



**EASTERN SHORE PUBLIC LIBRARY**  
**(A Component Unit of the County of Accomack, Virginia)**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**EASTERN SHORE PUBLIC LIBRARY**

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2018-2019**

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**- FINANCIAL SECTION -**



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**Independent Auditors' Report**

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**To the Board of Trustees  
Eastern Shore Public Library  
Accomac, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of Eastern Shore Public Library (a component unit of the County of Accomack, Virginia) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Eastern Shore Public Library's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinions***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension funding on pages 24 and 25-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Shore Public Library's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of Eastern Shore Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eastern Shore Public Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Shore Public Library's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 20, 2019

- Basic Financial Statements -  
*Government-wide Financial Statements*

GOVERNMENTAL FUND BALANCE SHEET/  
STATEMENT OF NET POSITION  
AT JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Funds	Adjustments (Note 2)	Statement of Net Position	Eastern Shore Public Library Foundation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 97,711	\$ -	\$ 97,711	\$ 117,161
Beneficial interest in agency fund held by third party	-	-	-	52,559
Security deposit	-	-	-	390
Contributions receivable	-	-	-	373,200
Inventory	-	-	-	187,400
Capital assets:				
Nondepreciable:				
Land	-	5,000	5,000	-
Depreciable, net	-	460,050	460,050	-
Total assets	\$ 97,711	\$ 465,050	\$ 562,761	\$ 730,710
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Items related to pension	\$ -	\$ 16,838	\$ 16,838	-
Total deferred outflows of resources	\$ -	\$ 16,838	\$ 16,838	-
<b>LIABILITIES</b>				
Accounts payable	\$ 25,696	\$ -	\$ 25,696	\$ 2,000
Deferred revenue	-	-	-	2,000
Accrued payroll and related liabilities	3,093	-	3,093	-
Compensated absences	-	19,053	19,053	-
Net pension liability	-	6,417	6,417	-
Total liabilities	\$ 28,789	\$ 25,470	\$ 54,259	\$ 4,000
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Items related to pension	\$ -	\$ 8,616	\$ 8,616	-
Total deferred inflows of resources	\$ -	\$ 8,616	\$ 8,616	-
<b>FUND BALANCES/NET POSITION</b>				
Fund balances:				
Nonspendable:				
Corpus of Permanent Fund	\$ 2,674	\$ (2,674)	\$ -	\$ -
Restricted:				
Library operations	13,772	(13,772)	-	-
New library	-	-	-	-
Unassigned	52,476	(52,476)	-	-
Total fund balances	\$ 68,922	\$ (68,922)	\$ -	\$ -
Net position:				
Investment in capital assets		\$ 465,050	\$ 465,050	\$ -
Restricted - nonspendable corpus		2,674	2,674	259,181
Restricted - library operations		13,772	13,772	(2,020)
Restricted - library construction		-	-	381,446
Unrestricted		35,228	35,228	88,103
Total net position		\$ 516,724	\$ 516,724	\$ 726,710

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

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Funds	Adjustments (Note 2)	Statement of Activities	Eastern Shore Public Library Foundation
Revenues:				
Fee revenue:				
Fines, fees, and other	\$ 24,665	\$ -	\$ 24,665	\$ -
Local governments:				
Accomack County	403,707	-	403,707	-
Northampton County	138,000	-	138,000	-
Intergovernmental:				
Commonwealth of Virginia - state aid	176,461	-	176,461	-
Commonwealth of Virginia - capital grant	500,000	-	500,000	-
Donations and gifts	33,795	-	33,795	473,772
Reimbursements	14,240	-	14,240	-
Revenue from use of money and property	663	-	663	8,316
Miscellaneous	238	-	238	28,621
Total revenues	<u>\$ 1,291,769</u>	<u>\$ -</u>	<u>\$ 1,291,769</u>	<u>\$ 510,709</u>
Expenditures/expenses:				
Current:				
Cultural - library services:				
Salaries	\$ 391,192	\$ 2,069	\$ 393,261	\$ -
Fringe benefits	54,538	(8,195)	46,343	-
Payroll taxes	36,435	-	36,435	-
Books and related materials	100,899	-	100,899	-
Insurance	12,784	-	12,784	-
Utilities	29,058	-	29,058	-
Supplies	16,205	-	16,205	8,100
Postage	1,593	-	1,593	-
Computer operations	58,046	(9,782)	48,264	-
Equipment maintenance	9,223	-	9,223	-
Building maintenance	16,604	-	16,604	31,878
Travel	7,022	-	7,022	-
Vehicle maintenance	2,039	-	2,039	-
Professional services	35,677	-	35,677	14,991
Contributions to County	770,188	504,141	1,274,329	850,000
Miscellaneous	12,104	-	12,104	30,738
Depreciation	-	38,989	38,989	-
Total expenditures/expenses	<u>\$ 1,553,607</u>	<u>\$ 527,222</u>	<u>\$ 2,080,829</u>	<u>\$ 935,707</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>\$ (261,838)</u>	<u>\$ (527,222)</u>	<u>\$ (789,060)</u>	<u>\$ (424,998)</u>
Other financing sources (uses):				
Transfers	<u>\$ (8,960)</u>	<u>\$ -</u>	<u>\$ (8,960)</u>	<u>\$ 8,960</u>
Change in fund balances/net position	<u>\$ (270,798)</u>	<u>\$ (527,222)</u>	<u>\$ (798,020)</u>	<u>\$ (416,038)</u>
Fund balances/net position, beginning of year	<u>339,720</u>	<u>975,024</u>	<u>1,314,744</u>	<u>1,142,748</u>
Fund balances/net position, end of year	<u>\$ 68,922</u>	<u>\$ 447,802</u>	<u>\$ 516,724</u>	<u>\$ 726,710</u>

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

**- Basic Financial Statements -**

***Fund Financial Statements***

BALANCE SHEET - GOVERNMENTAL FUNDS  
AT JUNE 30, 2019

	Governmental Funds		Total Governmental Funds
	General	Permanent Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 81,265	\$ 16,446	\$ 97,711
Total assets	<u>\$ 81,265</u>	<u>\$ 16,446</u>	<u>\$ 97,711</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 25,696	\$ -	\$ 25,696
Accrued payroll and related liabilities	3,093	-	3,093
Total liabilities	<u>\$ 28,789</u>	<u>\$ -</u>	<u>\$ 28,789</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Corpus of Permanent Fund	\$ -	\$ 2,674	\$ 2,674
Restricted:			
Library operations	-	13,772	13,772
Unassigned	52,476	-	52,476
Total fund balances	<u>\$ 52,476</u>	<u>\$ 16,446</u>	<u>\$ 68,922</u>
Total liabilities and fund balances	<u>\$ 81,265</u>	<u>\$ 16,446</u>	<u>\$ 97,711</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 FOR YEAR ENDED JUNE 30, 2019

	Governmental Funds		Total Governmental Funds
	General	Permanent Fund	
Revenues:			
Fee revenue:			
Fines, fees, and other	\$ 24,665	\$ -	\$ 24,665
Participating localities:			
Accomack County	403,707	-	403,707
Northampton County	138,000	-	138,000
Intergovernmental:			
Commonwealth of Virginia - state aid	176,461	-	176,461
Commonwealth of Virginia - capital grant	500,000	-	500,000
Donations and gifts	33,795	-	33,795
Reimbursements	14,240	-	14,240
Revenue from use of money and property	159	504	663
Miscellaneous	238	-	238
Total revenues	\$ 1,291,265	\$ 504	\$ 1,291,769
Expenditures:			
Current:			
Cultural - library services:			
Salaries	\$ 391,192	\$ -	\$ 391,192
Fringe benefits	54,538	-	54,538
Payroll taxes	36,435	-	36,435
Books and related materials	100,899	-	100,899
Insurance	12,784	-	12,784
Utilities	29,058	-	29,058
Supplies	16,205	-	16,205
Postage	1,593	-	1,593
Computer operations	58,046	-	58,046
Equipment maintenance	9,223	-	9,223
Building maintenance	16,604	-	16,604
Travel	7,022	-	7,022
Vehicle maintenance	2,039	-	2,039
Professional services	35,677	-	35,677
Contribution to County	770,188	-	770,188
Miscellaneous	12,104	-	12,104
Total expenditures	\$ 1,553,607	\$ -	\$ 1,553,607
Excess (deficiency) of revenues over (under) expenditures	\$ (262,342)	\$ 504	\$ (261,838)
Other financing sources (uses):			
Transfers	\$ 5,040	\$ (14,000)	\$ (8,960)
Total other financing sources (uses)	\$ 5,040	\$ (14,000)	\$ (8,960)
Net change in fund balances	\$ (257,302)	\$ (13,496)	\$ (270,798)
Fund balances at beginning of year	309,778	29,942	339,720
Fund balances at end of year	\$ 52,476	\$ 16,446	\$ 68,922

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

## EASTERN SHORE PUBLIC LIBRARY

Notes to Financial Statements  
At June 30, 2019

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Organization and Purpose:

Eastern Shore Public Library (the Library) is a regional library system which enhances the quality of community life and serves the citizens and visitors of Accomack and Northampton Counties by providing access to information to meet their educational, personal, professional, and recreational needs. Its headquarters and main library are in Accomac, Virginia, but will be moving to Parksley, Virginia in 2021. The Library is fiscally dependent upon the County of Accomack for its annual contribution. These factors warrant its inclusion in the County of Accomack's reporting entity as a discretely presented component unit. ESPL follows both counties' fiscal year: July 1 to June 30.

Formed in 1958 with a Regional Agreement, the appointed Library Board draws its corporate powers from Code section 42.1-37 of the Code of Virginia. The Library's Board consists of nine members, of which six are appointed by and serve at the pleasure of the County of Accomack Board of Supervisors, and three are appointed by and serve at the pleasure of the County of Northampton Board of Supervisors. The Accomack County Treasurer serves as the Treasurer and the Library Director serves as the Secretary.

The Library has a branch location, Northampton Free Library, in Northampton County's Town of Nassawadox. The Library has developed affiliated relationships with two additional libraries in Chincoteague and Cape Charles. The Chincoteague Island Library is a 501(c)3 nonprofit organization and the Cape Charles Memorial Library is a Town municipal library. Both libraries have their own boards. Although not mandated, the Library provides certain materials, equipment, technical services, staff training, and staff support for these affiliated facilities. The library system receives State Aid from the Library of Virginia which the Library administers and from which all four libraries benefit.

#### B. Government-wide and Fund Financial Statements:

The government-wide financial statements report information on all non-fiduciary activities of the Library. Separate financial statements are provided for the governmental funds.

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

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

Management's Discussion and Analysis - Accounting standards require the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit this narrative overview in this year's report.

## EASTERN SHORE PUBLIC LIBRARY

Notes to Financial Statements  
At June 30, 2019 (Continued)

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

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

Discretely Presented Component Unit - The component unit column in the financial statements includes the financial data of the Library's discretely presented component unit. The component unit is reported in a separate column to emphasize that it is legally separate from the Library.

Eastern Shore Public Library Foundation (the Foundation) was organized in 2009 for the purpose of ensuring the long-term financial stability of Eastern Shore Public Library by securing private financial support and grants for capital needs and endowments. The Foundation has a separate board of directors that is not appointed by the Library. The Library is not financially accountable for the Foundation but is entitled to the economic resources received or held by the Foundation and therefore is presented in the financial statements. A copy of the Foundation's financial statements may be obtained by request from the Library.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities.

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

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

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

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues (certain intergovernmental revenues, fines, permits and charges, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function.

# EASTERN SHORE PUBLIC LIBRARY

Notes to Financial Statements  
At June 30, 2019 (Continued)

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

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

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

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

#### 1. Governmental Funds:

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

- a. General Fund - The General Fund is the primary operating fund of the Library. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from state and local distributions, donations and gifts, and interest income.
- b. Permanent Fund - The Permanent Fund accounts for and reports resources that are restricted such that only earnings may be used for purposes that support the Library's programs. The Permanent Fund accounts for operations of the Eastern Shore Library Endowment Fund. Transfers of income are made periodically to support Library operations.

### D. Related Organizations:

Friends of the Eastern Shore Public Library: The Friends of the Eastern Shore Public Library is a 501(c)(3) nonprofit organization which consists of persons from the community interested in supporting the Library's services and facilities. The Friends of the Eastern Shore Public Library has its own board of directors, which is not appointed by the Eastern Shore Public Library. The Eastern Shore Public Library is not financially accountable for the Friends of the Eastern Shore Public Library and is not entitled to the economic resources received or held by the Friends of the Eastern Shore Public Library and therefore is not presented in the financial statements. The Friends of the Eastern Shore Public Library has a fiscal year which ended July 31, 2019. For the year ended June 30, 2019, the Friends of the Eastern Shore Public Library donated \$7,610 to the Eastern Shore Public Library.

# EASTERN SHORE PUBLIC LIBRARY

Notes to Financial Statements  
At June 30, 2019 (Continued)

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

### D. Related Organizations: (Continued)

Friends of the Northampton Free Library: The Friends of the Northampton Free Library is a 501(c)(3) nonprofit organization which consists of persons from the community interested in supporting the Library's services and facilities. The Friends of the Northampton Free Library has its own board of directors, which is not appointed by the Eastern Shore Public Library. The Eastern Shore Public Library is not financially accountable for the Friends of the Northampton Free Library and is not entitled to the economic resources received or held by the Friends of the Northampton Free Library and therefore is not presented in the financial statements. The Friends of the Northampton Free Library has a fiscal year which ended December 31, 2019. For the year ended June 30, 2019, the Friends of the Northampton Free Library donated \$9,507 to the Eastern Shore Public Library.

### E. Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of at least \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Buildings	40 years
Improvements	7-40 years
Books	5 years
Equipment	5 years
Vehicles	5 years

### F. Cash and Cash Equivalents:

Eastern Shore Public Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

State statutes authorize the government to invest in U.S. Treasury notes, Federal Home Loan notes, and repurchase agreements.

Money market investments and external investment pools are measured at amortized cost. All other investments are reported at fair value.

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

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

G. Use of Estimates:

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

H. Compensated Absences:

The Library has a policy which allows for the accumulation and vesting of limited amounts of vacation leave until termination or retirement. The Library has outstanding accrued vacation pay and related benefits totaling \$19,053 at June 30, 2019. The following is a summary of changes in compensated absences in 2019:

<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
\$ 16,984	\$ 2,069	\$ -	\$ 19,053

I. Net Position:

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

J. Net Position Flow Assumption:

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

K. Fund Balances:

Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes corpus of a permanent fund, inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

## EASTERN SHORE PUBLIC LIBRARY

Notes to Financial Statements  
At June 30, 2019 (Continued)

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

#### K. Fund Balances: (Continued)

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned fund balance - Amounts that are constrained by the Library's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

#### L. Budgets and Budgetary Accounting:

A budget is prepared for informational and fiscal planning purposes. The budget is adopted as a planning document and legal control on expenses. The budget is prepared on the same basis of accounting as the actual amounts in the financial statements.

#### M. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has two types of deferred items that qualify for reporting in this category. The first item is pension contributions made subsequent to the measurement date of the net pension liability, which will be recognized as a reduction to the net pension liability next fiscal year. The second is certain items related to measurement of the net pension liability, including differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one type of deferred item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

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

N. Pensions:

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

O. Transfers:

If the Library moves endowment funds to the Foundation so that the Foundation can invest on the Library's behalf, this is recorded as a transfer out of the Permanent Fund. If the Foundation contributes earnings back to the Library, this is recorded as a transfer into the General Fund.

**NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS:**

A. Reconciliation between Net Position and Fund Balances:

Fund balances of governmental funds \$ 68,922

Total net position reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets

Land and construction in progress	\$ 5,000	
Depreciable capital assets, net of accumulated depreciation	<u>460,050</u>	
Total capital assets		465,050

Items related to the pension plan, such as contributions made subsequent to the measurement date or the difference between projected and actual earnings on plan investments, are reported as deferred inflows or deferred outflows of resources on the statement of net position.

Deferred outflows of resources	16,838
Deferred inflows of resources	(8,616)

Long-term liabilities applicable to the Library's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	\$ (19,053)	
Net pension liability	<u>(6,417)</u>	
Total long-term liabilities		<u>(25,470)</u>
Total net position of governmental activities		<u>\$ 516,724</u>

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

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**NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS: (CONTINUED)**

**B. Reconciliation between the Change in Net Position and the Change in Fund Balances:**

Change in fund balances \$ (270,798)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded (were exceeded by) depreciation and losses on disposed assets in the current period. (29,207)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred outflows related to the pension plan 7,239  
Change in deferred inflows related to the pension plan 6,584

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Contribution of capital assets to Accomack County \$ (504,141)  
Change in compensated absences (2,069)  
Change in net pension liability (5,628) (511,838)

Change in net position \$ (798,020)

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

**Deposits:**

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

**Investments:**

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

## EASTERN SHORE PUBLIC LIBRARY

Notes to Financial Statements  
At June 30, 2019 (Continued)

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### NOTE 4 - DONOR RESTRICTED ENDOWMENT FUND:

The permanent fund represents endowment funds for which the donor has stipulated that the principal should be maintained intact in perpetuity, with only the income being utilized for the purchase of materials for Eastern Shore Public Library. \$14,000 was transferred out of the permanent fund to the Eastern Shore Public Library Foundation. This was done because the Foundation can make more diverse investments and earn a better return. As the Foundation is a component unit of the Library, this transaction was shown as a transfer on Exhibits 2 and 4.

### NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 119,099	\$ -	\$ 114,099	\$ 5,000
Construction in progress	283,927	-	283,927	-
Total capital assets not being depreciated	<u>\$ 403,026</u>	<u>\$ -</u>	<u>\$ 398,026</u>	<u>\$ 5,000</u>
Capital assets being depreciated:				
Buildings	\$ 1,253,752	\$ -	\$ 593,293	\$ 660,459
Equipment	192,432	9,782	33,740	168,474
Books and related materials	2,465,368	-	2,465,368	-
Vehicle	22,000	-	-	22,000
Total capital assets being depreciated	<u>\$ 3,933,552</u>	<u>\$ 9,782</u>	<u>\$ 3,092,401</u>	<u>\$ 850,933</u>
Accumulated depreciation:				
Buildings	\$ 687,131	\$ 31,209	\$ 487,180	\$ 231,160
Equipment	183,483	3,380	33,740	153,123
Books and related materials	2,465,366	-	2,465,366	-
Vehicle	2,200	4,400	-	6,600
Total accumulated depreciation	<u>\$ 3,338,180</u>	<u>\$ 38,989</u>	<u>\$ 2,986,286</u>	<u>\$ 390,883</u>
Total capital assets being depreciated, net	<u>\$ 595,372</u>	<u>\$ (29,207)</u>	<u>\$ 106,115</u>	<u>\$ 460,050</u>
Governmental activities capital assets, net	<u><u>\$ 998,398</u></u>	<u><u>\$ (29,207)</u></u>	<u><u>\$ 504,141</u></u>	<u><u>\$ 465,050</u></u>

### NOTE 6 - COLLECTIONS:

The Library has not capitalized its collections of artifacts and archival materials. The Library has a significant number of items that have been donated and have no readily determinable fair value. The Library does not deem the benefit of appraising its collections to exceed the cost to do so.

## EASTERN SHORE PUBLIC LIBRARY

Notes to Financial Statements  
At June 30, 2019 (Continued)

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### **NOTE 7 - PENSION PLAN:**

#### ***Plan Description***

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

#### ***Benefit Structures***

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

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**NOTE 7 - PENSION PLAN: (CONTINUED)**

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

***Employees Covered by Benefit Terms***

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Vested inactive members	2
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	6
Active members	<u>6</u>
Total covered employees	<u><u>19</u></u>

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

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**NOTE 7 - PENSION PLAN: (CONTINUED)**

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Library's contractually required employer contribution rate for the year ended June 30, 2019 was 5.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were \$11,721 and \$5,667 for the years ended June 30, 2019 and June 30, 2018, respectively.

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Library, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

***Actuarial Assumptions - General Employees***

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

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

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

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

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**NOTE 7 - PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions - General Employees: (Continued)***

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

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**NOTE 7 - PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions - General Employees: (Continued)***

Mortality rates: (Continued)

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

**Largest 10 - Non-Hazardous Duty:**

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

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

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

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions - General Employees: (Continued)***

***Long-Term Expected Rate of Return***

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

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

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

***Discount Rate***

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

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

***Changes in Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 1,126,029	\$ 1,125,240	\$ 789
Changes for the year:			
Service cost	\$ 20,187	\$ -	\$ 20,187
Interest	75,863	-	75,863
Differences between expected and actual experience	6,212	-	6,212
Contributions - employer	-	5,667	(5,667)
Contributions - employee	-	10,311	(10,311)
Net investment income	-	81,473	(81,473)
Benefit payments, including refunds of employee contributions	(84,551)	(84,551)	-
Administrative expenses	-	(746)	746
Other changes	-	(71)	71
Net changes	\$ 17,711	\$ 12,083	\$ 5,628
Balances at June 30, 2018	\$ 1,143,740	\$ 1,137,323	\$ 6,417

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Eastern Shore Public Library Net Pension Liability (Asset)	\$ 129,541	\$ 6,417	\$ (96,961)

**EASTERN SHORE PUBLIC LIBRARY**

Notes to Financial Statements  
At June 30, 2019 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

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

For the year ended June 30, 2019, the Library recognized pension expense of \$3,527. At June 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,117	\$ -
Changes in assumptions	-	44
Net difference between projected and actual earnings on pension plan investments	-	8,572
Employer contributions subsequent to the measurement date	<u>11,721</u>	<u>-</u>
Total	<u>\$ 16,838</u>	<u>\$ 8,616</u>

\$11,721 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ 7,977
2021	1,304
2022	(11,753)
2023	(1,027)

***Pension Plan Data***

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

**- Required Supplementary Information -**

**Note to Required Supplementary Information:**

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Intergovernmental	\$ 176,444	\$ 176,444	\$ 676,461	\$ 500,017
Participating localities	541,707	541,707	541,707	-
Fines, fees, and other	18,500	18,500	24,665	6,165
Donations and gifts	30,200	30,200	33,795	3,595
Revenue from use of money and property	400	400	159	(241)
Reimbursements	19,000	19,000	14,240	(4,760)
Miscellaneous	450	450	238	(212)
Total revenues	<u>\$ 786,701</u>	<u>\$ 786,701</u>	<u>\$ 1,291,265</u>	<u>\$ 504,564</u>
<b>Expenditures:</b>				
Current:				
Cultural - library services	\$ 785,831	\$ 785,831	\$ 1,553,607	\$ (767,776)
Total expenditures	<u>\$ 785,831</u>	<u>\$ 785,831</u>	<u>\$ 1,553,607</u>	<u>\$ (767,776)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 870</u>	<u>\$ 870</u>	<u>\$ (262,342)</u>	<u>\$ (263,212)</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 5,040	\$ 5,040
Net change in fund balances	\$ 870	\$ 870	\$ (257,302)	\$ (258,172)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>309,778</u>	<u>309,778</u>
Fund balance at end of year	<u>\$ 870</u>	<u>\$ 870</u>	<u>\$ 52,476</u>	<u>\$ 51,606</u>

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
FOR THE MEASUREMENT DATES OF JUNE 30, 2014 THROUGH JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>					
Service cost	\$ 20,187	\$ 12,799	\$ 15,249	\$ 21,689	\$ 21,617
Interest	75,863	75,275	73,844	71,393	68,249
Differences between expected and actual experience	-	4,843	2,656	(6,111)	-
Changes in assumptions	6,212	(254)	-	-	-
Benefit payments, including refunds of employee contributions	(84,551)	(83,971)	(58,644)	(45,275)	(44,624)
<b>Net change in total pension liability</b>	<u>\$ 17,711</u>	<u>\$ 8,692</u>	<u>\$ 33,105</u>	<u>\$ 41,696</u>	<u>\$ 45,242</u>
<b>Total pension liability - beginning</b>	1,126,029	1,117,337	1,084,232	1,042,536	997,294
<b>Total pension liability - ending (a)</b>	<u>\$ 1,143,740</u>	<u>\$ 1,126,029</u>	<u>\$ 1,117,337</u>	<u>\$ 1,084,232</u>	<u>\$ 1,042,536</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 5,667	\$ 5,089	\$ 13,949	\$ 16,332	\$ 16,807
Contributions - employee	10,311	8,958	9,070	10,716	10,749
Net investment income	81,473	126,055	18,239	48,185	145,762
Benefit payments, including refunds of employee contributions	(84,551)	(83,971)	(58,644)	(45,275)	(44,624)
Administrative expense	(746)	(781)	(692)	(668)	(792)
Other	(71)	(110)	(8)	(9)	7
<b>Net change in plan fiduciary net position</b>	<u>\$ 12,083</u>	<u>\$ 55,240</u>	<u>\$ (18,086)</u>	<u>\$ 29,281</u>	<u>\$ 127,909</u>
<b>Plan fiduciary net position - beginning</b>	1,125,240	1,070,000	1,088,086	1,058,805	930,896
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,137,323</u>	<u>\$ 1,125,240</u>	<u>\$ 1,070,000</u>	<u>\$ 1,088,086</u>	<u>\$ 1,058,805</u>
<b>Political subdivision's net pension liability (asset) - ending (a) - (b)</b>	\$ 6,417	\$ 789	\$ 47,337	\$ (3,854)	\$ (16,269)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	99.44%	99.93%	95.76%	100.36%	101.56%
<b>Covered payroll</b>	\$ 226,416	\$ 196,515	\$ 192,180	\$ 214,330	\$ 214,972
<b>Political subdivision's net pension liability (asset) as a percentage of covered payroll</b>	2.83%	0.40%	24.63%	-1.80%	-7.57%

This schedule is intended to show information for 10 years. However, information prior to the 2014 valuation is not available. Additional years will be included as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION  
 FOR THE YEARS ENDED JUNE 30, 2010 THROUGH JUNE 30, 2019

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<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2019	\$ 11,721	\$ 11,721	\$ -	\$ 229,886	5.10%
2018	5,667	5,667	-	226,416	2.50%
2017	6,308	6,308	-	196,515	3.21%
2016	14,584	14,584	-	192,180	7.59%
2015	16,332	16,332	-	214,330	7.62%
2014	16,510	16,510	-	214,972	7.68%
2013	16,045	16,045	-	208,914	7.68%
2012	8,475	8,475	-	224,200	3.78%
2011	8,382	8,382	-	221,741	3.78%
2010	5,262	5,262	-	223,927	2.35%

Current year contributions are from Library records and prior year contributions are from the VRS actuarial valuations performed each year.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
FOR THE YEAR ENDED JUNE 30, 2019

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

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

**Largest 10 - Non-Hazardous Duty:**

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

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

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

- Other Supplementary Information -  
*Supporting Schedules*

SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND  
FOR YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental:				
Commonwealth of Virginia - state aid	\$ 176,444	\$ 176,444	\$ 176,461	\$ 17
Commonwealth of Virginia - capital grant	-	-	500,000	500,000
Total intergovernmental	<u>\$ 176,444</u>	<u>\$ 176,444</u>	<u>\$ 676,461</u>	<u>\$ 500,017</u>
Participating localities:				
Accomack County	\$ 403,707	\$ 403,707	\$ 403,707	-
Northampton County	138,000	138,000	138,000	-
Total participating localities	<u>\$ 541,707</u>	<u>\$ 541,707</u>	<u>\$ 541,707</u>	<u>\$ -</u>
Fines, fees, and other	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 24,665</u>	<u>\$ 6,165</u>
Donations and gifts:				
Other	<u>\$ 30,200</u>	<u>\$ 30,200</u>	<u>\$ 33,795</u>	<u>\$ 3,595</u>
Revenue from use of money and property:				
Interest	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 159</u>	<u>\$ (241)</u>
Miscellaneous:				
Reimbursements	\$ 19,000	\$ 19,000	\$ 14,240	\$ (4,760)
Miscellaneous	450	450	238	(212)
Total miscellaneous	<u>\$ 19,450</u>	<u>\$ 19,450</u>	<u>\$ 14,478</u>	<u>\$ (4,972)</u>
Total revenues	<u><u>\$ 786,701</u></u>	<u><u>\$ 786,701</u></u>	<u><u>\$ 1,291,265</u></u>	<u><u>\$ 504,564</u></u>

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
 FOR YEAR ENDED JUNE 30, 2019

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Cultural - library services:				
Salaries	\$ 399,911	\$ 399,911	\$ 391,192	\$ 8,719
Fringe benefits	62,620	62,620	54,538	8,082
Payroll taxes	40,000	40,000	36,435	3,565
Books and related materials	99,906	99,906	100,899	(993)
Insurance	12,975	12,975	12,784	191
Utilities	26,839	26,839	29,058	(2,219)
Supplies	14,600	14,600	16,205	(1,605)
Postage	1,300	1,300	1,593	(293)
Computer operations	42,480	42,480	58,046	(15,566)
Equipment maintenance	6,420	6,420	9,223	(2,803)
Building maintenance	12,000	12,000	16,604	(4,604)
Travel	5,000	5,000	7,022	(2,022)
Vehicle maintenance	2,750	2,750	2,039	711
Professional services	36,400	36,400	35,677	723
Contribution to County	-	-	770,188	(770,188)
Miscellaneous	22,630	22,630	12,104	10,526
Total cultural - library services	<u>\$ 785,831</u>	<u>\$ 785,831</u>	<u>\$ 1,553,607</u>	<u>\$ (767,776)</u>

**- COMPLIANCE SECTION -**



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

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To the Board of Trustees  
Eastern Shore Public Library  
Accomac, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Eastern Shore Public Library (a component unit of the County of Accomack, Virginia) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Eastern Shore Public Library's basic financial statements and have issued our report thereon dated December 20, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eastern Shore Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastern Shore Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Shore Public 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 Eastern Shore Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 20, 2019