

HANDLEY REGIONAL LIBRARY BOARD
MANAGEMENT DISCUSSION AND ANALYSIS, continued

C. Component Units

Because the **Handley Regional Library Endowment** is a separate organization, a 501(c)(3) charitable trust, it is listed in a separate column on the Government-Wide Statement of Activities (pages 13-14). It is shown as a component unit *within* the government-wide statement of activities because it is very closely linked to the purposes and governance of Handley Regional Library.

The **Friends of Handley Regional Library** is also a separate organization, a 501(c)(3) charitable organization, listed in a separate column on the Government-Wide Statement of Activities (pages 13-14). Although the Friends have a board that works independently, the group's main purpose is to support the library, and its funds are ultimately used for the library. Therefore, it is listed as a component unit *within* the government-wide statement of activities because it is very closely linked to the purposes and governance of Handley Regional Library.

2. COMPARATIVE FINANCIAL STATEMENTS

Looking at the primary government in the Government-Wide financial statements, statement of position and statement of activities, some items showed changes from the previous year.

	<i>2013-2014</i>	<i>2014-2015</i>	<i>Change</i>	<i>% Change</i>
Selected Asset Items				
Investments	\$ 1,469,754	\$ 1,374,606	\$ -95,148	-6.5%
*Net Pension Asset	-	39,791	39,791	N/A
Capital assets, net of accumulated depreciation	1,759,165	1,700,538	-58,627	-3.3%
Total Assets	4,813,526	4,730,506	-83,020	-1.7%
Deferred Outflows of Resources				
*Contributions to pension plan in current fiscal year	\$ -	\$ 71,405	\$ 71,405	N/A
Selected Liability Items				
Accounts payable & accrued expenses	\$ 79,831	\$ 97,853	\$ 18,022	22.6%
Long-term liabilities	103,941	126,713	22,772	21.9%
Total Liabilities	183,772	224,566	40,794	22.2%
Deferred Inflows of Resources				
*Pension deferrals	\$ -	\$ 129,217	\$ 129,217	N/A
Net Position				
Invested in capital assets	\$ 3,145,671	\$ 3,087,043	\$ -58,628	-1.9%
Restricted for:				
Investment	1,282,151	1,258,976	-23,175	-1.8%
Other purposes	32,186	48,876	16,690	51.9%
Unrestricted	169,746	53,233	-116,513	-68.6%
Total Net Position	4,629,754	4,448,128	-181,626	-3.9%

*New GASB 68 reporting requirements for fiscal year 2014-15, not reported in previous years.

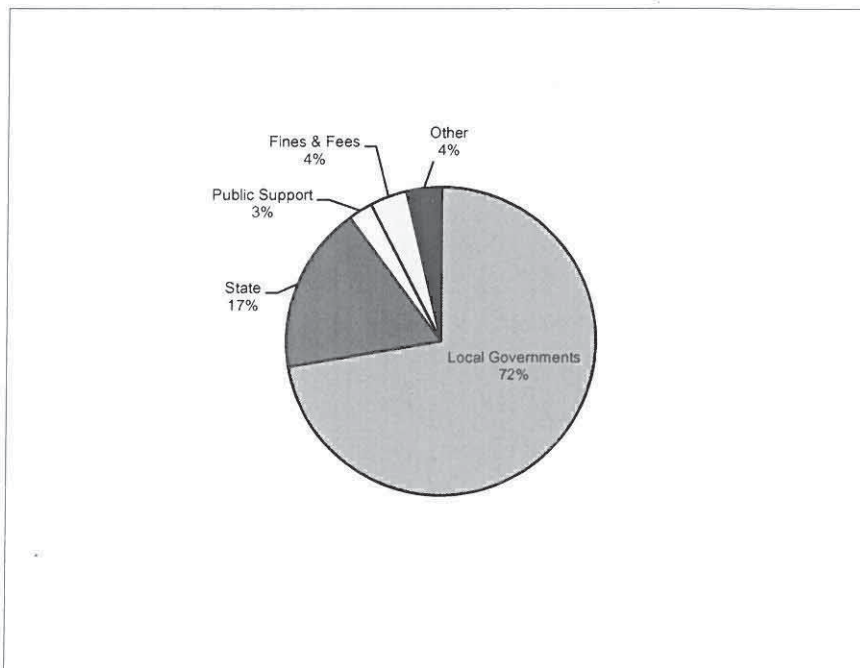
Continued

HANDLEY REGIONAL LIBRARY BOARD
MANAGEMENT DISCUSSION AND ANALYSIS, continued

2. COMPARATIVE FINANCIAL STATEMENTS, continued

	<i>2013-2014</i>	<i>2014-2015</i>	<i>Change</i>	<i>% Change</i>
Selected Revenue Items				
Local government revenue	\$ 1,373,503	\$ 1,437,999	\$ 64,496	4.7%
State revenue	353,627	347,037	(6,590)	-1.9%
Public support	270,798	50,861	(219,937)	-81.2%
Investment income	164,709	34,645	(130,064)	-79.0%
Total Revenue	2,282,201	1,987,452	(294,749)	-12.9%
Selected Expenditures				
Personnel	\$ 1,429,326	\$ 1,420,942	\$ (8,384)	-0.6%
Maintenance	78,854	62,216	(16,638)	-21.1%
Utilities	116,921	126,088	9,167	7.8%
Other operating	124,191	162,391	38,200	30.8%
Total Expenditures	2,238,922	2,266,656	27,734	1.2%
Net (Expense) Revenue				
Before Transfers	\$ 43,279	\$ (279,204)	\$ (322,483)	-745.1%
Transfers	138,134	163,413	25,279	18.3%
Change in Net Position	181,413	(115,791)	(297,204)	-163.8%
Total Assets of Component				
Unit (Endowment Fund)	\$ 1,599,488	\$ 2,867,083	\$ 1,267,595	79.3%

Revenue by Category, 2014 - 2015



HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, continued

3. CHANGE IN NET POSITION

As shown in the Government-Wide financial statements, summarized above, the net value of investment assets decreased by 6.5% or 95,148. Total asset position decreased by 1.7% compared to the previous year. The library would owe \$126,713, up from \$103,941 the previous year, if it had to pay all unused leave to all employees at the same time. Total liability position increased by 22.2% compared to last year. Total net position this year totals \$4,448,128. This number includes capital assets of \$3,087,043, which are explained in item 6 and in Note 4, page 25.

As required, Handley Regional Library implemented GASB Statement 68 this year. With this new reporting change, the library is allocated its proportionate share of the Virginia Retirement System's net pension asset, deferred outflows of resources, and deferred inflows of resources. Decisions regarding the allocations are made by the administrators of the pension plan, not by Handley Regional Library.

The following is to help the reader better understand how GASB Statement 68 affects the library's net position. Under the Assets heading of the Primary Government, on page 13, the Net pension assets of \$39,791 reflects the value of pension assets net of the liability, or actuarial long-term retirement payouts from the fund to retirees, as last valued on June 30, 2014. Under Deferred Outflows of Resources, \$71,405 represents the required employer contributions to the fund in fiscal year 2014-15. Under Deferred Inflows of Resources, \$129,217 represents the actuarial calculated investment income for Fiscal Year 2015. Further information on the library's pension plan can be found on page 45 in the supplementary information provided. In this section, it is noted that the fund is more than fully funded at 101.9%.

The fair market value of the Mahaney Fund, net of funds transferred out, was \$ 348,045 which decreased 2.9%. The fair market value at the end of the fiscal year for the Handley Board of Trustees Endowment Fund is \$398,670, a decrease of 2.8%. The Cochran Archives Endowment Fund decreased 1.7% for a total of \$220,364. The Harry F. Byrd Jr. Endowment Building Fund's fair market value is \$262,577 or a decrease of 1.1% .

- a. The Endowment Fund, shown in the component unit column on pages 13 & 14, increased in net position by \$1,267,595 or 79 %. Below is a breakdown of Endowment Fund activity:

Interest & dividend income	\$	52,898
Realized capital gains		32,767
Unrealized capital gains		(64,634)
Contributions		1,328,820
Fees		(10,345)
Transfers to operating		(71,911)
		\$ 1,267,595

The total net position of the Endowment Fund at the end of the year was \$2,867,083. The Endowment Fund received final distributions from the Peter H. Kafitz Irrevocable Trust and the Jane E. Kafitz Irrevocable Trust. Each trust agreement specified that the principle remain intact and the income to be used by the Clarke County branch.

HANDLEY REGIONAL LIBRARY BOARD
MANAGEMENT DISCUSSION AND ANALYSIS, continued

3. CHANGE IN NET POSITION, continued

- b. Friends of Handley Regional Library, as previously noted, is a separate organization, governed by its own board. The Friends provide steady support to the library by funding part of the salary of Friends' Executive Director, by supporting the general operating fund of the library, and by supplying almost all the funding for children's and adult programs. In the Government-Wide Statement of Activities, funds donated by the Friends of Handley Regional Library are listed as transfers (p. 14). This year the Friends transferred \$96,724 to Handley Regional Library. The Board of the Friends has set aside principal of its investments to provide the salary supplement and other annual donations to the library.

Total net position of the Friends of Handley Regional Library at June 30, 2015 and 2014 was \$367,456 and \$397,227, respectively, an decrease of 7.5%, after transfers to Handley Regional Library.

4. ANALYSIS OF BALANCES & TRANSACTIONS

In Governmental Funds, the General Fund fund balance at June 30, 2015 (page 16), decreased \$46,854 over the previous year's fund balance. There is a total General Fund fund balance of \$186,062. This number maintains the amount set by the Handley Regional Library Board for a reserve fund that equals two to three months of operating costs.

Looking at the Total Governmental Funds on page 16, the library system spent \$239,078 more than it had in revenues for fiscal year 2014-2015. After factoring in internal transfers the General Fund balance netted a decrease of \$46,854. The amounts listed below represent current year spending of restricted and committed fund balance (donations received in prior year). The remaining deficit spending, of \$25,088 was unbudgeted and will be discussed in section 5.

Previously donated funds spent on book purchases	\$ 11,792
Previously donated Briggs funds spent on book purchases	9,974
	\$ 21,766

In comparing 2014-2015 to the previous fiscal year, local governmental support increased by 4.7% while state support fell 1.9%. Public support decreased to \$50,861. \$25,000 was from the Graves Family donation, the balance of the funding was from our Year End Letter campaign, the success of which was due to highlighting the cut in State Aid. Total revenue was up \$82,995 or 4.4%.

Total expenditures were up \$60,940 or 2.8% over the previous year. There were increases in payroll due to increase in local funding which translated into a raise for staff. Utilities were up again due to a severe winter. Expenditures in Capitol Expenditures were largely due to the purchase of a new van via Friends funding. There were significant decreases in repairs and maintenance.