenues. The Library does not allocate indirect expenses.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of presentation (Continued)

Government-wide and Fund Financial Statements (Continued)

In the fund financial statements, financial transactions, and accounts of the Library are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund financial statements focus on individual major funds. GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. All of the Library's funds are considered major for financial reporting purposes. The fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The operations of the Library are recorded in the following major governmental funds:

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

The *Equipment Fund* is a special revenue fund that generates revenues from fees and fines collected from the use of library materials and equipment. The revenue is used to support the orderly operation, maintenance, and replacement of library equipment.

Basis of accounting

The governmental funds financial statements are reported on the flow of current financial resources measurement focus and the modified accrual basis of accounting wherein the focus is on the determination and changes in, financial position and only current assets and current liabilities are included on the balance sheet. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues are generally considered available if received within two months after the fiscal year-end. Intergovernmental revenues are recorded when all eligibility requirements are met and funds are considered available. Expenditures are recorded when the related liability is incurred, except for certain long-term obligations when the liability and expenditure are recorded when amounts are due to be payable.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of accounting (continued)

The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) are reported and accounted for on the economic resources measurement focus and the accrual basis of accounting, which include all assets and liabilities associated with the Library. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenues from non-exchange transactions, in which the Library receives value without directly giving equal value in exchange, such as donations, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Non-monetary donations, such as program supplies, are not recorded.

Capital assets

Capital assets include substantially all furniture, equipment, and vehicles having a minimum useful life of three years and having a cost of more than \$5,000. Library book purchases for each year are capitalized as one individual addition. Capital assets, which are used for general governmental purposes, are accounted for and reported in the government-wide financial statements. The buildings associated with the various Library branches are owned by the participating localities, and therefore are not recorded as Library capital assets.

Capital assets are stated at historical cost, estimated historical cost based on appraisals, or on other acceptable methods when historical cost is not available. Donated fixed assets are stated at their fair market value as of the date of the donation. Accumulated depreciation is reported over the estimated useful lives (books, 4 years; computers, 3 years; furniture and equipment, 10 years; and vehicles, 5 years) using the straight-line method annually.

Compensated absences

Under GAAP, a liability is recorded in governmental funds for unpaid vacation balances meeting certain criteria when the amount is due and payable. All compensated absences liabilities are accrued when earned in the government-wide financial statements.

A liability for sick leave is not recorded by the Library since accumulated sick leave not taken by year-end is not paid to the employee in terms of compensation. It is accumulated and tracked by employee so that upon retirement, the employee may roll over accumulated sick leave, which is counted towards credited service, for one-half of the accumulated amount up to a maximum of two thousand hours, in the City's retirement plan.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Internal and intra-entity activity

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities’ column of the government-wide financial statements. Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as operating transfers.

Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and reported revenues, expenditures and expenses. Actual results could differ from those estimates.

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. This separate financial element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension and Other Postemployment Benefits

Employees of the Library participate in the City of Charlottesville’s defined benefit and defined contribution retirement plans and Other Postemployment Benefits (“OPEB”) plan. Net pension liability, other postemployment benefits liability, deferred outflows of resources, and deferred inflows of resources are measured using actuarial methods. Pension expense for the defined benefit plan is equal to the changes in net pension liability, deferred outflows and deferred inflows of resources related to pension obligations. Similarly, OPEB expense is equal to the change in net OPEB liability, deferred outflows, and deferred inflows of resources related to OPEB obligations. Details of the Library’s retirement plans are included in Note 10. Details of the Library’s other postemployment benefits plan are included in Note 11.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Net Position/Fund Balance

Net Position in government-wide financial statements are classified as the net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Library does not have any nonspendable fund balances at June 30, 2019.

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, 2019.

Committed Fund Balance – Amounts constrained to specific purposes by formal action (adoption of an ordinance) by the government's highest level of decision-making authority (Board of Trustees). Committed amounts do not lapse nor can they be used for any other purpose unless the government takes the same level of action (adoption of another ordinance) to remove or change the constraint. The Library has \$599,631 committed in the equipment fund at June 30, 2019 to be used for future equipment needs.

Assigned Fund Balance – Assigned items represent the Library's intent to use certain resources for assigned purposes. Fund balances are assigned by resolution of the Board of Trustees. Fund balances in the equipment fund are automatically assigned if they are not committed, restricted, or non-spendable. At June 30, 2019, the Library had a total of \$560 assigned to cover encumbrances at year end.

Unassigned Fund Balance – The portion of the General Fund balance that has not been restricted, committed or assigned to specific purposes or other funds. At June 30, 2019, the Library had a total of \$440,687 in the general fund unassigned.

The Library has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Library will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Library funds, Library funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The finance director has the authority to deviate from this policy if it is in the best interest of the Library.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 3. Cash and Cash Equivalents

The Library's cash and cash equivalents are commingled with the City's for investment purposes and, as such, the Library follows the City's deposit policy. The City is authorized to hold cash and cash equivalents, including cash on hand, checking and savings accounts, certificates of deposit, repurchase agreements, and bankers acceptances. Because the Library's funds are commingled with the City's, specific information relating to the Library's balances by types and custodial credit risk classifications is not available. Refer to the City's 2019 Comprehensive Annual Financial Report for further information on cash and cash equivalents managed by the City.

Note 4. Related-party Transactions

The Library has entered into lease agreements with the City of Charlottesville and Albemarle County for its regional offices. Rent is paid annually, and totaled \$21,400 for the year ended June 30, 2019. Minimum future rental payments are included in Note 9.

Note 5. Reversion to Participating Localities

The regional library agreement limits the amount of year-end unrestricted fund balance that can be retained in the General Fund by the Library to 5% of the total operating budget. Funds accumulated in excess of the 5% limit must be returned to each of the participating localities on the same basis their contributions were determined. There were no accumulated funds in excess of the 5% limit as of June 30, 2019 or 2018.

Note 6. Termination of the Regional Library Agreement

In the event any participating locality determines to dissolve the regional library agreement as provided by the *Code of Virginia*, Section 42.1-42, as amended, the distribution or allocation of buildings, books, furnishings, and equipment shall be negotiated by a joint committee appointed by all the participating localities. However, any library books or other media permanently assigned to any particular local collection at the time negotiation for dissolution begins, shall remain in the locality responsible for that local collection for its use or disposal.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 7. Capital Assets

A summary of changes in property and equipment follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 161,937	\$ 15,600	\$ -	\$ 177,537
Computers	84,478	7,086	-	91,564
Books	6,694,726	493,797	(529,768)	6,658,755
Vehicles	<u>323,400</u>	<u>-</u>	<u>(35,370)</u>	<u>288,030</u>
Total capital assets being depreciated	<u>7,264,541</u>	<u>516,483</u>	<u>(565,138)</u>	<u>7,215,886</u>
Less accumulated depreciation for:				
Furniture and equipment	135,634	6,332	-	141,966
Computers	84,478	355	-	84,833
Books	6,063,582	431,178	(529,768)	5,964,992
Vehicles	<u>126,830</u>	<u>37,944</u>	<u>(35,370)</u>	<u>129,404</u>
Total accumulated depreciation	<u>6,410,524</u>	<u>475,809</u>	<u>(565,138)</u>	<u>6,321,195</u>
Total capital assets, net	<u>\$ 854,017</u>	<u>\$ 40,674</u>	<u>\$ -</u>	<u>\$ 894,691</u>

Depreciation expense of \$475,809 is included in Library Services in the Statement of Activities.

Note 8. Long-term Obligations

A summary of changes in pension and compensated absences follows:

	<u>Balance June 30, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2019</u>	<u>Due within One Year</u>
Pension liability	\$ 3,769,195	\$ -	\$ 926,543	\$ 2,842,652	\$ -
OPEB liability	2,898,351	-	803,856	2,094,495	-
Compensated absences	<u>234,661</u>	<u>39,561</u>	<u>28,159</u>	<u>246,063</u>	<u>29,528</u>
	<u>\$ 6,902,207</u>	<u>\$ 39,561</u>	<u>\$ 1,758,558</u>	<u>\$ 5,183,210</u>	<u>\$ 29,528</u>

Compensated absences are liquidated by the General Fund.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 9. Commitments and Contingencies

The Library is a lessee under a non-cancelable operating lease related to the Northside Branch Library. Rental expense for this lease is adjusted annually for CPI as stated in the lease agreement for five years and is set to expire on June 30, 2020. The lease will be renewed automatically for subsequent one-year terms until a new lease is executed or the agreement is terminated. As of the report date, the Library has not executed a new agreement. Rent expense for the lease agreement for the 2019 fiscal year was approximately \$58,990 per month and will be approximately \$60,042 per month for 2020 fiscal year.

Additionally, per the amended Jefferson-Madison Regional Library agreement, the Library makes annual payments to the City of Charlottesville and Albemarle County for office space in the Central branch used primarily for regional activities. Rental expense under this agreement was \$21,400 for the year ended June 30, 2019.

Future minimum lease payments under non-cancelable operating leases as of June 30 are:

<u>Fiscal Year</u>	
2020	<u>\$ 741,904</u>

Note 10. Retirement Plan

City of Charlottesville Supplemental Retirement or Pension Plan

Plan description – The Library is included in the City’s Pension Plan. The City administers the Pension Plan, a single-employer defined benefit plan for general and public safety employees of the primary government and two other jointly governed entities, including the Library. The Pension Plan provides retirement and disability benefits to eligible plan members and their beneficiaries. The plan is governed by City Council, as provided in Article II, IV, and V of Chapter 19 of the *City Code*, 1990, as amended, of the City of Charlottesville and is an irrevocable trust fund. City Council may amend benefits and other plan provisions, and is responsible for the management of plan assets. The Plan does not provide automatic annual increases (Cost-of-Living Adjustment) in benefits. The Pension Plan is considered a part of the City’s Reporting Entity and is included in the City’s financial statements as the Pension Trust Fund. There is no separately issued City Supplementary Retirement or Pension Plan report.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 10. Retirement Plan (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan (Continued)

The Pension Plan covers all regular employees that work at least half time for at least 36 weeks per year. Employer contribution is determined annually based on actuarial valuation data. Plan members are entitled to an annual retirement benefit, payable monthly for life. Employees hired before July 1, 2012, and employees hired on or after July 1, 2012, and employees hired on or after July 1, 2017 have different pension provisions and employee contribution rates as follows:

General Employees' Pension Plan – Normal Retirement Benefit			
	Before July 1, 2012	On or after July 1, 2012	On or after July 1, 2017
Normal Retirement Age	Age 65 with 5 years of service	Age 65 with 5 years of service	Age 65 with 5 years of service
Early Retirement Age (1/2% reduction for each month the actual retirement date is less than 30 years)	Age 55 with 5 years of service Age 50 with 30 years of service	Age 60 with 5 years of service Age 60 with 30 years of service	Age 60 with 5 years of service Age 60 with 30 years of service
Vesting	5 years of service	5 years of service	5 years of service
Employee Contribution for Pension and OPEB Plans	1% of base salary	3% of base salary	5% of base salary
Pension Benefit Formula	Average Final Compensation ("AFC") x 1.6% x years of creditable service	AFC x 1.6% x years of creditable service	AFC x 1.6% x years of creditable service
Years to Calculate AFC	3 years	5 years	5 years

The Library's participation in the Pension Plan consists of the following at June 30, 2019, the date of the most recent actuarial valuation:

Retirees and beneficiaries currently receiving benefits	39
Vested terminated employees	12
Current employees:	
Vested	25
Non-vested	-
Total	<u><u>76</u></u>

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 10. Retirement Plan (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan (Continued)

Contributions – The contribution requirements for plan members, including Library employees, are established and may be amended by Charlottesville City Council. Plan members hired before July 1, 2012 are required to contribute 1% of base pay, plan members hired on or after July 1, 2012 must contribute 3% of base pay, and plan members hired on or after July 1, 2017 must contribute 5% of base pay (annual covered salary) for pension plans. The City’s contribution rates are actuarially determined and consist of current costs plus amortization of prior service costs. The contribution rates for 2019 are based on the July 1, 2017 actuarial report. The contribution rate for 2019 was 19.97%.

Net Pension Liability – The Library’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net position liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial methods and assumptions – The actuarial determined contribution (ADC) for the plan was determined as part of the July 1, 2018 actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period remaining	20 years
Asset valuation method	4-year smoothed market
Investment return, including inflation	7.5%
Projected salary increases	Range 2.0%-4.0%
Assumed inflation rate	2.0% per annum, compounded annually
Cost of living adjustment, ad hoc	1.0% per year

Mortality rates – Healthy lives – RP-2000 table, fully generational, projected with scale AA; Disabled lives– RP-2000 table, fully generational, projected with scale AA, set forward set forward 5 years for males and females.

Long-term Expected Rate of Return – The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of assets for the fiscal year ended June 30, 2019 was 8.18%. The investment return on the smoothed value of assets (actuarial value of assets) was 7.86%. The expected rate of return was 7.50%. The actuarial value of net assets, which is used to determine the City’s contribution rate for the following fiscal year, is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a four year period.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 10. Retirement Plan (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity:		
Large Cap	30.0%	4.8%
Mid Cap	12.5%	8.0%
Small Cap	7.5%	6.8%
International Equity	10.0%	3.9%
Emerging Equity	5.0%	7.3%
Real Estate	10.0%	6.8%
Farmland	5.0%	10.4%
Fixed Income	<u>20.0%</u>	<u>2.8%</u>
Total	100.0%	5.5%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The table below presents the net pension liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1% lower and 1% higher.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net Pension Liability	<u>\$ 3,565,744</u>	<u>\$ 2,842,652</u>	<u>\$ 2,232,236</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – Pension plan changes for measurement date June 30, 2018 are presented on the fiscal year 2019 Statement of Net Position. The net pension liability was measured at June 30, 2018 and the total pension liability used to calculate the net pension liability was determined using an actuarial valuation performed as of June 30, 2017, using actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 10. Retirement Plan (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Prior years difference between expected and actual experience	\$ 104,674	\$ (1,212,885)
Prior years changes in proportion and difference between contributions	(617,068)	1,116,601
Prior years impact of change in proportion on beginning NPL	902,564	463,106
Prior years difference between expected and actual investment earnings	354,818	160,804
Prior years change in assumptions	479,164	-
Prior years amortization	(478,609)	(230,395)
Current year amortization	(327,189)	(141,952)
Differences between expected and actual experience	122,491	-
Impact of change in proportion on beginning NPL	-	866,676
Differences between expected and actual investment earnings	-	104,478
Changes in proportion and difference between employer contribution and proportionate share of contribution	(124,364)	(926,406)
Employer contributions subsequent to measurement	<u>318,807</u>	<u>-</u>
	<u>\$ 735,288</u>	<u>\$ 200,027</u>

Deferred inflow and outflow of resources is for pension plan contributions for the period July 01, 2018 to June 30, 2019, which is subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over a four-year period as pension expense as follows:

Year Ending June 30:

2020	\$ 54,114
2021	54,114
2022	54,114
2023	54,114
Thereafter	<u>-</u>
Total	<u>\$ 216,454</u>

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 10. Retirement Plan (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan (Continued)

The net pension liability at the measurement date of June 30, 2018:

	<u>Net Pension Liability</u>
Balances at June 30, 2017	\$ 3,769,195
Employer contributions	(332,247)
Change in expense	(362,438)
Change in deferred outflows of resources	(329,062)
Change in deferred inflows of resources	<u>97,204</u>
Balances at June 30, 2018	<u><u>\$ 2,842,652</u></u>

Note 11. Other Postemployment Benefits (OPEB) Obligations

Plan description – The City provides medical, dental and life insurance coverage for eligible Pension Plan members that elect to participate. Vested employees who separate service with the City before pension benefits are received are not eligible for OPEB benefits. The City administers the plan as part of the City’s benefit program. City Council may amend benefits for current and future retirees and are responsible for the management of the assets. Vested employees who separate service with the City before pension benefits are received are not eligible for OPEB benefits. The City administers the plan as part of the City’s benefit program. City Council may amend benefits for current and future retirees and are responsible for the management of the assets. The OPEB Trust is considered a part of the City’s Reporting Entity and is included in the City’s financial statements as the Pension Trust Fund. There is no separately issued City other postemployment benefits report.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Postemployment Benefits (Continued)

OPEB Plan Benefits		
	Before July 1, 2012	On or after July 1, 2012
Medical and Dental Coverage	<p>Must have 5 years of creditable service.</p> <p>Under Age 65: Can continue to participate in Health Care Program</p> <p>Over Age 65: Participants in program that provide Medicare Supplementary Insurance and certain wellness benefits.</p>	<p>Must have 10 years of creditable service.</p> <p>Under Age 65: Can continue to participate in Health Care Program</p> <p>Health and dental coverage end at Medicare eligibility age.</p>
Life Insurance	<p>Must have 5 years of creditable service.</p> <p>Two times annual salary reduced by 2% per month until benefit reaches the final annual salary.</p>	<p>Must have 10 years of creditable service.</p> <p>Two times annual salary reduced 25% per year until benefit reaches 50% the final annual salary.</p>

Members in the City’s OPEB Plan consists of the following at June 30, 2019, the date of the most recent actuarial valuation:

	<u>Members</u>
Inactive plan members or beneficiaries currently receiving benefit payments	43
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>25</u>
Total	<u><u>68</u></u>

Funding Policy – The contribution requirements for current and future Pension Plan members are established and may be amended by City Council. The city contribution is determined annually by City Council. Pension Plan members hired before December 3, 2002, received 100% of the city contribution towards the cost of medical and dental insurance. For Pension Plan Members hired on or after December 3, 2002, the city contribution toward the cost of medical and dental insurance is pro-rated based on vesting requirements and years of creditable service. Pension Plan members must pay for family members at their own expense. Surviving spouses of Pension Plan members may elect to continue health care benefits at their own expense. Life insurance is provided at no direct cost to the plan members.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Postemployment Benefits (Continued)

Defined Contribution Plan senior management is eligible for the same OPEB benefits as Pension Plan members. The contribution rates for 2019 are based on the July 1, 2017, actuarial report. The general employee contribution rate is 12.59%.

Actuarial methods and assumptions – The annual required contribution (ARC) for the plan was determined as part of the July 1, 2019 actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period remaining	20 years, closed
Asset valuation method	4-year smoothed market
Investment return, including inflation	7.5%
Projected salary increases	Range 2.0%-5.0%
Assumed inflation rate	2.0%
Cost of living adjustment	None
Healthcare cost trend rate	Medical trend 5.0-8.0% Dental trend 5.0%

Mortality rates – Healthy lives – RP-2000 table, fully generational, projected with scale AA; Disabled lives– RP-2000, fully generational, projected with scale AA, set forward 5 years for males and females.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Postemployment Benefits (Continued)

Long-term Expected Rate of Return – The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of assets for the fiscal year ended June 30, 2018 was 10.49%. The investment return on the smoothed value of assets (actuarial value of assets) was 8.07%. The expected rate of return was 7.50%. The actuarial value of net assets, which is used to determine the City’s contribution rate for the following fiscal year, is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a four-year period.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity		
Large Cap	30.0%	4.6%
Mid Cap	12.5%	7.4%
Small Cap	7.5%	6.3%
International Equity	10.0%	3.5%
Emerging Equity	5.0%	7.9%
Real Estate	10.0%	6.4%
Farmland	5.0%	9.6%
Fixed Income	20.0%	1.8%
Total	100.0%	5.0%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The table below presents the net OPEB liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1% lower and 1% higher.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net OPEB Liability	\$ 1,662,966	\$ 2,094,495	\$ 2,616,303

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The table below presents the net OPEB liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1% lower and 1% higher.

	<u>1% Decrease (6.5%)</u>	<u>Current Healthcare Cost Trend Rates (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net OPEB Liability	\$ 1,688,118	\$ 2,094,495	\$ 2,588,220

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Postemployment Benefits (Continued)

The Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources at June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Prior years difference between expected and actual experience	\$ 7,585	\$ -
Prior years changes in proportion and difference between contributions	421,971	13,306
Prior years difference between expected and actual investment earnings		81,523
Prior years change in assumptions	(420,733)	-
Current year amortization	(1,470)	(23,707)
Differences between expected and actual experience	-	32,801
Impact of change in proportion on beginning NOL	(1,722)	678,704
Differences between expected and actual investment earnings	-	52,408
Changes in proportion and difference between employer contribution and proportionate share of contribution	-	(715,311)
Employer contributions subsequent to measurement	226,754	-
	\$ 232,385	\$ 119,724

Deferred inflow and outflow of resources amount to \$226,754 resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ (28,524)
2021	(28,523)
2022	(28,523)
2023	(28,523)
Thereafter	-
Total	\$ (114,093)

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 12. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61 in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(Continued)

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 12. New Accounting Standards (Continued)

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91**, Conduit Debt Obligations in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

JEFFERSON-MADISON REGIONAL LIBRARY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VERSUS ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues:				
Revenue from the Commonwealth of Virginia	\$ 631,982	\$ 631,982	\$ 633,295	\$ 1,313
Local government contributions:				
City of Charlottesville	1,941,399	1,941,399	1,945,479	4,080
County of Albemarle	4,583,927	4,583,927	4,585,509	1,582
County of Greene	395,638	395,638	395,892	254
County of Louisa	368,718	368,718	369,200	482
County of Nelson	293,545	293,545	294,069	524
Other local governments	20,325	20,325	8,910	(11,415)
Other revenues	-	8,306	40,799	32,493
Total revenues	<u>8,235,534</u>	<u>8,243,840</u>	<u>8,273,153</u>	<u>29,313</u>
EXPENDITURES:				
Salaries and employee-related benefits	5,994,306	5,994,306	5,821,591	172,715
Supplies and materials	755,316	865,332	882,681	(17,349)
Contractual services	1,485,542	1,527,515	1,510,630	16,885
Repairs and maintenance	44,430	44,430	15,357	29,073
Capital outlay	-	-	15,600	(15,600)
Other operating expenses	20,000	20,000	74	19,926
Total operating expenditures	<u>8,299,594</u>	<u>8,451,583</u>	<u>8,245,933</u>	<u>205,650</u>
Net change in fund balance	<u>\$ (64,060)</u>	<u>\$ (207,743)</u>	<u>\$ 27,220</u>	<u>\$ 234,963</u>

JEFFERSON-MADISON REGIONAL LIBRARY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VERSUS ACTUAL
EQUIPMENT FUND
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance favorable (unfavorable)
	Original	Final		
REVENUES:				
Charges for Services				
Library-generated revenue	\$ 200,724	\$ 200,724	\$ 285,078	\$ 84,354
Total revenues	<u>200,724</u>	<u>200,724</u>	<u>285,078</u>	<u>84,354</u>
EXPENDITURES:				
Supplies and materials	250,000	250,000	198,477	51,523
Contractual services	125,190	125,190	27,154	98,036
Capital outlay	-	-	7,086	(7,086)
Total operating expenditures	<u>375,190</u>	<u>375,190</u>	<u>232,717</u>	<u>142,473</u>
Net change in fund balance	<u>\$ (174,466)</u>	<u>\$ (174,466)</u>	<u>\$ 52,361</u>	<u>\$ 226,827</u>

JEFFERSON-MADISON REGIONAL LIBRARY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019

Note 1. Budgetary Process

The Library follows these procedures in developing its annual budget for all funds for the following year:

- In November, the Business Manager and Director prepare a preliminary budget for the Library's funds that is submitted to the Board of Trustees (the "Board") for approval before submission to the jurisdictions.
- In December, a proposed budget is prepared and submitted to the Board for approval and sent to the jurisdictions for funding.
- In April, revisions are presented to the Board.
- In June, the Board formally adopts the final budget for the ensuing fiscal year.

Note 2. Appropriations

Amounts shown in the budgetary comparison schedules as "final budget" represent original appropriations authorized by the Board and any additional and supplemental appropriations authorized during the year. The budgetary information is adopted and presented on a modified accrual basis of accounting. All appropriations not encumbered lapse at year end for all funds. The legal level of budgetary control for all funds is at the fund level; however, management control is exercised over fund budgets at the budgetary line item level.

COMPLIANCE SECTION



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

Board of Trustees
Jefferson-Madison Regional
Library Charlottesville, Virginia

We have audited, 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, the financial statements of the governmental activities and each major fund of the Jefferson-Madison Regional Library (the “Library”), as of and for the year ended June 30, 2019, 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 29, 2020.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Library’s internal control. Accordingly, we do not express an opinion on the effectiveness of Library’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 29, 2020

JEFFERSON-MADISON REGIONAL LIBRARY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2019

As more fully described in the “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*” we performed tests of the Library’s compliance with certain provisions of the laws, regulations, contracts and grant agreements, and other matters shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

- Cash and Investment Laws
- Conflicts of Interest Act
- Procurement Laws
- Unclaimed Property
- Budget and Appropriation Laws
- Local Retirement Systems

TRAVEL REGULATIONS

The purpose of budgeting travel funds and establishing procedures for their use is to provide mobility for the library staff and trustees in carrying out necessary work for the Jefferson-Madison Regional Library and to reimburse staff for necessary expenses incurred when leaving their normal work place to perform library work or to attend appropriate continuing education programs designed to improve their ability to serve the Jefferson-Madison Regional Library.

Library Trustees may be reimbursed for official travel performed at their own expense, including monthly meetings, at a rate identical to the rate for official travel by library staff.

Intra-regional mileage reimbursement shall be approved for staff by the Branch Manager, Department Head, or Library Director. Mileage and travel time may be claimed when an employee travels between two library facilities, or from home (minus the normal commuter mileage and time) to a library facility that is not the employee's regular work station. Activities that qualify for paid mileage and travel time include travel to a JMRL facility other than the regular work station to work as a substitute or to attend a JMRL staff meeting, travel to a school to present a JMRL program and travel to city or county meetings to officially represent JMRL. The mileage reimbursement rate shall be identical to the rate for official travel adopted by the City of Charlottesville.

All other mileage and expenses shall be approved by the Library Director. Approved guidelines for travel outside the region include:

1. The particular benefit to the Jefferson-Madison Regional Library shall be identified and recorded on a travel application form.
2. When funds are necessary for activities clearly beneficial to the Jefferson-Madison Regional Library, full coverage of expenses shall be provided.
3. When benefits to the Jefferson-Madison Regional Library are less clearly definable, a proportion of expenses shall be provided as determined by the Library Director.
4. When benefits are determined to be purely personal, the staff shall be encouraged to undertake self-improvement, but not at Jefferson-Madison Regional Library expense.
5. Non-reimbursable items are personal expenses, alcoholic beverages, and entertainment.
6. Beneficiaries of this policy are expected to exercise prudent judgement in incurring travel expenses on official library business. Excessive or unnecessary expenses shall not be approved or reimbursed.
7. When making arrangements for lodging, beneficiaries of this policy must ask for the government, conference, or commercial rate discount.
8. Itineraries shall be planned to minimize travel required. Car pooling will be utilized when possible. When available and feasible, Jefferson-Madison Regional Library vehicles will be used. Reimbursement for use of private vehicles requires prior approval.
9. The Jefferson-Madison Regional Library will not reimburse for expenses that are not

accompanied by proper invoices or itemized receipts. Tips higher than 20% will not be reimbursed.