



AUDIT REPORT

JUNE 30, 2021

LONESOME PINE REGIONAL LIBRARY
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JUNE 30, 2021

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LARRY D. STURGILL, P. C.

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Trustees
Lonesome Pine Regional Library
Wise, Virginia 24293

Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, as of and for the year then ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lonesome Pine Regional Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 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 opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of The Lonesome Pine Regional Library as of June 30, 2021, and the respective changes in the 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 Management's Discussion and Analysis on pages 3-8, be presented as supplementary information to the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 02, 2021, on our consideration of Lonesome Pine Regional Library's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grant agreements, and other matters. The purpose the report is 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 Lonesome Pine Regional Library's internal control over financial reporting and compliance.



Larry D. Sturgill, P.C.
Wise, Virginia
December 02, 2021



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Lonesome Pine Regional Library

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Lonesome Pine Regional Library Management's Discussion and Analysis of Financial Statements Ending June 30, 2021

The Management's Discussion and Analysis (MD&A) presents to readers of the Library's financial statements a narrative overview and analysis of the Library's financial activities for the fiscal year ended June 30, 2021. The Library's audit is presented under the financial reporting requirements of GASB Statement No. 34 (Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments) as amended by GASB 63 and GASB 65. GASB 68 reports Net Pension Liability based on information provided by the Virginia Retirement System. GASB 74 reports the Group Life Insurance OPEB Liability based on Virginia Retirement System information. To meet the requirements of GASB 34, several sections and procedures are included: Management's Discussion and Analysis, Government-wide Statement of Net Position, Government-wide Statement of Activities, concept of reporting major funds and reporting capital assets, deferred inflows and outflows, and long term debt liabilities.

Julie Short
Director

FINANCIAL HIGHLIGHTS

The Library's assets exceeded its liabilities on June 30, 2021, by \$2,026,556. This was an increase in Net Assets of \$14,630. This increase was primarily due to a reduction in some expenditures such as travel, outreach and programming which were limited during the continuing Covid-19 Pandemic.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Library's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements. The report also contains additional required supplementary information.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business. The statements provide information about the Library's financial position which helps readers determine whether the Library's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the modified

Serving:
Wise County
City of Norton
Dickenson County
Lee County
Scott County

accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30, 2021.

The Statement of Net Position presents information on all of the Library's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate whether the financial state of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., E-rate Reimbursements and earned but unused vacation leave).

Both of the government-wide financial statements illustrate that the functions of the Library are primarily supported by local governmental appropriations and state aid funding. Library fines, service fees for copies and faxes, interest income and grants are the Library's only non-governmental sources of income. As fees for material use are prohibited, the Library is extremely dependent on local government and state aid revenues.

The Government-wide financial statements present the overall financial data for the Lonesome Pine Regional Library system. Although the Library maintains separate financial statements for each individual library or department, there are no separate legal entities for which the Library is financially accountable.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Library can be divided into two categories: general operating funds and restricted funds.

General Operating Funds - Most of the basic services provided by the Library are reported in the general operating funds.

Restricted Funds - The Library maintains several restricted funds originating from endowments or monies set aside for specific purposes.

The Library adopts an annual budget for its General Operating Fund detailing expenditures for personnel, operating expenses and material purchases. Requests for use of Restricted funds and changes to the adopted budget are presented by management for

Board of Trustee approval. A budgetary comparison statement has been provided for those funds to demonstrate compliance with the Library's budget.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position may serve over time as a useful indicator of an entity's financial state. The Library's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,395,757 (Net Position) at the close of the 2021 fiscal year. This a decrease from the prior year due to an increase in Pension Liability.

Pension and Group Life related deferred outflows of resources recognized at June 30, 2021 totaled \$368,747. The amount of deferred outflows recognized at June 30, 2020 totaled \$160,678. The deferred outflows represent the amount of employer contributions made to the pension and life insurance plans subsequent to the measurement date of June 30, 2020 and June 30, 2019 plus the difference between projected and actual earnings on plan investments as of the measurement dates.

Pension and Group Life related deferred inflows of resources recognized at June 30, 2021 totaled \$63,258 and the amount of deferred inflows recognized at the end of June 30, 2020 totaled \$183,267. The elements of deferred inflows are comprised of the amount of the prior years' difference between projected and actual earnings on plan investments and the difference in projected and actual experience at the measurement dates of June 30, 2020 and June 30, 2019.

At June 30, 2021 the Library had outstanding liabilities of \$1,085,062. The library entered into two equipment leases during prior years. The long-term lease liability, current and non-current portion, recognized in the statement of net position totals \$1,962. Other long-term liabilities include \$820,879 Net Pension Liability, \$171,858 Accrued Compensated Absences and GLI OPEB Liability of \$59,000.

Total Net Position

The total net position at June 30, 2021:

Net investment in capital assets	117,411
Restricted Funds & Endowments	1,324,799
Unrestricted	<u>(46,453)</u>
Total Net Position	1,395,757

Statement of Activities - Changes in Net Position

Total revenues for Lonesome Pine Regional Library were \$2,563,880 for the year ended June 30, 2021. Local government entities provided the majority of the revenues.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

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

Governmental Fund Revenue and Expense Analysis

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

Total assets in the General Fund amounted to \$823,354, accounting for 40% of total governmental fund assets of \$2,057,919.

The following table represents revenues compared to prior year amounts:

	2021	2020
Local Participating Governments	\$ 1,620,047	\$ 1,613,557
State Aid Grant	486,848	437,893
Other Grants & Endowments	274,855	6,560
Use of Contributed Services	54,704	85,818
Gifts & Donations	4,570	13,722
Fines	11,979	14,538
Fees-copies, fax, lost materials	26,367	30,693
Interest Income	2,413	25,217
Debt-Set Collections on lost items/fines	13,091	22,862
E-Rate Reimbursement	51,192	70,653
Miscellaneous	17,814	13,611
Total Revenue	\$ 2,563,880	\$ 2,335,124

The following provides an explanation of revenues by source:

Local Participating Governments - Funding from the Counties of Wise, Dickenson, Lee and Scott; City of Norton; and the Towns of Wise, Big Stone Gap, Coeburn, and St. Paul.

State Aid Grant - Monies received from the Library of Virginia state aid allocation; used primarily for Library Materials and Professional Librarian Salaries.

Other Grants & Endowments - Monies received from the Columbus Phipps Foundation, County Cares Act, The Rapha Foundation, IMLS Cares Act Grant, LVA Sub-grant, NEA Big Read Grant, the J H Gibbs Foundation and Teddie's Treasures.

Use of Contributed Services - In-kind Support for utilities, building maintenance, insurance and custodial services from Wise, Scott and Dickenson Counties and the towns of Coeburn, Clintwood, Haysi and St Paul.

Gifts & Donations - Contributions from Library Patrons and Friends of the Library for Memorial Books, Programming and miscellaneous un-designated donations.

Fines - Revenue for daily fines on library materials.

Fees - Revenue for use of library services such as copier, fax and computer copies.

Interest Income - Revenue from cash deposits with the Local Government Investment Pool.

Debt-Set Collections - Revenue through the Virginia Department of Taxation for Debt Set-off Collections for past due fines and lost materials.

E-Rate Reimbursement - Revenue from the Universal Services Administration Schools and Libraries Division for advances in technology providing internet services.

Miscellaneous - Revenue for providing outreach services for Culpeper Library along with miscellaneous collections and reimbursements.

The following table represents expenditures compared to prior year amounts:

	2021	2020
Administrative	\$ 1,650,715	\$ 1,609,507
Library Materials & Services	464,343	253,567
Operations	430,148	319,295
Debt Service	4,044	3,939
Total Expenditures	<u>\$ 2,549,250</u>	<u>\$ 2,186,308</u>

The following provides an explanation of expenditures by category:

Administrative - Expenditures for Salaries, Payroll Taxes, Fringe Benefits, Health Insurance, Travel, Professional Services, Postage, Professional Development, Office Supplies, Telephone, Dues, and Advertising.

Library Materials & Services - Expenditures for Books, Music CD's, DVD's, Digital Audio Books, Magazines & Newspapers, Internet Connectivity, Memorial Books, Cataloging Fees, Marketing, Programming, Electronic Materials and Databases.

Operations - Repairs for Buildings and Grounds, Maintenance Materials, Rent for Library Facilities, Shelving, Furniture, Equipment, Building Improvements, Utilities, Liability Insurance, Van Travel, Equipment Maintenance and Miscellaneous expenditures.

Debt Service - Principal and Interest on Equipment Leases.

CAPITAL ASSET AND LONG-TERM COMMITMENTS

Capital Assets

The Lonesome Pine Regional Library's total investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$117,411 (net of accumulated depreciation). This investment in capital assets includes shelving, vehicles, equipment and furniture.

Long-Term Commitments

At June 30, 2021, Lonesome Pine Regional Library had two long-term contract obligations. The long-term lease liability for two copy machines recognized in the statement of net position totals \$1,962. Other long-term liabilities include \$820,879 Net Pension Liability, \$171,858 Accrued Compensated Absences and \$59,000 GLI OPEB Liability.

Requests for Information

This financial report is intended to provide a general overview of Lonesome Pine Regional Library's financial position for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Lonesome Pine Regional Library, 124 Library Road SW, Wise, VA 24293.

Lonesome Pine Regional Library
Statement of Net Position
June 30, 2021

EXHIBIT 1

	<u>Primary Government</u>	
	<u>Governmental Activity</u>	<u>Total</u>
ASSETS		
Cash, including interest-		
Bearing Accounts	\$ 441,545	\$ 441,545
Investments	344,914	344,914
Restricted Cash and Cash Equivalents	1,234,565	1,234,565
Accounts Receivable	36,895	36,895
Other Capital Assets, Net of Depreciation	117,411	117,411
Total Assets	<u>2,175,330</u>	<u>2,175,330</u>
DEFERRED OUTFLOWS		
Pension Plan	359,576	359,576
Group Life Plan	9,171	9,171
Total Deferred Outflows	<u>368,747</u>	<u>368,747</u>
LIABILITIES		
Accounts Payable	7,868	7,868
Payroll Taxes Payable	2,078	2,078
Employee Wages Payable	21,417	21,417
Long-term Liabilities:		
Due within one year	19,142	19,142
Due in more than one year	154,678	154,678
Net Pension Liability	820,879	820,879
Net GLI OPEB Liability	59,000	59,000
Total Liabilities	<u>1,085,062</u>	<u>1,085,062</u>
DEFERRED INFLOWS		
Pension Plan	51,258	51,258
Group Life Plan	12,000	12,000
Total Deferred Inflows	<u>63,258</u>	<u>63,258</u>
NET POSITION		
Net Investment in Capital Assets	117,411	117,411
Restricted for:		
Committed Funds	90,234	90,234
Cummings Endowment	13,588	13,588
Wise Co. Addington Endowment Fund	89,249	89,249
Phillips Endowment	1,131,728	1,131,728
Unrestricted	<u>(46,453)</u>	<u>(46,453)</u>
Total Net Position	<u>\$ 1,395,757</u>	<u>\$ 1,395,757</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Lonesome Pine Regional Library
Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
	Expenses			
Primary Government Agency:				
Governmental Activities:				
Administration	\$ 1,823,820	\$ -	\$ 108,097	\$ (1,715,723)
Library Materials and Services	243,823	38,135	381,626	175,938
Operations	389,876	-	-	(389,876)
Total Governmental Activities	<u>\$ 2,457,519</u>	<u>\$ 38,135</u>	<u>\$ 489,723</u>	<u>(1,929,661)</u>
Support and Revenue:				
General Revenue				51,192
Grants and Contributions, not restricted to specific programs				1,757,836
Investment Income, Net of Investment Loss				<u>2,458</u>
Total Support and Revenue				<u>1,811,486</u>
Change in Net Position				(118,175)
Net Position, Beginning				<u>1,513,932</u>
Net Position, Ending				<u>\$ 1,395,757</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**Lonesome Pine Regional Library
Balance Sheet - Governmental Fund
June 30, 2021**

	<u>General Fund</u>	<u>Total</u>
ASSETS		
Cash, including interest-bearing accounts	\$ 441,545	\$ 441,545
Investments	344,914	344,914
Restricted	1,234,565	1,234,565
Accounts Receivable	36,895	36,895
Total Assets	<u>2,057,919</u>	<u>2,057,919</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	7,868	7,868
Payroll Taxes Payable	2,078	2,078
Employee Wages Payable	21,417	21,417
Total Liabilities	<u>31,363</u>	<u>31,363</u>
Fund balance:		
Restricted:		
Endowments	1,234,565	1,234,565
Committed:		
Regional and Branches	90,234	90,234
Unassigned	701,757	701,757
Total Fund Balance	<u>2,026,556</u>	<u>2,026,556</u>
Total Liabilities and Fund Balance	<u>\$ 2,057,919</u>	<u>\$ 2,057,919</u>
Detailed explanation of adjustments from fund statements to government-wide statements of net position:		
Total Fund Balances		\$ 2,026,556
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of capital assets is \$1,147,221 and the accumulated depreciation is \$1,029,810		117,411
Due to timing differences in recognition of current year employer contributions to the pension plan per GASB 68, deferred outflows of resources are recognized for the contributions in the Statement of Net Position		359,576
Due to timing differences in recognition of current year employer contributions to the life insurance per GASB 75, deferred outflows of resources are recognized for the contributions in the Statement of Net Position		9,171
Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Long-term liabilities at 06/30/21 consisted of the following:		
Lease Financing	\$ 1,962	
Net Pension Liability	820,879	
Compensated Absences	171,858	
GLI OPEB Liability	59,000	(1,053,699)
		<u>(51,258)</u>
Certain pension related deferrals are reported in the Statement of Net position as required by GASB 68.		<u>(12,000)</u>
Certain pension related deferrals are reported in the Statement of Net position as required by GASB 75.		<u>\$ 1,395,757</u>
Net Position of General Government Activities		<u>\$ 1,395,757</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Lonesome Pine Regional Library
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Total</u>
SUPPORT AND REVENUE		
Support:		
Grants:		
State-Aid	\$ 486,848	\$ 486,848
Other Grants and Endowments	274,855	274,855
Local Governmental Units	1,620,047	1,620,047
Use of Contributed Services	54,704	54,704
Gifts and Donations	4,570	4,570
Total Support	<u>2,441,024</u>	<u>2,441,024</u>
General revenue:		
Book Fines	11,979	11,979
Copy Machine	24,478	24,478
Lost Materials	1,026	1,026
Library Cards and Bags	593	593
Non-Resident Fees	60	60
ILL Postage Fees	210	210
Culpeper	11,500	11,500
Interest Income	2,413	2,413
Debt-Set Collections	13,091	13,091
E-Rate Reimbursement	51,192	51,192
Miscellaneous	6,314	6,314
Total General Revenue	<u>122,856</u>	<u>122,856</u>
Total Support and Revenue	<u>2,563,880</u>	<u>2,563,880</u>
EXPENDITURES		
Administration:		
Salaries	1,186,799	1,186,799
Payroll Taxes	89,623	89,623
Fringe Benefits	73,376	73,376
Professional Services	15,506	15,506
Travel	408	408
Printing and Office Supplies	22,286	22,286
Postage	8,742	8,742
Telephone	26,883	26,883
Health Insurance	223,054	223,054
Professional Development	130	130
Advertising	430	430
Dues, Fees, and Subscriptions	3,478	3,478
Total Administration	<u>1,650,715</u>	<u>1,650,715</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Lonesome Pine Regional Library
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Total</u>
Library Materials and Services:		
Books	\$ 74,629	\$ 74,629
Audio and Video Materials	24,724	24,724
Periodicals	13,434	13,434
Internet Connectivity	57,006	57,006
Marketing	385	385
Memorial & Gift Purchases	4,668	4,668
Cataloging Fees	15,788	15,788
Grant Expense	230,865	230,865
Programming	18,508	18,508
Culpeper Expense	1,787	1,787
Electronic Data Bases and Materials	22,549	22,549
Total Library Materials and Services	<u>464,343</u>	<u>464,343</u>
Operations:		
Repairs-Building and Grounds	42,200	42,200
Equipment Maintenance Contracts	105,002	105,002
Maintenance Material	7,555	7,555
Maintenance and Utility Fees	4,800	4,800
Shelving, Furniture, Equipment	111,819	111,819
Building Improvements	6,150	6,150
Electricity	104,453	104,453
Water, Sewer and Garbage	9,960	9,960
Insurance	31,992	31,992
Van Travel	5,622	5,622
Miscellaneous and Signage	595	595
Total Operations	<u>430,148</u>	<u>430,148</u>
Debt Service:		
Lease Principal	3,784	3,784
Lease Interest	260	260
Total Debt Service	<u>4,044</u>	<u>4,044</u>
Total Expenditures	<u>2,549,250</u>	<u>2,549,250</u>
Excess (Deficiency) of Support and Revenue over Expenditures - Net Change in Fund Balance	14,630	14,630
Fund Balance, Beginning	<u>2,011,924</u>	<u>2,011,924</u>
Fund Balance, Ending	<u>\$ 2,026,554</u>	<u>\$ 2,026,554</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**Lonesome Pine Regional Library
Reconciliation of Statement of Support, Revenues, Expenditures,
and Changes in Fund Balance of Governmental Fund
To the Statement of Activities
For the Year Ended June 30, 2021**

	<u>Governmental Fund</u>
Amounts reported for governmental activity in the statement of activities are different because:	
Net Change in Fund Balance - Total Governmental Fund	\$ 14,630
Governmental fund reports 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 outlays exceeded depreciation expense in the current period.	(72,073)
Employer contributions to the pension plan in the current year are not included on the Statement of Activities.	61,522
Employer contributions to the life insurance in the current year are not included on the Statement of Activities.	3,969
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,043
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current resources and, therefore, are not required as expenditures in governmental funds.	
Net Change in Compensated Absences	(5,180)
Change in Pension Assumptions and Experience	(125,086)
Change in Net Position	<u>\$ (118,175)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Lonesome Pine Regional Library
Statement of Support, Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Governmental Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Support and Revenue:				
Support:				
Grants:				
State-Aid	\$ 459,866	\$ 486,848	\$ 486,848	\$ -
Other Grants & Endowments	-	274,855	274,855	-
Local Governmental Units	1,614,797	1,620,047	1,620,047	-
Use of Contributed Services	100,835	54,704	54,704	-
Gifts and Donations	-	3,769	4,570	801
Total Support	<u>2,175,498</u>	<u>2,440,223</u>	<u>2,441,024</u>	<u>801</u>
General Revenue:				
Book Fines	10,325	10,591	11,979	1,388
Copy Machine	21,575	23,035	24,478	1,443
Lost Materials	665	467	1,026	559
Library Cards and Bags	595	448	593	145
Non-Resident Fees	-	60	60	-
ILL Postage Fees	111	111	210	99
Interest Income	-	-	2,413	2,413
Culpeper	11,500	11,500	11,500	-
Debt-Set Collections	10,650	11,272	13,091	1,819
E-Rate Reimbursement	38,365	3,885	51,192	47,307
Miscellaneous	470	127	6,314	6,187
Total General Revenue	<u>94,256</u>	<u>61,496</u>	<u>122,856</u>	<u>61,360</u>
Total Support and Revenue	<u>2,269,754</u>	<u>2,501,719</u>	<u>2,563,880</u>	<u>62,161</u>
Expenditures:				
Administration:				
Salaries	1,214,025	1,201,535	1,186,799	14,736
Payroll Tax Expense	90,740	94,201	89,623	4,578
Fringe Benefits	76,910	75,603	73,376	2,227
Professional Services	18,315	18,315	15,506	2,809
Travel	3,855	2,455	408	2,047
Printing and Office Supplies	34,820	26,302	22,286	4,016
Postage	8,175	11,212	8,742	2,470
Telephone	29,200	29,200	26,883	2,317
Health Insurance	235,995	225,491	223,054	2,437
Professional Development	600	600	130	470
Advertising	100	435	430	5
Dues, Fees, and Subscriptions	5,655	5,665	3,478	2,187
Total Administration	<u>1,718,390</u>	<u>1,691,014</u>	<u>1,650,715</u>	<u>40,299</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Lonesome Pine Regional Library
Statement of Support, Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Governmental Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Library Materials and Services:				
Books	\$ 80,612	\$ 80,706	\$ 74,629	\$ 6,077
Audio and Video Materials	31,250	24,724	24,724	-
Periodicals	14,645	13,434	13,434	-
Internet Connectivity	57,030	57,006	57,006	-
Marketing	-	6,761	385	6,376
Memorial and Gift Purchases	-	15,162	4,668	10,494
Microforms	1,970	-	-	-
Cataloging Fees	1,000	15,788	15,788	-
Grant Expense	-	230,865	230,865	-
Programming	15,650	58,847	18,508	40,339
Culpeper Expense	1,535	3,185	1,787	1,398
Electronic Materials and Data Bases	23,760	22,549	22,549	-
Total Library Materials and Services	<u>227,452</u>	<u>529,027</u>	<u>464,343</u>	<u>64,684</u>
Operations:				
Repairs-Building and Grounds	72,005	51,859	42,200	9,659
Equipment Maintenance	79,375	105,424	105,002	422
Maintenance Material	19,290	18,905	7,555	11,350
Maintenance and Utility Fees	4,800	4,800	4,800	-
Shelving, Furniture, Equipment	83,489	119,069	111,819	7,250
Building Improvements	-	13,394	6,150	7,244
Electricity	124,063	116,696	104,453	12,243
Water, Sewer and Garbage	12,575	11,403	9,960	1,443
Insurance	33,520	34,101	31,992	2,109
Debt Service-Lease Principal	-	-	3,784	(3,784)
Debt Service-Lease Interest	-	-	260	(260)
Van Travel	8,560	8,560	5,622	2,938
Miscellaneous and Signage	1,760	1,910	595	1,315
Total Operations	<u>439,437</u>	<u>486,121</u>	<u>434,192</u>	<u>51,929</u>
Total Expenditures	<u>2,385,279</u>	<u>2,706,162</u>	<u>2,549,250</u>	<u>156,912</u>
Support and Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,630</u>	
Fund Balance, Beginning			<u>2,011,926</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 2,026,556</u>	

Note 1 - Leases: Budget appropriations for lease payments were recorded in the Shelving & Equipment-Regional and Shelving & Equipment-Lee accounts. No appropriation was made for the recording of the initial lease financing revenue or expenditures since there were no actual receipts or expenditures made from current resources.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the Library prepares and presents financial information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

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

Government-wide and Fund Financial Statements

Government-wide financial statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as building 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 of the primary government and its component units. For the most part, effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, in the government-wide Statement of Net Position. 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).

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Budgetary comparison schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate, in some way, in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under this reporting model governments will continue to provide budgetary comparison information in their annual reports. As required, the government's original budget is included in the current comparison of final budget and actual results.

A. The Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the primary government, should be included in its reporting entity. These financial statements present the Lonesome Pine Regional Library (the primary government) as required by generally accepted accounting principles.

B. Potential Component Unit Consideration

Upon consideration of potential component units, it was determined that there were no component units for the Lonesome Pine Regional Library.

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

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

The Library applies all GASB pronouncements as well as the Financial Accounting Standard Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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 (administration, etc.) which are otherwise being supported by general government revenues. 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.

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 government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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 government reports the following major governmental funds.

- (1) Governmental Funds account for the expendable financial resources other than those accounted for in Fiduciary Funds. The Governmental Fund measurement focus is on determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The individual Governmental Fund is:

General Fund

The General Fund is the primary operating fund of the Library. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from state and local contributions, charges for services and interest income.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

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

1. The Director submits to the Board of Trustees a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Prior to June 30, the Board passes a motion to adopt the budget.
3. The adopted budget places restrictions on expenditures at the department level or category level. Management presents adjustments for any budgetary changes for each department or category to the Board of Trustees.
4. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Appropriations lapse on June 30.
6. All budget data presented in the accompanying financial statements is the revised budget for the year.

E. Leases

During the fiscal year 2016-2017, the Library elected to early implement GASBS #87, *Leases*. The lease liability is measured as the present value of the payments expected to be made during the lease term as calculated using the interest rate stated or implied in the lease agreement or if the rate is not available, the market rate of interest for similar transactions or the Library's estimated incremental borrowing rate. The value of the lease asset is measured as the sum of the initial measurement of the lease liability plus any payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term and plus initial direct costs that are ancillary charges necessary to place the lease asset into service. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization is reported as part of depreciation expense. Initially an expenditure and other financing source is reported in the period the lease is first recognized. The expenditure and other financing source are measured as the value of the lease asset as described above. Subsequent governmental fund lease payments are accounted for consistent with principles for debt service payments on long-term debt. Amounts paid towards the lease principal are reported as Debt Service-Lease Principal and the amounts paid for interest are reported as Debt Service-Lease Interest.

F. Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as furniture & fixtures, vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Leased assets are recorded as described in Note E. Leases.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

F. Capital Assets (*Continued*)

Assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Furniture & Fixtures	5 Years
Equipment	5 Years
Motor Vehicles	5 Years

G. Allowance for Doubtful Accounts

The Library does maintain an allowance for estimated uncollectible accounts. As of June 30, 2021, all receivables were deemed collectible and therefore no allowance was reported.

H. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments that are, both readily convertible to known amounts of cash and investments with maturities of 90 days or less.

I. Investments

The Library's investments may include cash on deposit in a money market savings account, certificates of deposits and investments in the Local Government Investment Pool Program (LGIP) of the Commonwealth of Virginia. Certificate of deposits and short-term repurchase agreements, if any, are reported in the accompanying financial statements as cash and cash equivalents. Investments in a deferred compensation agency fund, if any, are reported at market value. Investments in the LGIP are valued at their net asset value, which barring extraordinary circumstances, will maintain the constant price of \$1.00 per share. The LGIP portfolio is valued by the amortized cost valuation technique, which values securities at their acquisition cost adjusted for amortization of premium or accretion of discount rather than at their value based on current market factors. Amortized cost valuation is permitted provided the LGIP investment portfolio meets all of the criteria of GASB Statement 79. The LGIP adheres to these rules pursuant to the "Investment Policy and Guidelines".

J. Contributed Facilities

The Lonesome Pine Regional Library System occupies, without charge, certain premises located in government-owned buildings. The estimated fair rental value of the premises is not reported as support and expenses in the period since they are not allowed on the government financial statement.

K. Contributed Services

The Library receives from local governmental units, certain services without charge; such as electricity, water and sewer, and custodial services. The value of these services has been reported as support and expenditures in the period in which the services were received.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

L. Compensated Absences

The Library provides annual leave for full-time and part-time employees. The rate at which annual leave is accrued depends on length of service. Annual leave is accumulated, but only a limited amount can be carried over from year to year depending on length of service. The Library's liability for annual leave is recorded as a component of long-term liabilities in the statement of net position.

M. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of 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 and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

N. Fund Balances

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement No. 54) in February 2009 to provide new financial reporting categories for fund balances of governmental funds. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned).

- Nonspendable fund balance includes amounts not in spendable form, such as prepaid expenses, inventories, or amounts legally or contractually required to remain intact (such as the principal of a permanent fund).
- Restricted fund balance represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Lonesome Pine Regional Library's governing board. Formal action of the Library's Board of Trustees is required to establish, modify or rescind committed fund balances.
- Assigned fund balance is constrained by the Lonesome Pine Regional Library's Board of Trustees or an appointed decision-making authority's intent to be used for specific purposes. This classification includes the residual fund balance for the General Fund.
- Unassigned fund balance is available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, the Lonesome Pine Regional Library will adhere to the default policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, the Lonesome Pine Regional Library will adhere to the default policy to spend committed resources first.

NOTE 2: CASH AND INVESTMENTS

Deposits: All cash of the Lonesome Pine Regional Library is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 ET. Seq. of the Code of Virginia or covered by federal depository insurance.

Credit Risk: At year end June 30, 2021 the Library had no investments requiring interest rate disclosures. Deposits and investments held by any single issuer that exceeded 5% are as follows:

Local Banks	22.03%
Virginia Local Government Investment Pool	77.97%

Investments: Statutes authorize the Lonesome Pine Regional 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).

The Lonesome Pine Regional Library's investments consist of participation in the State Treasurer's Local Government Pool. The LGIP is managed in a manner consistent with SEC Rule 2a-7 and meets the requirements of GASB No. 31 and GASB No. 79. The LGIP strives to maintain a stable asset value per share of \$1.00 using the amortized cost method of valuation. Therefore, the fair value of the position in the LGIP is the same as the value of the pool shares. The LGIP is managed by the Virginia State Treasury and is not SEC registered. The LGIP received a pool rating of AAAM from Standard & Poor on March 31, 2021. Redemptions may be made on any banking day and there are no redemption fees or withdrawal penalties.

At year-end, the Library's investment balances were as follows:

	Original Investment Maturity			Carrying Amount
	Fair Value	Less Than 1 Year	1-5 Years	
State Treasurer's Local Government Pool (LGIP)	\$ 1,575,507	\$ 1,575,507	\$ -	\$ 1,575,507
Total Investments	<u>\$ 1,575,507</u>	<u>\$ 1,575,507</u>	<u>\$ -</u>	\$ 1,575,507
Total Cash on Deposit				\$ 445,057
Total Cash on Hand				460
Total Cash and Cash Equivalents				<u>\$ 445,517</u>
Total Deposits and Investments				<u>\$ 2,021,024</u>

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 3: CAPITAL ASSETS

A summary of capital assets by location follows:

	Leased Assets	Purchased Assets
Regional Office	\$ 12,110	\$ 315,156
Wise Library Public Library-Wise		211,424
J. B. Deel Library-Clintwood		138,491
C. Bascom Slemp Library-Big Stone Gap		128,192
Scott Library Public Library-Gate City		125,806
Lee County Public Library-Pennington Gap	5,799	84,811
J. F. Matthews Library-St. Paul		40,011
Coeburn Community Library-Coeburn		20,319
Haysi Library		37,281
Rose Hill Library		12,864
Mailbox Library		14,957
Total Capital Assets	\$ 17,909	\$ 1,129,312
Less: Accumulated Depreciation/Amortization	(13,513)	(1,016,296)
Net Capital Assets	\$ 4,396	\$ 113,015

The following is a summary of changes in capital assets for the year ending June 30, 2021:

	July 1, 2020 Balance	Additions	Deletions	June 30, 2021 Balance
Equipment	\$ 281,319	\$ 42,767	\$ (26,647)	\$ 297,439
Furniture and Fixtures	764,235	-	-	764,235
Vehicles	38,903	49,520	(20,785)	67,638
Leased Equipment	17,909	-	-	17,909
Total	\$ 1,102,366	\$ 92,287	\$ (47,432)	\$ 1,147,221
Less: Accumulated Depreciation				(1,029,810)
Net Capital Assets				\$ 117,411

Total depreciation expense charged to the General Fund for the year ending June 30, 2021 was \$20,214. Of that amount, \$17,876 was depreciation expense of assets owned and \$2,338 was amortization expense on leased equipment.

NOTE 4: LONG-TERM LIABILITIES

The only long-term liabilities of the Library at June 30, 2021 consist of two copier leases and liabilities related to compensated absences. The principal and interest requirements to maturity are presented for the lease liabilities in Note 6: Leases. The liabilities for compensated absences are presented in Note 7: Compensated Absences.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 5: LEASES

In fiscal year 2016-2017 the Library entered into two copier lease agreements which have been accounted for based on the GASBS #87. The lease asset value and amortization are shown in Note 5 Capital Assets. The lease liability is shown in Note 7 Long-term Liabilities. The lease terms that are the same for both leases are as follows; lease term is 60 months, the end of term purchase option is fair market value. There were no payments made to the lessors or incentives received from the lessors at or before the commencement of the lease term. There were no initial direct costs identified. Terms specific to each lease:

Leases Payable

Long-Term

Canon Financial Services Lease – ImageRunner Copier: the estimated discount rate is 4.069%, the present value of the minimum lease payments is \$5,799. The monthly payment amount is \$126.41 consisting of principal and interest. The lease began on July 27, 2016 and ends on July 27 2021.

Less: Current Portion

\$ 114
(114)

-

Great America Financial Services Lease – ImageRunner Copier: the estimated discount rate is 3.696%, the present value of the minimum lease payments is \$12,110. The monthly payment amount is \$221.37 consisting of principal and interest. The lease began on April 6, 2017 and ends on April 6, 2022.

Less: Current Portion

\$ 1,962
(1,962)

-

Total Long-Term Lease Liabilities

\$ -

Changes in Long-term Lease Liabilities:

<u>Type</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Leases	\$ <u>6,005</u>	\$ <u>-</u>	\$ <u>(4,043)</u>	\$ <u>1,962</u>

Leases payable principal and interest requirements are presented in the table below.

<u>Years Ending June 30</u>	<u>Equipment Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ <u>2,076</u>	\$ <u>23</u>	\$ <u>2,099</u>
TOTAL	\$ <u>2,076</u>	\$ <u>23</u>	\$ <u>2,099</u>

NOTE 6: COMPENSATED ABSENCES

In accordance with GASB Statement #16, *Compensated Absences*, the Library has accrued the liability arising from compensated absences. The current portion of compensated absences payable in the next year is \$17,180.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 6: COMPENSATED ABSENCES (Continued)

The table below shows compensated absences by location for the fiscal year ended June 30, 2021.

Location	<u>Amount</u>
C.B. Slemp Library-Big Stone Gap	\$ 13,530
Coeburn Community Library-Coeburn	8,501
J.B. Deel Library-Clintwood	11,716
Haysi Library	9,972
Lee Library Library-Pennington Gap	13,984
Rose Hill Library	827
Scott Library Library-Gate City	5,548
J.F. Matthews Library-St. Paul	7,499
Wise Public Library-Wise	21,818
Regional	<u>78,463</u>
Total	\$ <u>171,858</u>

NOTE 7: COMMITMENTS & CONTINGENCIES

The Library receives a substantial amount of its support from state and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities.

No other commitments or contingencies are outstanding as of June 30, 2021.

NOTE 8: SURETY BONDS

The Lonesome Pine Regional Library has, as of June 30, 2021, a blanket insurance policy with The Virginia Municipal League covering dishonest employee acts with an aggregate limit of \$100,000 and a \$100 deductible.

NOTE 9: RESTRICTED AND COMMITTED FUNDS

Restricted Fund Balance - The Lonesome Pine Regional Library's funds include balances that are restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. A summary of the nature and purpose of restricted reserves at June 30, 2021, follows:

	<u>Amount</u>
Cummings Endowment Fund	\$ 13,588
WCPL Addington Endowment Fund	89,249
CBS Phillips Endowment Fund	<u>1,131,728</u>
TOTAL RESTRICTED FUNDS	<u>\$ 1,234,565</u>

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NOTE 9: RESTRICTED AND COMMITTED FUNDS (Continued)

Committed Fund Balance – The Library’s funds included balances that represent amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library’s Board of Trustees. A summary of the nature and purpose of committed reserves at June 30, 2021, follows:

	<u>Amount</u>
Regional Funds Committed For:	
Van Replacement	\$ 30,782
Compensated Absences	25,761
Funds Committed for Branch Improvement:	
Wise County Public Library	11,936
C. Bascom Slemp Library	554
Coeburn Community Library	1,520
Haysi Public Library	34
J. Fred Matthews Memorial Library	19,312
Lee County Public Library	<u>335</u>
 TOTAL COMMITTED FUNDS	 <u>\$ 90,234</u>

NOTE 10: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The Library has deferred outflows totaling \$61,522 representing the amount of employer contributions made to the pension plan subsequent to the measurement date of June 30, 2020. Deferred outflows representing the difference in projected and actual earnings on plan investments at the measurement date of June 30, 2020 are \$298,054. Total deferred outflows related to the Library’s pension plan are \$359,576.

The Library has deferred inflows totaling \$51,258 as described in Note 11: Defined Benefit Pension Plan. The specific elements of deferred inflows are comprised of the amount of the prior years’ difference between projected and actual earnings on pension plan investments of \$51,258 and the difference in projected and actual experience in the total pension liability at June 30, 2020 of \$-0-.

NOTE 11: DEFINED BENEFIT PENSION PLAN

Pensions

The Virginia Retirement System (VRS) Lonesome Pine Regional Library Plan is a multi-employer, agent plan. 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 Lonesome Pine Regional Library’s Retirement Plan and the additions to/deductions from the Lonesome Pine Regional Library’s 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.

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NOTE 11: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description – All full-time, salaried permanent employees of the Lonesome Pine Regional Library (Library) are automatically covered by VRS Retirement Plan upon employment. This plan is 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 are paying 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.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit

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		<p>plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</p>
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Lonesome Pine Regional Library (LPRL) employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • LPRL employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP. <i>(Not applicable to LPRL employees)</i></p>

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<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The Library elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. LPRL elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

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<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution not required, except as governed by law.</p>
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<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p>Service Retirement Multiplier VRS: The same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not Applicable</p>

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<p>Political Subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Political Subdivision hazardous duty employees: Same as Plan 1</p>	<p>Political Subdivision hazardous duty employees: Not Applicable</p> <p><u>Defined Contribution Component:</u> Not applicable</p>
<p>Normal Retirement Age VRS: Age 65</p> <p>Political subdivision hazardous duty employees: Age 60</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political Subdivisions hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivisions hazardous duty employees: Same as Plan 1</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivisions hazardous duty employees: Not Applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit is as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not Applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2</p> <p><u>Defined Contribution Component:</u> Not applicable</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2</p>

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<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, Regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (Including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

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VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	VSDP Members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable

Employees Covered by Benefit Terms – As of the June 30, 2019 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	21
Transfers Out	-
Inactive Members:	
Vested Inactive Members	4
Non-vested Inactive Members	5
Active Elsewhere in VRS	-
Total Inactive Members	<u>12</u>
Active Members	20
Total Covered Employees	<u>53</u>

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

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NOTE 11: DEFINED BENEFIT PENSION PLAN (Continued)

The Library's contractually required contribution rate for the year ended June 30, 2021 was 8.37% of covered employee compensation. This rate was based on a actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with the 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 \$95,577 and \$71,718 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability – The Library's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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, 2019, 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, 2020.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

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.

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NOTE 11: DEFINED BENEFIT PENSION PLAN (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits– The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Lonesome Pine Regional Library Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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NOTE 11: DEFINED BENEFIT PENSION PLAN (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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS	6.00%	3.04%	0.18%
PIP	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
		*Expected Arithmetic Nominal Return	7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. 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; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed 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.

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NOTE 11: DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	\$5,414,519	\$5,127,188	\$287,331
Changes for the year:			
Service Cost	64,589	-	64,589
Interest	358,042	-	358,042
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between expected and actual experience	276,582	-	276,582
Contributions – Employer	-	36,164	(36,164)
Contributions – Employee	-	35,554	(35,554)
Net Investment Income	-	97,444	(97,444)
Benefit payments, including refunds of employee contributions	(220,386)	(220,386)	-
Administrative Expenses	-	(3,383)	3,383
Other Changes	-	(114)	114
Net Changes	478,827	(54,721)	533,548
Balances at June 30, 2020	\$5,893,346	\$5,072,467	\$820,879

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 6.75% as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Lonesome Pine Regional Library's Net Pension Liability	\$ 1,495,705	\$ 820,879	\$ 247,527

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 11: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
– For the year ended June 30, 2020, the Library recognized pension expense of (\$36,164). At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,590	\$ -
Changes in assumptions	3,579	-
Net differences between projected and actual earnings on plan investments	152,466	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 285,635</u>	<u>\$ -</u>

Deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date in the amount of \$36,164 will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2022	\$ 137,366
2023	47,895
2024	51,673
2025	48,701
2026	-
Thereafter	-
TOTAL	<u>285,635</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The Library reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM

Plan Description

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

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

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u>—The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u>—The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u>—In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,616 effective June 30, 2021.</p>

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (*Continued*)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by Section 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$3,969 and \$3,798 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entities reported a liability of \$59,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00356% as compared to 0.00373% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$3,969. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (Continued)

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and Actual experience	\$ 1,000	\$ 4,000
Net difference between projected and Actual earnings on GLI OPEB Program investments	-	2,000
Changes in assumptions	1,000	3,000
Changes in proportion	12,000	-
Employer contributions subsequent to the Measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 14,000</u>	<u>\$ 9,000</u>

\$3,969 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

FY 2022	\$ (1,000)
FY 2023	(1,000)
FY 2024	(1,000)
FY 2025	(1,000)
FY 2026	(1,000)
Thereafter	<u>-</u>
TOTAL	<u>\$ 5,000</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (*Continued*)

Inflation	2.5 percent
Salary increases, including inflation—	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of investment expenses, Including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (*Continued*)

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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.0% to 6.75%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table—RP-2014 projected to 2020
Retirement Rates	Lowered 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	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.0% to 6.75%

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (*Continued*)

Mortality rates-- SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

Pre-retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (*Continued*)

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7% to 6.75%

Mortality rates- JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (continued)

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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

Mortality rates—Largest Ten Locality Employers-Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7% to 6.75%

Mortality rates—Non-Largest Ten Locality Employers-Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (continued)

	Group Life Insurance <u>OPEB Program</u>
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	<u>1,855,102</u>
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage Of the Total GLI OPEB Liability	52.64%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS	6.00%	3.04%	0.18%
PIP	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
		*Expected Arithmetic Nominal Return	<u>7.14%</u>

The above allocation provides a one-year return of 7.14%. 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

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 12: GROUP LIFE INSURANCE OPEB PROGRAM (continued)

periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates.

Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75% as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Lonesome Pine Regional Library Share of the Group Life Insurance Program Net OPEB Liability	\$ 78,000	\$ 59,000	\$ 44,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

As of June 30, 2021, the Library reported a payable of \$-0- for the outstanding amount of contributions to the group life insurance OPEB plan required for the year ended June 30, 2021.

LONESOME PINE REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 13: OTHER INFORMATION

Accounting Change

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions and to improve information provided by state and local governmental employers about financial support for other postemployment benefits (OPEB) that is provided by other entities. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

NOTE 14: SUBSEQUENT EVENTS

The Library's management evaluated subsequent events through December 02, 2020, the date at which the report was available to be issued. No subsequent events were identified that would have a material effect on the financial statements.

Lonesome Pine Regional Library
Statement of Support and Revenue- Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Favorable (Unfavorable)
Operating Support and Revenue:				
Support:				
State Aid - Books and Related Material	\$ 351,701	\$ 378,751	\$ 378,751	\$ -
State Aid - Salaries	108,165	108,097	108,097	-
Total State-Aid	459,866	486,848	486,848	-
Other Grants:				
Phipps Foundation	-	4,000	4,000	-
Special Grants	-	270,855	270,855	-
Total Other Grants	-	274,855	274,855	-
Local Government Support:				
County of Wise	805,727	805,727	805,727	-
County of Dickenson	332,553	332,553	332,553	-
County of Lee	222,082	222,082	222,082	-
County of Scott	203,050	203,050	203,050	-
City of Norton	30,285	30,285	30,285	-
Town of Wise	9,500	9,500	9,500	-
Town of Big Stone Gap	2,500	2,500	2,500	-
Town of Coeburn	5,000	5,000	5,000	-
Town of St. Paul	4,100	4,100	4,100	-
Wise County Discretionary Fund	-	2,450	2,450	-
Discretionary Fund - Town of Haysi	-	2,800	2,800	-
County of Scott - In Kind	57,940	12,884	12,884	-
Town of Haysi - In Kind	2,000	2,250	2,250	-
Town of St. Paul - In Kind	945	5,364	5,364	-
Town of Clintwood - In Kind	800	705	705	-
Dickenson County - In Kind	18,130	4,281	4,281	-
Town of Coeburn - In Kind	810	2,568	2,568	-
Wise County - In Kind	20,210	26,652	26,652	-
Total Local Governmental Support	1,715,632	1,674,751	1,674,751	-
Phillips Endowment	-	-	-	
Gifts and Donations	-	3,769	4,570	801
Total Gifts and Donations	-	3,769	4,570	801
Total Support	2,175,498	2,440,223	2,441,024	801

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Lonesome Pine Regional Library
Statement of Support and Revenue- Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenue:				
Book Fines	\$ 10,325	\$ 10,591	\$ 11,979	\$ 1,388
Copy Machine	21,575	23,035	24,478	1,443
Lost Materials	665	467	1,026	559
Library Bags	300	237	347	110
Library Cards	295	211	246	35
Non-Resident Fees	-	60	60	-
Interest	-	-	2,413	2,413
Culpeper Contract	11,500	11,500	11,500	-
Debt Set Collections	10,650	11,272	13,091	1,819
ILL Postage Fee	111	111	210	99
E-Rate Reimbursement	38,365	3,885	51,192	47,307
Miscellaneous	470	127	6,314	6,187
Total Revenue	94,256	61,496	122,856	61,360
Total Support and Revenue	<u>\$ 2,269,754</u>	<u>\$ 2,501,719</u>	<u>\$ 2,563,880</u>	<u>\$ 62,161</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**Lonesome Pine Regional Library
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Favorable (Unfavorable)
Expenditures:				
Administration:				
Salaries	\$ 1,214,025	\$ 1,201,535	\$ 1,186,799	\$ 14,736
Payroll Tax Expense	90,740	94,201	89,623	4,578
Fringe Benefits	76,910	75,603	73,376	2,227
Professional Services	18,315	18,315	15,506	2,809
Travel	3,855	2,455	408	2,047
Printing and Office Supplies	34,820	26,302	22,286	4,016
Postage	8,175	11,212	8,742	2,470
Telephone	29,200	29,200	26,883	2,317
Health Insurance	235,995	225,491	223,054	2,437
Professional Development	600	600	130	470
Advertising	100	435	430	5
Dues, Fees, and Subscriptions	5,655	5,665	3,478	2,187
Total Administration	<u>1,718,390</u>	<u>1,691,014</u>	<u>1,650,715</u>	<u>40,299</u>
Library Materials and Services:				
Books	80,612	80,706	74,629	6,077
Audio & Video Materials	31,250	24,724	24,724	-
Periodicals	14,645	13,434	13,434	-
Internet Connectivity	57,030	57,006	57,006	-
Marketing/Outreach	-	6,761	385	6,376
Grant Expense	-	230,865	230,865	-
Memorial and Gift Purchases	-	15,162	4,668	10,494
Microforms	1,970	-	-	-
Cataloging Fees	1,000	15,788	15,788	-
Programming	15,650	58,847	18,508	40,339
Culpeper Expense	1,535	3,185	1,787	1,398
Electronic Data Bases and Materials	23,760	22,549	22,549	-
Total Library Materials and Services	<u>227,452</u>	<u>529,027</u>	<u>464,343</u>	<u>64,684</u>
Operations:				
Repairs-Building and Grounds	72,005	51,859	42,200	9,659
Equipment Maintenance	79,375	105,424	105,002	422
Maintenance Material	19,290	18,905	7,555	11,350
Maintenance and Utility Fees	4,800	4,800	4,800	-
Shelving, Furniture, Equipment	83,489	119,069	111,819	7,250
Building Improvements	-	13,394	6,150	7,244
Electricity	124,063	116,696	104,453	12,243
Water, Sewer and Garbage	12,575	11,403	9,960	1,443

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Lonesome Pine Regional Library
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Favorable (Unfavorable)
Operations (<i>continued</i>):				
Insurance	\$ 33,520	\$ 34,101	\$ 31,992	\$ 2,109
Debt Service-Lease Principal	-	-	3,784	(3,784)
Debt Service-Lease Interest	-	-	260	(260)
Van Travel	8,560	8,560	5,622	2,938
Miscellaneous	1,760	1,910	595	1,315
Total Operations	439,437	486,121	434,192	51,929
Total Expenditures	\$ 2,385,279	\$ 2,706,162	\$ 2,549,250	\$ 156,912

Note 1 - Leases: Budget appropriations for lease payments were recorded in the Shelving and Equipment-Regional and Shelving and Equipment-Lee accounts. No appropriation was made for the recording of the expenditures since there were not actual receipts or expenditures made from current resources.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

LONESOME PINE REGIONAL LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2021

**Schedule of Changes in the Lonesome Pine Regional Library's
Net Pension Liability and Related Ratios**

Total Pension Liability	2020	2019	2018	2017	2016
Service Cost	\$ 64,589	\$ 74,420	\$ 75,062	\$ 85,939	\$ 88,999
Interest	358,042	344,312	358,961	337,370	328,828
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	276,582	37,413	460,155	1,664	(163,197)
Changes in Assumptions	-	146,713	-	27,942	-
Benefit Payments, Including Refunds of Employee Contributions	(220,386)	(214,170)	(152,098)	(136,862)	(128,318)
Net Change in Total Pension Liability	478,827	388,688	(178,230)	316,053	126,312
Total Pension Liability – Beginning	5,414,519	5,025,831	5,204,061	4,888,008	4,761,696
Total Pension Liability – Ending	\$ 5,893,346	\$ 5,414,519	\$ 5,025,831	\$ 5,204,061	\$ 4,888,008
Plan Fiduciary Net Position					
Contributions – Employer	\$ 36,164	\$ 37,284	\$ 72,360	\$ 74,511	\$ 92,275
Contributions – Employee	35,554	36,116	40,275	41,423	43,100
Net Investment Income	97,444	326,248	342,576	508,890	72,622
Benefit Payments, Including Refunds of Employee Contributions	(220,386)	(214,170)	(152,098)	(136,862)	(128,318)
Administrative Expense	(3,383)	(3,311)	(2,934)	(2,904)	(2,518)
Other	(114)	(205)	(307)	(454)	(30)
Net Change in Plan Fiduciary Net Position	(54,721)	181,962	299,872	484,604	77,131
Plan Fiduciary Net Position – Beginning	5,127,188	4,945,226	4,645,354	4,160,750	4,083,619
Plan Fiduciary Net Position – Ending	\$ 5,072,467	\$ 5,127,188	\$ 4,945,226	\$ 4,645,354	\$ 4,160,750
Lonesome Pine Regional Library's Net Pension Liability – Ending	\$ 820,879	\$ 287,331	\$ 80,605	\$ 558,707	\$ 727,258
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
	86.08%	94.69%	98.40%	89.26%	85.12%
Covered-employee Payroll	735,027	727,171	781,319	797,300	840,619
Lonesome Pine Regional Library's Net Pension Liability As a Percentage of Covered-employee Payroll					
	(111.68%)	10.31%	71.20%	71.20%	86.51%

LONESOME PINE REGIONAL LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2021

Schedule of Employer Contributions
For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 95,577	\$ 95,577	\$ -	\$ 735,027	13.01%
2020	81,822	81,822	-	727,171	11.26%
2019	72,360	72,360	-	781,319	9.26%
2018	72,424	72,424	-	797,300	8.94%
2017	74,511	74,511	-	785,329	9.49%
2016	92,275	92,275	-	840,619	10.98%
2015	96,716	96,716	-	905,583	10.68%
2014	109,857	109,996	(139)	994,185	11.05%
2013	137,425	137,425	-	989,258	13.89%
2012	128,554	128,554	-	969,653	13.26%

Information presented prior to FY 2015 reflects information taken from required supplementary information data previously reported under GASB Statement No. 27.

LONESOME PINE REGIONAL LIBRARY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 – Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

LONESOME PINE REGIONAL LIBRARY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

All Others (Non 10 Largest) – Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

LONESOME PINE REGIONAL LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2021

**Schedule of Lonesome Pine Regional Library's Share of
Net OPEB Liability and Related Ratios
Group Life Insurance Program
For the Years Ended June 30, 2017 through June 30, 2021**

	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	.00356%	.00373%	.00426%	.00452%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 59,000	\$ 61,000	\$ 65,000	\$ 68,000
Employer's Covered Payroll	\$ 735,028	\$ 727,171	\$ 781,319	\$ 810,596
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.03%	8.93%	8.31%	8.38%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.75%	81.33%	81.25%	85.01%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.

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

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 114 of the VRS 2020 Comprehensive Annual Financial Report (CAFR).

LONESOME PINE REGIONAL LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2021

Schedule of Employer Contributions
For the Years Ended June 30, 2017 through 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2020	3,969	3,969	0	735,028	0.54%
2019	3,798	3,798	0	727,171	0.52%
2018	4,215	4,215	0	781,319	0.42%
2017	4,261	4,261	0	797,300	0.50%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.

LONESOME PINE REGIONAL LIBRARY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

LONESOME PINE REGIONAL LIBRARY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers-General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

LONESOME PINE REGIONAL LIBRARY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Non-Largest Ten Locality Employers-General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers—Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers—Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

To the Board of Trustees
Lonesome Pine Regional Library
Wise, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities of the Lonesome Pine Regional Library (the Library) and with the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the auditor of public accounts of the Commonwealth of Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated December 02, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Library'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial

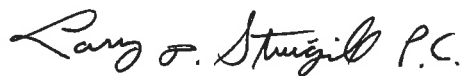
reporting that might be significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, and 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.



Larry D. Sturgill, P.C.
Wise, Virginia
December 02, 2021

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