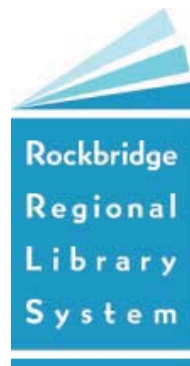


# ROCKBRIDGE REGIONAL LIBRARY



## FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

# **ROCKBRIDGE REGIONAL LIBRARY**

## **FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2017**

# **ROCKBRIDGE REGIONAL LIBRARY**

## ***TRUSTEES***

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Janet Bryan

Mary Jo Brinkley, Vice Chairman

Nick Charles, Treasurer

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Doug Horan

Marjorie Kasch

Paul Leonhard

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Bruce McWilliams, Chairman

Nancy Robens, Deputy Treasurer

## ***DIRECTOR***

Julie Goyette

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### **OFFICERS AND TRUSTEES ROCKBRIDGE REGIONAL LIBRARY LEXINGTON, VIRGINIA**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Rockbridge Regional Library, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Rockbridge Regional Library Foundation, which is both a major fund and 41%, 48%, and 7%, respectively, of the assets, net assets, and revenues of the governmental activities.

#### ***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 did not audit the financial statements of the Rockbridge Regional Library Foundation, which represent 41%, 48%, and 7%, respectively, of the assets, net position, and revenues of the Rockbridge Regional Library. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rockbridge Regional Library Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Rockbridge Regional Library, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules relating to pension funding on pages 3-7 and 46-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockbridge Regional Library's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

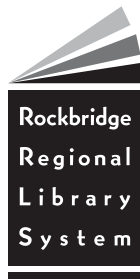
The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the Rockbridge Regional Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rockbridge Regional Library's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
December 15, 2017



## **MANAGEMENT DISCUSSION & ANALYSIS FY 2016-2017**

The following is a discussion and analysis of the financial performance for Rockbridge Regional Library System (RRLS) for the fiscal year ended June 30, 2017. This section is a summary of the library's financial activities based on current knowledge, decisions and conditions. The results of fiscal year 2016-2017 are discussed in comparison with the prior year. This section is only an introduction and should be read in conjunction with library financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Library's government-wide net position for the year ending June 30, 2017 is \$1,460,581, an increase of \$90,808 or 6%.
- The net position of the component unit of the Library (Rockbridge Regional Library Foundation) for the year ending June 30, 2017 is \$1,366,707.
- The total fund balance for the year ending June 30, 2017 is \$285,110, an increase of \$16,770 or 6%.

### **OVERVIEW OF FINANCIAL STATEMENTS**

#### **A. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The *Government-wide* financials (Exhibits 1 & 2) look at the Library as a whole. Rockbridge Regional Library Foundation is the endowment fund for the Library and is considered a component unit that is linked to the Library. The component unit is only shown on *Government-wide* financial statements. The *Government-wide* financial statements are on an accrual basis. The Statement of Net Position and the Statement of Activities report information about the Library as a whole and about its activities. These statements include all assets and deferred outflows of resources, and liabilities and deferred inflows of resources, using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the revenues and expenses for the current year are taken into account.

These two statements report the *net position* for the Library as well as changes in the statements. Consider the net position of the Library, the difference between assets and deferred outflows, and liabilities and deferred inflows, as one way to measure the financial health or financial *position* of the Library. Over time, increases or decreases in the net position of the Library are one indicator of whether the financial health of the Library is improving or declining. However, other nonfinancial factors will need to be considered as well, such as contributions to the library foundation or changes in taxes for state and local governments which ultimately affect allocations to the Library.

**Summary of Statement of Net Position**  
**June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Component Unit Foundation</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Assets:				
Current and other assets	\$ 316,508	\$ 302,824	\$ 1,336,707	\$ 1,291,019
Capital assets	1,565,487	1,553,424	-	-
<b>Total assets</b>	<b>\$ 1,881,995</b>	<b>\$ 1,856,248</b>	<b>\$ 1,336,707</b>	<b>\$ 1,291,019</b>
<b>Deferred outflows of resources</b>	<b>\$ 95,466</b>	<b>\$ 51,882</b>	<b>\$ -</b>	<b>\$ -</b>
Liabilities:				
Current and other liabilities	\$ 31,398	\$ 34,484	\$ -	\$ -
Noncurrent liabilities	476,491	443,881	-	-
<b>Total liabilities</b>	<b>\$ 507,889</b>	<b>\$ 478,365</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred inflows of resources</b>	<b>\$ 8,991</b>	<b>\$ 59,992</b>	<b>\$ -</b>	<b>\$ -</b>
Net Position:				
Net investment in capital assets	\$ 1,447,913	\$ 1,413,760	\$ -	\$ -
Restricted	44,982	38,637	946,514	934,026
Unrestricted	(32,314)	(82,624)	390,193	356,993
<b>Total net position</b>	<b>\$ 1,460,581</b>	<b>\$ 1,369,773</b>	<b>\$ 1,336,707</b>	<b>\$ 1,291,019</b>

**Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Revenues:		
Program Revenues		
Charges for services	\$ 39,335	\$ 36,800
Grants and contributions	1,608,213	1,479,210
Total program revenues	<b>\$ 1,647,548</b>	<b>\$ 1,516,010</b>
General revenues:		
Use of money and property	\$ 1,284	\$ 516
Miscellaneous	19,829	64,731
Total general revenues	<b>\$ 21,113</b>	<b>\$ 65,247</b>
Total revenues	<b>\$ 1,668,661</b>	<b>\$ 1,581,257</b>
Expenses:		
Parks, recreation and cultural	\$ 1,577,853	\$ 1,536,915
Total expenses	<b>\$ 1,577,853</b>	<b>\$ 1,536,915</b>
Change in net position	<b>\$ 90,808</b>	<b>\$ 44,342</b>
Net position, beginning	1,369,773	1,325,431
Net position, ending	<b>\$ 1,460,581</b>	<b>\$ 1,369,773</b>



## FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the Library as a whole.

- Governmental funds

The Library's operating fund, the general fund, is reported in governmental funds and includes money received from state and local governments to manage library operations, and money spent by the library for such items as salaries, library materials, maintenance and other costs of operating the library.

- Component Units

The Rockbridge Regional Library Foundation is a 501(c)(3) charitable organization and is listed in a separate column of the *Government-wide* Statement of Activities (Exhibit 2). The Foundation is linked to the purposes and governance of the Library.

### SELECTED REVENUE AND EXPENDITURES

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
<b>Selected Revenue Items</b>				
Local government revenue	\$ 1,012,501	\$ 1,004,175	\$ 8,326	1%
State revenue	310,423	282,118	28,305	10%
Donations	177,411	93,679	83,732	89%
Foundation funding-endowment	65,676	55,536	10,140	18%
Insurance recovery	-	31,351	(31,351)	100%
Fines & fees	39,335	36,800	2,535	7%
<b>Total Revenue</b>	<b>\$ 1,668,661</b>	<b>\$ 1,581,257</b>	<b>\$ 87,404</b>	<b>6%</b>
<b>Selected Expenditures</b>				
Compensation & benefits	\$ 999,182	\$ 953,467	\$ 45,715	4.8%
Library materials & direct costs	23,556	\$ 32,983	(9,427)	-28.6%
State aid expenses	310,423	\$ 282,118	28,305	10%
Capital outlay	49,715	\$ 77,903	(28,188)	-36.2%
Occupancy costs	125,107	\$ 125,907	(800)	-0.6%
Other expenses	80,249	\$ 59,990	20,259	33.8%
<b>Total expenditures</b>	<b>\$ 1,651,891</b>	<b>\$ 1,588,767</b>	<b>\$ 63,124</b>	<b>4%</b>
<b>Total assets of Component Unit</b>	<b>\$ 1,336,707</b>	<b>\$ 1,291,019</b>	<b>45,688</b>	<b>3.5%</b>

Expenditures increased by \$63,124, or 4% as compared to the prior fiscal year. The primary reasons for the increase in expenditures were increases in state aid and the related expenses, as well as increases in compensation and benefits. A slight decrease in capital outlay offset increases in the state aid and compensation and benefits.

Areas of revenue saw increases though there was a significant increase in donations of \$83,732 or 89%. The increase in donations is due to legacy gifts as well as large donations. The Foundation endowment also increased by 18%, state aid increased by 10% and funding from the fines and fees increased 7%. There was only a 1% increase from local funds with two of the four localities decreasing proposed allocations. Overall, revenue increased by \$87,404 or 6%.

<b>Selected Revenue Items</b>	<b>Percentage of Total Revenue for 2017</b>
Local government revenue	61%
State revenue	19%
Donations	11%
Foundation funding-endowment	4%
Fines & fees	2%

### **Summary of Statement of Capital Assets**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Capital assets not being depreciated:		
Land	\$ 138,560	\$ 138,560
Total capital assets not being depreciated	\$ 138,560	\$ 138,560
Capital assets being depreciated:		
Buildings	\$ 1,965,046	\$ 1,900,431
Leasehold improvements	280,987	280,987
Furniture & fixtures	1,112,319	1,176,626
Vehicles	129,190	129,190
Library books	1,128,351	1,129,137
Other Assets (website)	4,060	-
Total capital assets being depreciated	\$ 4,619,953	\$ 4,616,371
Less accumulated depreciation for:		
Buildings	\$ 1,319,485	\$ 1,283,352
Leasehold improvements	270,752	268,482
Furniture & fixtures	1,027,326	1,083,148
Vehicles	11,737	3,124
Library books	563,388	563,401
Other Assets (website)	338	-
Total accumulated depreciation	\$ 3,193,026	\$ 3,201,507
Total capital assets being depreciated, net	\$ 1,426,927	\$ 1,414,864
Capital assets, net	\$ 1,565,487	\$ 1,553,424

At the end of fiscal year 2017 the Library had invested \$1,565,487 in capital assets, including land, buildings, equipment, and the library's collection. This amount represents a net increase of \$12,063 over fiscal year 2016.

At year-end the Library had a note payable outstanding in the amount of \$117,574, a decrease of \$22,090 or 16% compared to the outstanding balance at June 30, 2016. More detailed information about the Library's long-term liabilities is presented in Note 9 to the financial statements.

## **ECONOMIC FACTORS AND THE 2018 BUDGET**

As shown above, the majority of revenue for RRLS comes from state and local governments. An economic downturn could severely decrease revenue for the library system. Though we have received some increases in funding, we are still working to recover from the drastic cuts of fiscal years 2010 and 2011. Two of our four localities decreased the amount of allocations for RRLS in the current fiscal year and we expect a decrease in state aid for fiscal year 2019.

RRLS provides essential services to our patrons, particularly since so much of our region is rural. Computers, online resources and eBooks are all necessary to work and do business in the 21<sup>st</sup> century. Most job applications are online and residents without internet access are affected financially. The public library provides a large number of patrons internet access via computers or wi-fi. For many patrons the library is their only option for online activity. Library staff work hard to provide the highest quality of customer service to our patrons but funding has not kept up with essential technological advances and training.

## **CONTACT INFORMATION**

This report is designed to provide the Library's citizens, taxpayers, patrons, investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for funds received. For additional financial information, contact

Rockbridge Regional Library System  
Julie Goyette, Director  
138 South Main Street  
Lexington, VA 24450  
540-463-4324

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE STATEMENTS**

**Statement of Net Position**  
**June 30, 2017**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Fund</u>	<u>Rockbridge Regional Library Foundation</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 219,264	\$ 1,632
Investments	-	1,334,725
Receivables:		
Accounts receivable	26,195	-
Prepaid items	26,067	350
Restricted assets:		
Cash and cash equivalents	44,982	-
Capital assets (net of accumulated depreciation):		
Land	138,560	-
Buildings	645,561	-
Leasehold improvements	10,235	-
Furniture and fixtures	84,993	-
Vehicles	117,453	-
Library books	564,963	-
Software and web design	3,722	-
Total assets	<u>\$ 1,881,995</u>	<u>\$ 1,336,707</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions subsequent to measurement date	\$ 49,376	\$ -
Items related to measurement of net pension liability	46,090	-
Total deferred outflows of resources	<u>\$ 95,466</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 31,398	\$ -
Long-term liabilities:		
Due within one year	23,049	-
Due in more than one year	453,442	-
Total liabilities	<u>\$ 507,889</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Items related to measurement of net pension liability	\$ 8,991	\$ -
Total deferred inflows of resources	<u>\$ 8,991</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 1,447,913	\$ -
Restricted:		
Acquisitions and materials	17,097	-
Debt service reserve	27,885	-
Rockbridge Regional Library Foundation	-	946,514
Unrestricted	(32,314)	390,193
Total net position	<u>\$ 1,460,581</u>	<u>\$ 1,336,707</u>

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

**Statement of Activities**  
**Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Rockbridge Regional Library Foundation
Governmental Activities:						
Parks, recreation, and cultural	\$ 1,577,853	\$ 39,335	\$ 1,575,213	\$ 33,000	\$ 69,695	\$ -
Total governmental activities	\$ 1,577,853	\$ 39,335	\$ 1,575,213	\$ 33,000	\$ 69,695	\$ -
<b>COMPONENT UNIT:</b>						
Rockbridge Regional Library Foundation	\$ 69,664	\$ -	\$ 23,371	\$ -	\$ -	\$ (46,293)
Total component units	\$ 69,664	\$ -	\$ 23,371	\$ -	\$ -	\$ (46,293)
General revenues:						
Unrestricted revenues from use of money and property					\$ 1,284	\$ 66,191
Restricted revenues from use of money and property					-	25,790
Miscellaneous					19,829	-
Total general revenues					\$ 21,113	\$ 91,981
Change in net position					\$ 90,808	\$ 45,688
Net position - beginning					1,369,773	1,291,019
Net position - ending					\$ 1,460,581	\$ 1,336,707

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

## **FUND STATEMENTS**



**Balance Sheet - Governmental Funds**  
**June 30, 2017**

---

**ASSETS**

## Current Assets:

Cash and cash equivalents	\$ 219,264
Restricted cash and cash equivalents	44,982
Receivables	26,195
Prepaid items	<u>26,067</u>

Total assets \$ 316,508

**LIABILITIES**

## Current Liabilities:

Accounts payable	\$ <u>31,398</u>
Total liabilities	\$ <u><u>31,398</u></u>

**FUND BALANCE**

## Nonspendable:

Prepaid items \$ 26,067

## Restricted:

Acquisitions and materials 17,097  
 Debt service reserve 27,885

## Committed:

Bath friends of the library 50,193  
 Buena Vista and Goshen improvements 24,193  
 Rockbridge friends of the library 50,670

## Assigned:

Literacy programs 14,961  
 Library branches discretionary 19,789  
 Acquisitions and materials 528

Unassigned 53,727

Total fund balance \$ 285,110

Total liabilities and fund balance \$ 316,508

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

**Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2017**

---

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	285,110
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,565,487
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		(8,991)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		49,376
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(430,401)</u>
Net position of governmental activities	\$	<u><u>1,460,581</u></u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balance -  
Governmental Funds  
Year Ended June 30, 2017**

---

## Revenues:

## From local sources:

Locality appropriations	\$ 1,012,501
Capital grants and contributions	33,000
Operating grants and contributions	9,202
Foundation funding	65,676
Donations	117,524
Friends	59,887
Charges for services	39,335
Interest income	1,284
E-rate revenue	19,487
Miscellaneous	342

## Intergovernmental:

## Noncategorical aid:

Commonwealth of Virginia	310,423
Total revenues	<u>\$ 1,668,661</u>

## Expenditures:

## Parks, recreation, and cultural:

Compensation and benefits	\$ 987,880
Capital outlay	49,715
Rent	15,000
Insurance	11,313
Maintenance	44,357
Other Expenses	80,249
Professional Fees	17,690
Programming	11,768
State Aid Expenses	310,423
Staff Development	11,302
Transportation	11,788
Communication	18,369
Utilities	54,437

## Debt service:

Principal	22,090
Interest	5,510
Total expenditures	<u>\$ 1,651,891</u>

Excess (deficiency) of revenues over (under) expenditures	<u>\$ 16,770</u>
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Net change in fund balances	\$ 16,770
-----------------------------	-----------

Fund balance, beginning of year	<u>268,340</u>
---------------------------------	----------------

Fund balance, end of year	<u><u>\$ 285,110</u></u>
---------------------------	--------------------------

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2017**

---

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances	\$	16,770
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		15,946
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		(3,883)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		51,001
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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		22,090
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		(11,116)
Change in net position of governmental activities	\$	<u>90,808</u>

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

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

##### **A. Financial Reporting Entity**

The Rockbridge Regional Library is a regional library created pursuant to Section 42, 1-37 of the *Code of Virginia*. It serves Bath and Rockbridge Counties and the cities of Buena Vista and Lexington, all in Virginia. In addition to its facilities in each service jurisdiction, the Library maintains a bookmobile for outlying services. Members of the Board of Trustees are appointed to rotating terms by the Board of Supervisors of Bath and Rockbridge Counties and by the City Councils of Buena Vista and Lexington. As a political subdivision of state and local governments, all funds of the Rockbridge Regional Library are exempt from federal and state income taxes.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *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. The Library does not have any business-type activities to report.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Other items not properly included among program revenues are reported instead as *general revenues*.

##### **C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

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

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation (Continued)**

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).

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

The Rockbridge Regional Library Foundation (the Foundation) is a legally separate Virginia nonstock corporation that is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Library in support of its programs. The Foundation is self-perpetuating. The Library does not control the timing or amount of receipts from the Foundation. However, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the Library by the Articles of Incorporation of the Foundation and by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Library, the Foundation is considered a component unit of the Library under Governmental Accounting Standards and, accordingly, is discretely presented in the Library's financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

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### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Cash and Cash Equivalents**

The Rockbridge Regional Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

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

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

Restricted cash of \$44,982 was held for the purposes of meeting debt service reserve requirements, and donor imposed restrictions on the use of funds contributed to the Library. As of June 30, 2017 the debt service reserve carried a balance of \$27,885, and funds restricted by donors for Library acquisitions and materials amounted to \$17,097.

##### **2. Use of Estimates**

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

##### **3. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the financial statements. Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was capitalized during the current or previous year.

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

Buildings	30 years
Leasehold improvements	10-30 years
Furniture and fixtures	5-10 years
Vehicles	15 years
Library books	10 years
Software and web design	5 years

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

##### **4. Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

##### **5. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### **6. Compensated Absences**

Earned but unused vacation payable to employees has been recorded as an accrued liability. Employees vest in vacation based on policies approved by the Library's Board of Trustees. Employees do not receive payment of accumulated sick leave or unused vacation upon retirement or leaving the employment of the Library. At June 30, 2017 the liability for compensated absences was \$69,436.

##### **7. Non-monetary Transactions**

Numerous volunteers contribute their efforts to the operations of the Library. Contributed labor has not been recorded as current support or expense. Securities contributed in satisfaction of contributions have been recorded at their subsequent liquidation value.

##### **8. Revenue Recognition**

Appropriations from participating local governments are recognized in the period designated by the local government. Aid received from state and federal sources is recognized in the period designated by the grantor and after qualifying expenditures have been made that are reimbursable. Unrestricted contributions are recognized in the period the donor intended. Library fines, copier charges, and other expense reimbursements are recognized when collected.

##### **9. Net Position**

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

##### **10. Net Position Flow Assumption**

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



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**11. Deferred Outflows/Inflows of Resources**

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

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

**12. Fund Equity**

The Library reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

###### **12. Fund Equity (Continued)**

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

##### **E. Pensions**

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

##### **F. Budget Process**

A budget is prepared for information and fiscal planning purposes. The budget is adopted as a planning document and is not a legal control on expenses. The budget is prepared on the same basis of accounting as the actual amounts in the financial statements.

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# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$1,565,487 difference are as follows:

Land	\$	138,560
Buildings		1,965,046
Less: Accumulated depreciation - buildings		(1,319,485)
Leasehold improvements		280,987
Less: Accumulated depreciation - leasehold improvements		(270,752)
Furniture and fixtures		1,112,319
Less: Accumulated depreciation - furniture and fixtures		(1,027,326)
Vehicles		129,190
Less: Accumulated depreciation - vehicles		(11,737)
Library books		1,128,351
Less: Accumulated depreciation - library books		(563,388)
Other Assets (Website)		4,060
Less: Accumulated depreciation - website		(338)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u>1,565,487</u>

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.” The details of this (\$8,991) difference are as follows:

Deferred inflows - Items related to measurement of net pension liability	\$	<u>(8,991)</u>
Adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$	<u>(8,991)</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$430,401) difference are as follows:

Note payable	\$	(117,574)
Compensated absences		(69,436)
Net OPEB obligation		(2,000)
Deferred outflows of resources- items related to net pension liability		46,090
Net pension liability		<u>(287,481)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u>(430,401)</u>

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

#### **NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these 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.” The details of this \$15,946 difference are as follows:

Capital outlay	\$	200,289
Depreciation expense		(184,343)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u>15,946</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$11,116) difference are as follows:

Compensated absences	\$	25,030
Termination benefits payable		798
Net OPEB obligation		(2,000)
Deferred outflows related to pension contributions subsequent to the measurement date		(2,506)
Deferred outflows related to measurement of net pension liability		46,090
Net pension liability		(78,528)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	\$	<u>(11,116)</u>

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 3—DEPOSITS AND INVESTMENTS:**

##### **Deposits**

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

##### **Investments**

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

Investment securities consisted of the following stated at amortized cost:

LGIP	\$	172,417
Total	\$	<u>172,417</u>

Segregated pools of investment securities are held for the following purposes:

Any activity of the Rockbridge Regional Library	\$	17,771
Debt service reserve		27,885
Buena Vista improvements		15,434
Goshen improvements		8,759
Materials acquisition		17,625
Friends of the library		50,193
Literacy		14,961
Other branch activities		19,789
Total investment securities	\$	<u>172,417</u>

##### **Credit Risk of Debt Securities**

The Library investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The Library's rated debt investments as of June 30, 2017 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<b><u>Rated Debt Investments' Values</u></b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Ratings</u></b>
	<b><u>AAAm</u></b>
Local Government Investment Pool	\$ <u>172,417</u>
Total	\$ <u>172,417</u>

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)**

##### **External Investment Pools**

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

##### **Interest Rate Risk**

All Library investments must be in securities maturing within five years. Maturities of the Library's investments are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturity</u>
		<u>Less than 1 year</u>
Local Government Investment Pool	\$ 172,417	\$ 172,417
Total	<u>\$ 172,417</u>	<u>\$ 172,417</u>

#### **NOTE 4—OPERATING LEASES:**

Two library locations are available as a result of gift leases. The estimated fair rental value of the premises is not reported as support and expense in the period in which the premises are used. A summary of the terms of each is as follows:

Buena Vista – Part of the old Buena Vista courthouse is gift leased by the Rockbridge Regional Library from the City of Buena Vista. The Rockbridge Regional Library is responsible for the heat and utilities.

Warm Springs – The building was a personal residence, donated in 1979 to the Bath County government with the provision that it be used as a library. A significant expansion was constructed between 1982 and 1984 by the Rockbridge Regional Library that is reported as leasehold improvements in the accompanying financial statements. Bath County pays insurance and maintenance costs. The library pays for all utilities.

The Goshen Library branch is leased to the Rockbridge Regional Library for \$1,250 monthly. The lease began May 1, 1998 and now runs month to month. Rent expense was \$15,000 in 2017. The Rockbridge Regional Library is responsible for utilities. The lessor is responsible for insurance, property taxes and repairs or maintenance costs which exceed \$500.

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### NOTE 5—CAPITAL ASSETS:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 138,560	\$ -	\$ -	\$ 138,560
Total capital assets not being depreciated	\$ 138,560	\$ -	\$ -	\$ 138,560
Capital assets being depreciated:				
Buildings	\$ 1,900,431	\$ 64,615	\$ -	\$ 1,965,046
Leasehold improvements	280,987	-	-	280,987
Furniture and fixtures	1,176,626	29,739	(94,046)	1,112,319
Vehicles	129,190	-	-	129,190
Library books	1,129,137	101,875	(102,661)	1,128,351
Software and web design	-	4,060	-	4,060
Total capital assets being depreciated	\$ 4,616,371	\$ 200,289	\$ (196,707)	\$ 4,619,953
Accumulated Depreciation:				
Buildings	\$ (1,283,352)	\$ (36,133)	\$ -	\$ (1,319,485)
Leasehold improvements	(268,482)	(2,270)	-	(270,752)
Furniture & fixtures	(1,083,148)	(34,341)	90,163	(1,027,326)
Vehicles	(3,124)	(8,613)	-	(11,737)
Library books	(563,401)	(102,648)	102,661	(563,388)
Software and web design	-	(338)	-	(338)
Total accumulated depreciation	\$ (3,201,507)	\$ (184,343)	\$ 192,824	\$ (3,193,026)
Capital assets being depreciated, net	\$ 1,414,864	\$ 15,946	\$ (3,883)	\$ 1,426,927
Capital assets, net	\$ 1,553,424	\$ 15,946	\$ (3,883)	\$ 1,565,487

Depreciation expense for the fiscal year totaled \$184,343.

### NOTE 6—APPROPRIATIONS:

Participating localities appropriated the following support for the year ended June 30, 2017:

Bath County	\$ 153,797
Buena Vista	148,450
Lexington	148,618
Rockbridge County	560,136
Glasgow	1,500
	<u>\$ 1,012,501</u>

### NOTE 7—TERMINATION BENEFITS PAYABLE:

In May 2010, three employees signed early retirement agreements with the Rockbridge Regional Library. Under these agreements, the Library will include the employee as a member of the group health benefit plan (if any) maintained for regular library employees until the 66<sup>th</sup> birthday of the retiring employee, at which time the benefit will terminate. The final coverage under these agreements was complete in September 2016.

The cost of termination benefits accrued was measured at the discounted present value of expected future benefit payments, assuming a 10% annual increase in the cost of the group health benefit plan and using a discount rate of 3.06%. No accrued termination benefits remained at June 30, 2017.



# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### **NOTE 8—PENSION PLAN:**

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

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. 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><b>About Plan 1</b> 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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> 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. Employees are eligible for 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><b>About the Hybrid Retirement Plan</b> 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"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>



# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### NOTE 8—PENSION PLAN: (Continued)

#### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### NOTE 8—PENSION PLAN: (Continued)

#### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> 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><b>Hybrid Opt-In Election (Cont.)</b> 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><b>*Non-Eligible Members (Cont.)</b> 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.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions 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><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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>

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### NOTE 8—PENSION PLAN: (Continued)

#### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements  
June 30, 2017 (Continued)

**NOTE 8—PENSION PLAN: (Continued)**

***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> 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>

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements  
June 30, 2017 (Continued)

**NOTE 8—PENSION PLAN: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p><b>Vesting (Cont.)</b>  <b><u>Defined Contributions Component: (Cont.)</u></b>  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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  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><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>  See definition under Plan 1</p>

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### NOTE 8—PENSION PLAN: (Continued)

#### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> 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><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> 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><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements  
June 30, 2017 (Continued)

**NOTE 8—PENSION PLAN: (Continued)**

***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b> <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> <b>VRS:</b> 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><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b>VRS:</b> 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><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> 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><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> <b>VRS:</b> 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><b>Earliest Reduced Retirement Eligibility</b> <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements  
June 30, 2017 (Continued)

**NOTE 8—PENSION PLAN: (Continued)**

***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b><u>Eligibility:</u></b> 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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b><u>Eligibility:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>



ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements  
June 30, 2017 (Continued)

**NOTE 8—PENSION PLAN: (Continued)**

***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### NOTE 8—PENSION PLAN: (Continued)

#### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> 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> <p>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.</p>
<p><b>Purchase of Prior Service</b> 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.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 8—PENSION PLAN: (Continued)**

##### ***Plan Description (Continued)***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

##### ***Employees Covered by Benefit Terms***

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	9
Inactive members:	
Vested inactive members	3
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	7
Active members	<u>13</u>
Total covered employees	<u>29</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.

The Library's contractually required contribution rate for the year ended June 30, 2017 was 8.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were \$49,376 and \$50,502 for the years ended June 30, 2017 and June 30, 2016, respectively.

##### ***Net Pension Liability***

The Library's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 8—PENSION PLAN: (Continued)**

##### ***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, 2015, 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, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related

##### **Largest 10 – Non-LEOS:**

###### **Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

###### **Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

###### **Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

##### **All Others (Non 10 Largest) – Non-LEOS:**

###### **Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

###### **Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

###### **Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### **NOTE 8—PENSION PLAN: (Continued)**

#### ***Actuarial Assumptions – General Employees (Continued)***

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

#### ***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:

<b><u>Asset Class (Strategy)</u></b>	<b><u>Target Allocation</u></b>	<b><u>Arithmetic Long-Term Expected Rate of Return</u></b>	<b><u>Weighted Average Long-Term Expected Rate of Return</u></b>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### **NOTE 8—PENSION PLAN: (Continued)**

#### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Library Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 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.

#### ***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, 2015	\$ 1,983,064	\$ 1,774,111	\$ 208,953
Changes for the year:			
Service cost	\$ 52,727	\$ -	\$ 52,727
Interest	135,542	-	135,542
Differences between expected and actual experience	(5,088)	-	(5,088)
Contributions - employer	-	50,502	(50,502)
Contributions - employee	-	24,657	(24,657)
Net investment income	-	30,609	(30,609)
Benefit payments, including refunds of employee contributions	(93,508)	(93,508)	-
Administrative expenses	-	(1,102)	1,102
Other changes	-	(13)	13
Net changes	\$ 89,673	\$ 11,145	\$ 78,528
Balances at June 30, 2016	\$ 2,072,737	\$ 1,785,256	\$ 287,481

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

#### **NOTE 8—PENSION PLAN: (Continued)**

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Rockbridge Regional Library			
Net Pension Liability	\$ 518,212	\$ 287,481	\$ 92,506

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

For the year ended June 30, 2017, the Library recognized pension expense of \$31,939. At June 30, 2017, 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	\$ -	\$ 8,991
Net difference between projected and actual earnings on pension plan investments	46,090	-
Employer contributions subsequent to the measurement date	49,376	-
Total	\$ 95,466	\$ 8,991

##### ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$49,376 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ (6,892)
2019	(1,319)
2020	26,732
2021	18,578
2022	-
Thereafter	-



# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2017 (Continued)

### **NOTE 9—LONG-TERM OBLIGATIONS:**

Summary of changes in long-term obligations:

	July 1, 2016	Increase/ Issuances	Decrease/ Retirements	June 30, 2017	Amount Due Within One Year
Note Payable	\$ 139,664	\$ -	\$ (22,090)	\$ 117,574	\$ 23,049
Termination Benefits Payable	798	-	(798)	-	-
Net OPEB obligation	-	2,000	-	2,000	-
Compensated Absences	94,466	-	(25,030)	69,436	-
Net pension liability	208,953	189,384	(110,856)	287,481	-
Total Long-Term Obligations	\$ <u>443,881</u>	\$ <u>191,384</u>	\$ <u>(158,774)</u>	\$ <u>476,491</u>	\$ <u>23,049</u>

Details of Indebtedness:

	Total Amount Outstanding	Amount Due Within One Year
\$525,000 note payable to the U.S. Department of Agriculture payable in monthly installments of \$2,300, including interest at 4.25%, beginning March 2, 2007, and maturing February 2, 2046, secured by building and land	\$ 117,574	\$ 23,049
Net OPEB obligation	2,000	-
Compensated absences	69,436	-
Net pension liability	287,481	-
Total balance at June 30, 2017	\$ <u>476,491</u>	\$ <u>23,049</u>

Interest expense paid in 2017 was \$5,510.

Annual requirements to amortize long-term indebtedness and related interest are as follows:

Year Ending June 30,	Note Payable	
	Principal	Interest
2018	\$ 23,049	\$ 4,551
2019	24,048	3,552
2020	25,090	2,510
2021	26,178	1,422
2022	19,209	321
	\$ <u>117,574</u>	\$ <u>12,356</u>

### **NOTE 10—EMPLOYEE BENEFITS:**

The Rockbridge Regional Library participates in a group insurance plan comprised primarily of employees of Rockbridge County for purposes of obtaining group hospitalization coverage. The Library's employer contributions were \$114,018 for 2017.



## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 11—OTHER POST EMPLOYMENT BENEFITS PROGRAM:**

The Library applies Governmental Accounting Standards Board (GASB) Statement No. 45 for other post employment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to postemployment healthcare and other non-pension benefits. Historically, the plan subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the Library accrue the cost of other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future costs of postemployment benefits and the financial impact on the Library. This funding methodology mirrors the funding approach used for pension benefits.

##### A. Plan Description

The Rockbridge County Voluntary Early Retirement Incentive Program (VERIP) is a single-employer defined benefit plan. VERIP benefits are paid monthly for a period of five years or until age 65, whichever comes first. In addition to the monthly stipend, the Authority will pay an amount equivalent to the Board's annual contribution towards medical insurance. Participants may accept it as a cash payment, or apply it toward the cost of the continuation of their Library medical/dental benefits.

To be eligible, employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the Library in a benefits-eligible position for 10 of the last 13 years prior to retirement.

##### B. Funding Policy

The Library establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The Library also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

##### C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is presented in the following table for fiscal year 2017. The Library has elected not to pre-fund OPEB liabilities. The Library is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**ROCKBRIDGE REGIONAL LIBRARY****Notes to Financial Statements  
June 30, 2017 (Continued)****NOTE 11—OTHER POST EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)****C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The following table shows the components of the Library's annual OPEB cost for the year, the estimated contribution to the Plan, and changes in the Authority's net OPEB obligation to the Plan:

	Rockbridge Regional Library
Annual required contribution (ARC)	\$ 3,000
Interest on OPEB obligation	1,000
Adjustment to ARC	(1,000)
Annual OPEB cost	\$ 3,000
Employer Contribution	(1,000)
Increase in net OPEB obligation	\$ 2,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 2,000

The Library's annual OPEB cost, the percentage of annual OPEB contributed to the plan, and the net OPEB obligation for 2017 are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2017	\$ 3,000	33%	\$ 2,000

**D. Funded Status and Funding Process**

The funded status of the plan as of July 1, 2016 the date of the most recent actuarial, is as follows:

Actuarial accrued liability (AAL)	\$ 8,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 8,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 169,492
UAAL as a percentage of covered payroll	4.72%

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

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 11—OTHER POST EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

##### E. Actuarial Methods and Assumptions

###### Cost Method

The unfunded liability is amortized over 30 years as a level percentage of annual earnings.

Interest assumptions	Not Funded
Discount rate	4%
Payroll growth rate	2.5%

#### **NOTE 12—COMPONENT UNIT DISCLOSURES:**

Disclosures that supplement the component unit financial statements of the Foundation are as follows:

##### Investment Securities

The Foundation is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the market place the inputs to the Foundation's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of June 30, 2017. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in near term. The Foundation uses a brokerage firm pricing service to price most of its level 2 investments. The service employs a proprietary market approach method that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in active markets that have been adjusted by observable indexes. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, independent market activity for the investment.

The following table summarizes the levels in the fair value hierarchy of the Foundation's investments at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,669	\$ -	\$ -	\$ 2,669
Mutual funds	1,332,056	-	-	1,332,056
Total	<u>\$ 1,334,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334,725</u>

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2017 (Continued)

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#### **NOTE 12—COMPONENT UNIT DISCLOSURES: (CONTINUED)**

##### Restricted Net Position

Restricted net position of the Foundation represents resources that are restricted by a donor for a particular purpose or for use in a particular future period. The Foundation's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. The portion of the Foundation's donor-restricted endowment funds that must be maintained in perpetuity are also reported in this net position class. Restricted net position of the Foundation as of June 30, 2017 amounted to \$946,514.

Complete financial statements for the Foundation can be obtained from the Rockbridge Regional Library at 138 South Main Street in Lexington, Virginia 24450. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Library's financial reporting entity for these differences.

#### **NOTE 13—RELATED PARTIES:**

The Rockbridge Regional Library provides offices and equipment to the Foundation without charge.

The Foundation solicits and accumulates funds that are used for construction, equipment acquisition, debt service, and operations of the Library.

#### **NOTE 14—ECONOMIC DEPENDENCY:**

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

#### **NOTE 15—COMMITMENTS AND CONTINGENCIES:**

Certain contracts and grants received by the Library are subject to audit or review by the grantor/payor agencies. As a result of these audits or reviews, the Library may be required to repay a portion of grant or contract funds received. However, management believes any liability related to its grants and contracts, if any, would be immaterial.

#### **NOTE 16—SUBSEQUENT EVENTS:**

The Library has evaluated events and transactions for possible disclosure and recognition through December 15, 2017, the date which these financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in Net Pension Liability and Related Ratios  
 Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 52,727	\$ 42,144	\$ 40,401
Interest	135,542	131,560	126,396
Differences between expected and actual experience	(5,088)	(21,491)	-
Benefit payments, including refunds of employee contributions	(93,508)	(97,143)	(88,906)
<b>Net change in total pension liability</b>	\$ 89,673	\$ 55,070	\$ 77,891
<b>Total pension liability - beginning</b>	1,983,064	1,927,994	1,850,103
<b>Total pension liability - ending (a)</b>	<u>\$ 2,072,737</u>	<u>\$ 1,983,064</u>	<u>\$ 1,927,994</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 50,502	\$ 46,273	\$ 45,535
Contributions - employee	24,657	22,448	20,981
Net investment income	30,609	78,551	237,306
Benefit payments, including refunds of employee contributions	(93,508)	(97,143)	(88,906)
Administrative expense	(1,102)	(1,087)	(1,287)
Other	(13)	(17)	12
<b>Net change in plan fiduciary net position</b>	\$ 11,145	\$ 49,025	\$ 213,641
<b>Plan fiduciary net position - beginning</b>	1,774,111	1,725,086	1,511,445
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,785,256</u>	<u>\$ 1,774,111</u>	<u>\$ 1,725,086</u>
<b>Political subdivision's net pension liability - ending (a) - (b)</b>	\$ 287,481	\$ 208,953	\$ 202,908
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	86.13%	89.46%	89.48%
<b>Covered payroll</b>	\$ 514,193	\$ 468,068	\$ 421,170
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	55.91%	44.64%	48.18%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions  
 Years Ended June 30, 2008 through June 30, 2017

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2017	\$ 49,376	\$ 49,376	\$ -	\$ 577,464		8.55%
2016	50,502	50,502	-	514,193		9.82%
2015	46,273	46,273	-	468,068		9.89%
2014	45,535	45,535	-	421,170		10.81%
2013	44,641	44,641	-	412,194		10.83%
2012	41,549	41,549	-	415,906		9.99%
2011	46,208	46,208	-	462,546		9.99%
2010	45,101	45,101	-	453,735		9.94%
2009	42,513	42,513	-	427,699		9.94%
2008	29,646	29,646	-	377,652		7.85%

Current year contributions are from Rockbridge Regional Library records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information  
Year Ended June 30, 2017

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest):

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year



Schedule of OPEB Funding Progress  
Last Three Fiscal Years

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Other Postemployment Benefits - Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)-(b) (c)	Funded Ratio (a)/(b) (d)	Covered Payroll (e)	UAAL as % of Payroll (c)/(e) (f)
7/1/2016	\$ -	\$ 8,000	\$ 8,000	0.00%	\$ 169,492	4.72%

Schedule is intended to show information for 3 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

## **OTHER SUPPLEMENTARY INFORMATION**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
From local sources:				
Locality appropriations	\$ 1,006,926	\$ 1,006,926	\$ 1,012,501	\$ 5,575
Capital grants and contributions	33,000	33,000	33,000	-
Operating grants and contributions	9,000	9,000	9,202	202
Foundation funding	49,000	49,000	65,676	16,676
Donations	32,875	32,875	117,524	84,649
Friends	30,500	30,500	59,887	29,387
Charges for services	34,000	34,000	39,335	5,335
Interest Income	-	-	1,284	1,284
E-rate revenue	30,350	30,350	19,487	(10,863)
Miscellaneous	25	25	342	317
Intergovernmental:				
Noncategorical aid:				
Commonwealth of Virginia	310,472	310,472	310,423	(49)
Total revenues	\$ 1,536,148	\$ 1,536,148	\$ 1,668,661	\$ 132,513
Expenditures:				
Parks, recreation, and cultural:				
Compensation and benefits	\$ 1,004,957	1,004,957	\$ 987,880	\$ 17,077
Capital outlay	-	-	49,715	(49,715)
Rent	15,000	15,000	15,000	-
Insurance	11,050	11,050	11,313	(263)
Maintenance	45,000	45,000	44,357	643
Other Expenses	12,590	12,590	80,249	(67,659)
Professional Fees	18,150	18,150	17,690	460
Programming	12,500	12,500	11,768	732
State Aid Expenses	310,472	310,472	310,423	49
Staff Development	11,529	11,529	11,302	227
Transportation	15,500	15,500	11,788	3,712
Communication	17,400	17,400	18,369	(969)
Utilities	62,000	62,000	54,437	7,563
Debt service:				
Principal	-	-	22,090	(22,090)
Interest	-	-	5,510	(5,510)
Total expenditures	\$ 1,536,148	\$ 1,536,148	\$ 1,651,891	\$ 115,743
Net change in fund balances	\$ -	\$ -	\$ 16,770	\$ 16,770
Fund balance, beginning of year	-	-	268,340	268,340
Fund balance, end of year	\$ -	\$ -	\$ 285,110	\$ 285,110

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

## **COMPLIANCE**

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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

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### OFFICERS AND TRUSTEES ROCKBRIDGE REGIONAL LIBRARY LEXINGTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Rockbridge Regional Library as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Rockbridge Regional Library's basic financial statements and have issued our report thereon dated December 15, 2017. Our report includes a reference to other auditors who audited the financial statements of the Rockbridge Regional Library Foundation, as described in our report on the Rockbridge Regional Library's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Rockbridge Regional Library Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable non-compliance associated with the Rockbridge Regional Library Foundation.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rockbridge Regional 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 Rockbridge Regional Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockbridge Regional Library's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
December 15, 2017