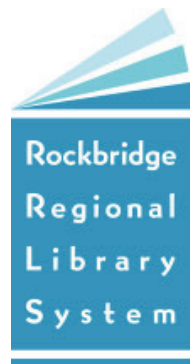


ROCKBRIDGE REGIONAL LIBRARY



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

ROCKBRIDGE REGIONAL LIBRARY

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

ROCKBRIDGE REGIONAL LIBRARY

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Jessica Rasmussen, Vice Chair

Carl Behrens, Treasurer

Thomas C. Lominac, Deputy Treasurer

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-7
 Basic Financial Statements:	
Government-Wide Statements	
Exhibit 1 – Statement of Net Position.....	8
Exhibit 2 – Statement of Activities	9
 Fund Statements	
Exhibit 3 – Balance Sheet – Governmental Fund	10
Exhibit 4 – Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position.....	11
Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.....	12
Exhibit 6 – Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	13
Notes to Financial Statements	14-44
 Required Supplementary Information:	
Exhibit 7 – Schedule of Changes in Net Pension Liability and Related Ratios – Pension Plan	45
Exhibit 8 – Schedule of Employer Contributions – Pension Plan.....	46
Exhibit 9 – Notes to Required Supplementary Information – Pension Plan	47
Exhibit 10 – Schedule of Library's Share of Net OPEB Liability – VLDP	48
Exhibit 11 – Schedule of Employer Contributions – VLDP.....	49
Exhibit 12 – Notes to Required Supplementary Information – VLDP	50
Exhibit 13 – Schedule of Library's Proportionate Share of the Net OPEB Liability – Medical, Dental, and Prescription Insurance.....	51
Exhibit 14 – Notes to Required Supplementary Information – Medical, Dental, and Prescription Insurance.....	52
 Other Supplementary Information:	
Exhibit 15 – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.....	53
 Compliance:	
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 <i>Government Auditing Standards</i>	54-55



ROBINSON, FARMER, COX ASSOCIATES, PLLC

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, 2020, 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 43%, 46%, and 4%, respectively, of the assets, net position, and revenues of the Rockbridge Regional Library.

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 43%, 46%, and 4%, 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules related to pension and OPEB funding on pages 3-7 and 45-52 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 and other auditors 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.

Supplementary and 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rockbridge Regional Library's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 15, 2020



MANAGEMENT DISCUSSION & ANALYSIS FY 2020

The following is a discussion and analysis of the financial performance for Rockbridge Regional Library System (RRLS) for the fiscal year ended June 30, 2020. This section is a summary of the library's financial activities based on current knowledge, decisions and conditions. The results of fiscal year 2020 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, 2020 is \$1,605,769, a decrease of \$2,170.
- The net position of the component unit of the Library (Rockbridge Regional Library Foundation) for the year ending June 30, 2020 is \$1,374,060, a decrease of 29,907 or 2%.
- The total fund balance for the year ending June 30, 2020 is \$447,772, an increase of \$100,010 or 22%.

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, 2020 and 2019

	Governmental Activities		Component Unit Foundation	
	2020	2019	2020	2019
Assets:				
Current and other assets	\$ 473,536	\$ 370,522	\$ 1,439,067	\$ 1,403,967
Capital assets	1,411,076	1,479,932	-	-
Total assets	\$ 1,884,612	\$ 1,850,454	\$ 1,439,067	\$ 1,403,967
Deferred outflows of resources	\$ 122,683	\$ 40,199	\$ -	\$ -
Liabilities:				
Current and other liabilities	\$ 25,764	\$ 22,760	\$ 65,007	\$ -
Noncurrent liabilities	346,637	193,864	-	-
Total liabilities	\$ 372,401	\$ 216,624	\$ 65,007	\$ -
Deferred inflows of resources	\$ 29,125	\$ 66,090	\$ -	\$ -
Net Position:				
Net investment in capital assets	\$ 1,365,685	\$ 1,409,453	\$ -	\$ -
Restricted	68,132	50,988	971,032	972,928
Unrestricted	171,952	147,498	403,028	431,039
Total net position	\$ 1,605,769	\$ 1,607,939	\$ 1,374,060	\$ 1,403,967

Changes in Net Position
Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues		
Charges for services	\$ 36,835	\$ 38,253
Grants and contributions	1,675,363	1,621,945
Total program revenues	\$ 1,712,198	\$ 1,660,198
General revenues:		
Use of money and property	\$ 2,977	\$ 4,329
Miscellaneous	41,261	33,546
Total general revenues	\$ 44,238	\$ 37,875
Total revenues	\$ 1,756,436	\$ 1,698,073
Expenses:		
Parks, recreation and cultural	\$ 1,758,606	\$ 1,615,727
Total expenses	\$ 1,758,606	\$ 1,615,727
Change in net position	\$ (2,170)	\$ 82,346
Net position, beginning	1,607,939	1,525,593
Net position, ending	\$ 1,605,769	\$ 1,607,939

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 supports the library system exclusively with the management of an endowment and fundraising.

SELECTED REVENUE AND EXPENDITURES

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Selected Revenue Items				
Local government revenue	\$ 1,161,624	\$ 1,096,902	\$ 64,722	6%
State revenue	347,022	338,986	8,036	2%
Donations	65,891	66,368	(477)	-1%
Foundation funding-endowment	64,847	67,595	(2,748)	-4%
Fines & fees	36,835	38,253	(1,418)	-4%
Other revenues	80,217	89,969	(9,752)	-11%
Total Revenue	\$ 1,756,436	\$ 1,698,073	\$ 58,363	3%
Selected Expenditures				
Compensation & benefits	\$ 1,035,256	\$ 1,044,964	\$ (9,708)	-0.9%
Library materials & direct costs	21,691	30,835	(9,144)	-29.7%
State aid expenses	349,103	334,122	14,981	4.5%
Occupancy costs	146,210	141,068	5,142	3.6%
Other expenses	104,166	109,673	(5,507)	-5.0%
Total Expenditures	\$ 1,656,426	\$ 1,660,662	\$ (4,236)	-0.3%
Total Assets of Component Unit	\$ 1,439,067	\$ 1,403,967	\$ 35,100	2.5%

Expenditures decreased by \$4,236, or -0.3% as compared to the prior fiscal year. Reasons for this include a 1% decrease in donations. Library materials and direct costs decreased by 29.7% mainly due to decreased operations. Compensation benefits decreased by .09% with the retirement of a senior librarian. Both decreases in compensation & benefits and library materials & direct costs were offset by increase in State aid expenses. Compensation benefits are expected to increase for FY 2021 by at least 9% for health insurance.

Increase in revenue included 6% from local government revenue and 2% from state aid. In addition, there were decreases from other revenues in relation to decrease in Friends program funding. Overall, revenue increased by \$58,373 or 3%.

Selected Revenue Items	Percentage of Total Revenue for 2020
Local government revenue	66%
State revenue	20%
Donations	4%
Foundation funding-endowment	4%
Fines & fees	2%

Summary of Statement of Capital Assets

	Governmental Activities	
	2020	2019
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	\$ 2,002,297	\$ 2,002,297
Leasehold improvements	280,987	280,987
Furniture & fixtures	1,077,799	1,124,880
Vehicles	155,567	155,567
Library books	1,126,517	1,129,826
Other Assets (website)	4,060	4,060
Total capital assets being depreciated	\$ 4,647,227	\$ 4,697,617
Less accumulated depreciation for:		
Buildings	\$ 1,451,764	\$ 1,403,490
Leasehold improvements	276,258	275,287
Furniture & fixtures	1,021,590	1,073,252
Vehicles	42,410	32,040
Library books	579,915	570,214
Other Assets (website)	2,774	1,962
Total accumulated depreciation	\$ 3,374,711	\$ 3,356,245
Total capital assets being depreciated, net	\$ 1,272,516	\$ 1,353,938
Capital assets, net	\$ 1,411,076	\$ 1,479,932

At the end of fiscal year 2020 RRLS had invested \$1,411,076 in capital assets, including land, buildings, equipment, and the collection. This amount represents a net decrease of \$68,856 from fiscal year 2019.

At year-end RRLS had a note payable outstanding in the amount of \$45,391, a decrease of \$25,088 or 35% compared to the outstanding balance at June 30, 2019. More detailed information about the Library's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND THE 2021 BUDGET

As shown above, the majority of revenue for RRLS comes from state and local governments. The spread of COVID-19 in FY 2020 resulted in a global pandemic effecting financial markets worldwide and continues to date. The counties of Rockbridge and Bath and the city of Lexington each reduced their allocations to the FY 2021 RRLS operating budget by 10% while the city of Buena Vista reduced their allocations to the budget by 30%. If this trend continues, the economic downtown could severely decrease revenue for the library system resulting in further reduction of programs and services.

RRLS provides essential services to our patrons, particularly since so much of our region is rural. Wi-Fi, computers, online resources and eBooks are all necessary to work and do business in the 21st 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 with mobile devices via Wi-Fi available 24/7. For many patrons the library is their only option for online activity. RRLS 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, 2020

	Primary Government	Component Unit
	Governmental Fund	Rockbridge Regional Library Foundation
ASSETS		
Cash and cash equivalents	\$ 284,228	\$ 67,175
Investments	-	1,371,892
Receivables:		
Accounts receivable	103,080	-
Prepaid items	18,096	-
Restricted assets:		
Cash and cash equivalents	68,132	-
Capital assets (net of accumulated depreciation):		
Land	138,560	-
Buildings	550,533	-
Leasehold improvements	4,729	-
Furniture and fixtures	56,209	-
Vehicles	113,157	-
Library books	546,602	-
Software and web design	1,286	-
Total assets	<u>\$ 1,884,612</u>	<u>\$ 1,439,067</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 118,579	-
OPEB related items	4,104	-
Total deferred outflows of resources	<u>\$ 122,683</u>	<u>-</u>
LIABILITIES		
Accounts payable	\$ 25,197	\$ 65,007
Unearned revenue	567	-
Long-term liabilities:		
Due within one year	26,178	-
Due in more than one year	320,459	-
Total liabilities	<u>\$ 372,401</u>	<u>\$ 65,007</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 27,825	-
OPEB related items	1,300	-
Total deferred inflows of resources	<u>\$ 29,125</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	\$ 1,365,685	-
Restricted:		
Acquisitions and materials	38,675	-
Debt service reserve	29,457	-
Rockbridge Regional Library Foundation	-	971,032
Unrestricted	171,952	403,028
Total net position	<u>\$ 1,605,769</u>	<u>\$ 1,374,060</u>

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

Statement of Activities
Year Ended June 30, 2020

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	\$ 1,758,606	\$ 36,835	\$ 1,645,363	\$ 30,000	\$ (46,408)	\$ -
Total governmental activities	\$ 1,758,606	\$ 36,835	\$ 1,645,363	\$ 30,000	\$ (46,408)	\$ -
COMPONENT UNIT:						
Rockbridge Regional Library						
Foundation	\$ 95,294	\$ -	\$ 4,920	\$ -	\$ -	\$ (90,374)
Total component unit	\$ 95,294	\$ -	\$ 4,920	\$ -	\$ -	\$ (90,374)
General revenues:						
Unrestricted revenues from use of money and property					\$ 2,977	\$ 42,565
Restricted revenues from use of money and property					-	17,902
Miscellaneous					41,261	-
Total general revenues					\$ 44,238	\$ 60,467
Change in net position					\$ (2,170)	\$ (29,907)
Net position - beginning					1,607,939	1,403,967
Net position - ending					\$ 1,605,769	\$ 1,374,060

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

FUND STATEMENTS

Balance Sheet - Governmental Fund
June 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 284,228
Restricted cash and cash equivalents	68,132
Receivables	103,080
Prepaid items	18,096
Total assets	<u>\$ 473,536</u>

LIABILITIES

Current Liabilities:

Accounts payable	\$ 25,197
Unearned revenue	567
Total liabilities	<u>\$ 25,764</u>

FUND BALANCE

Nonspendable:

Prepaid items	\$ 18,096
---------------	-----------

Restricted:

Acquisitions and materials	38,675
Debt service reserve	29,457

Committed:

Bath friends of the library	53,153
Buena Vista and Goshen improvements	53,955
Rockbridge friends of the library	77,478

Assigned:

Literacy programs	19,273
Library branches discretionary	35,540
Acquisitions and materials	2,818

Unassigned

	119,327
Total fund balance	<u>\$ 447,772</u>

Total liabilities and fund balance	<u>\$ 473,536</u>
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The accompanying notes to financial statements are an integral part of this statement.

**Reconciliation of the Balance Sheet of Governmental Fund
To the Statement of Net Position
June 30, 2020**

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	447,772
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	138,560	
Buildings		550,533	
Leasehold improvements		4,729	
Furniture and fixtures		56,209	
Vehicles		113,157	
Library books		546,602	
Software and web design		<u>1,286</u>	
			1,411,076

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	118,579	
OPEB related items		<u>4,104</u>	
			122,683

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Note payable	\$	(45,391)	
Net OPEB liabilities		(10,637)	
Compensated absences		(106,842)	
Net pension liability		<u>(183,767)</u>	
			(346,637)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(27,825)	
OPEB related items		<u>(1,300)</u>	
			<u>(29,125)</u>

Net position of governmental activities	\$	<u><u>1,605,769</u></u>
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The notes to the financial statements are an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2020**

Revenues:

From local sources:

Locality appropriations	\$ 1,131,624
Capital grants and contributions	30,000
Operating grants and contributions	11,277
Foundation funding	64,847
Donations	65,891
Friends	24,702
Charges for services	36,835
Interest income	2,977
E-rate revenue	41,255
Miscellaneous	6

Intergovernmental:

Noncategorical aid:

Commonwealth of Virginia	347,022
Total revenues	<u>\$ 1,756,436</u>

Expenditures:

Parks, recreation, and cultural:

Compensation and benefits	\$ 1,029,892
Rent	15,000
Furniture and fixtures	17,929
Insurance	13,142
Maintenance	49,993
Other expenses	51,177
Professional fees	20,449
Programming	8,634
State aid expenses	347,022
Staff development	5,364
Transportation	13,057
Communication	7,021
Utilities	50,146

Debt service:

Principal	25,088
Interest	2,512
Total expenditures	<u>\$ 1,656,426</u>

Excess (deficiency) of revenues over (under) expenditures	<u>\$ 100,010</u>
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Net change in fund balances	\$ 100,010
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Fund balance, beginning of year	<u>347,762</u>
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Fund balance, end of year	<u><u>\$ 447,772</u></u>
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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 Fund to the Statement of Activities
Year Ended June 30, 2020**

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

Net change in fund balances	\$ 100,010
-----------------------------	------------

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 depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 106,221	
Depreciation expense	<u>(175,077)</u>	(68,856)

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.

Principal repayments	25,088
----------------------	--------

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.

Change in compensated absences	\$ (38,627)	
Change in pension related items	(18,154)	
Change in OPEB related items	<u>(1,631)</u>	<u>(58,412)</u>

Change in net position of governmental activities	\$ <u><u>(2,170)</u></u>
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The notes to the financial statements are an integral part of this statement.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020

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 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, 2020 (Continued)

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

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

Management's Discussion and Analysis – Governmental accounting 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, 2020 (Continued)

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 cash on hand, 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 \$61,761 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, 2020 the debt service reserve carried a balance of \$29,457, and funds restricted by donors for Library acquisitions and materials amounted to \$32,304.

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, 2020 (Continued)

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, 2020 the liability for compensated absences was \$106,842.

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.

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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)

9. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position.

Net position is comprised of three components: net investments in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

10. 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 (expenditure) until then. The Library has one item that qualifies for reporting in this category. This item is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detail information on these items, reference the related notes.

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 related to the measurement of the net pension liability are reported as deferred inflows of resources. For more detailed information on this item, reference the pension note.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

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

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

11. Fund Balance

The following classifications of fund balance 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Library's Board prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitations;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

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.

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

F. Other Postemployment Benefits (OPEB)

Political Subdivision Employee Virginia Local Disability Program (VLDP)

For purposes of measuring the net VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expense, information about the fiduciary net position of the VRS VLDP OPEB Plans and the additions to/deductions from the VRS VLDP OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit items.

G. 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.

NOTE 2—Upcoming Pronouncements:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc, A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc., (Section 2.2-4502), 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	\$	185,713
Total	\$	<u>185,713</u>

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

Debt service reserve	\$	29,457
Buena Vista improvements		18,927
Goshen improvements		19,044
Materials acquisition		22,199
Friends of the library		65,667
Literacy		23,721
Other branch activities		6,698
Total investment securities	\$	<u>185,713</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, 2020 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

<u>Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>185,713</u>
Total	\$ <u>185,713</u>

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

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. 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	\$ 185,713	\$ 185,713
Total	<u>\$ 185,713</u>	<u>\$ 185,713</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 2020. 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, 2020 (Continued)

NOTE 5—CAPITAL ASSETS:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	\$ 2,002,297	\$ -	\$ -	\$ 2,002,297
Leasehold improvements	280,987	-	-	280,987
Furniture and fixtures	1,124,880	15,639	(62,720)	1,077,799
Vehicles	155,567	-	-	155,567
Library books	1,129,826	90,582	(93,891)	1,126,517
Software and web design	4,060	-	-	4,060
Total capital assets being depreciated	\$ 4,697,617	\$ 106,221	\$ (156,611)	\$ 4,647,227
Accumulated Depreciation:				
Buildings	\$ (1,403,490)	\$ (48,274)	\$ -	\$ (1,451,764)
Leasehold improvements	(275,287)	(971)	-	(276,258)
Furniture & fixtures	(1,073,252)	(11,058)	62,720	(1,021,590)
Vehicles	(32,040)	(10,370)	-	(42,410)
Library books	(570,214)	(103,592)	93,891	(579,915)
Software and web design	(1,962)	(812)	-	(2,774)
Total accumulated depreciation	\$ (3,356,245)	\$ (175,077)	\$ 156,611	\$ (3,374,711)
Capital assets being depreciated, net	\$ 1,341,372	\$ (68,856)	\$ -	\$ 1,272,516
Capital assets, net	\$ 1,479,932	\$ (68,856)	\$ -	\$ 1,411,076

Depreciation expense for the fiscal year totaled \$175,077.

NOTE 6—APPROPRIATIONS:

Participating localities appropriated the following support for the year ended June 30, 2020:

Bath County	\$ 161,962
Buena Vista	178,162
Lexington	174,517
Rockbridge County	616,983
	<u>\$ 1,131,624</u>

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 7—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	8
Inactive members:	
Vested inactive members	2
Non-vested inactive members	7
Inactive members active elsewhere in VRS	2
Total inactive members	11
Active members	16
Total covered employees	35

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Contributions

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

The Library's contractually required employer contribution rate for the year ended June 30, 2020 was 6.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were \$34,393 and \$37,401 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Library's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

ROCKBRIDGE REGIONAL LIBRARY**Notes to Financial Statements
June 30, 2020 (Continued)****NOTE 7—PENSION PLAN: (CONTINUED)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Library was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternative rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 2,069,073	\$ 2,022,903	\$ 46,170
Changes for the year:			
Service cost	\$ 62,232	\$ -	\$ 62,232
Interest	140,907	-	140,907
Changes of assumptions	57,288	-	57,288
Differences between expected and actual experience	76,712	-	76,712
Contributions - employer	-	37,298	(37,298)
Contributions - employee	-	29,732	(29,732)
Net investment income	-	133,938	(133,938)
Benefit payments, including refunds of employee contributions	(112,240)	(112,240)	-
Administrative expenses	-	(1,342)	1,342
Other changes	-	(84)	84
Net changes	\$ 224,899	\$ 87,302	\$ 137,597
Balances at June 30, 2019	\$ 2,293,972	\$ 2,110,205	\$ 183,767

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 7—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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Library's			
Net Pension Liability (Asset)	\$ 413,626	\$ 183,767	\$ (1,483)

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

For the year ended June 30, 2020, the Library recognized pension expense of \$52,445. At June 30, 2020, 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	\$ 48,195	\$ 10,576
Change in assumptions	35,991	109
Net difference between projected and actual earnings on pension plan investments	-	17,140
Employer contributions subsequent to the measurement date	34,393	-
Total	\$ 118,579	\$ 27,825

\$34,393 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2021	\$ 39,167
2022	15,832
2023	157
2024	1,205
2025	-
Thereafter	-

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8—LONG-TERM OBLIGATIONS:

Summary of changes in long-term obligations:

	July 1, 2019	Increase/ Issuances	Decrease/ Retirements	June 30, 2020	Amount Due Within One Year
Direct Borrowings and Direct Placements:					
Note Payable	\$ 70,479	\$ -	\$ (25,088)	\$ 45,391	\$ 26,178
Other Long-Term Obligations:					
Net OPEB liabilities	\$ 9,000	\$ 3,785	\$ (2,148)	\$ 10,637	\$ -
Compensated Absences	68,215	38,627	-	106,842	-
Net pension liability	46,170	338,565	(200,968)	183,767	-
Total Other Long-Term Obligations	\$ 123,385	\$ 380,977	\$ (203,116)	\$ 301,246	\$ -
Total Long-Term Obligations	\$ 193,864	\$ 380,977	\$ (228,204)	\$ 346,637	\$ 26,178

The Library's outstanding note payable of \$45,391 contains a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Library has pledged to secure the payment and performance of the Library's obligations under the note with the Library's furniture and equipment as noted in the promissory note.

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	\$ 45,391	\$ 26,178
Net OPEB liabilities	10,637	-
Compensated absences	106,842	-
Net pension liability	183,767	-
Total balance at June 30, 2020	\$ 346,637	\$ 26,178

Interest expense paid in 2020 was \$2,511.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Direct Borrowings and Direct Replacement	
	Note Payable	
	Principal	Interest
2021	\$ 26,178	\$ 1,422
2022	19,213	321
	<u>\$ 45,391</u>	<u>\$ 1,743</u>

NOTE 9—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 \$105,042 for 2020.

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

The specific information for the VLDP OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees who become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. The actuarially determined rate 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 from the Library to the VRS Political Subdivision VDLP were \$1,556 and \$1,798 for the years ended June 30, 2020 and June 30, 2019, respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2020, the Library reported a liability \$1,637 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Library's proportion of the Net VLDP OPEB Liability was based on the Library's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Library's proportion of the VLDP was .08081% as compared to .08923% at June 30, 2018.

For the year ended June 30, 2020, the Library recognized VLDP OPEB expense of \$1,911. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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ROCKBRIDGE REGIONAL LIBRARY**Notes to Financial Statements
June 30, 2020 (Continued)****NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)*****VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (continued)***

At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 821	\$ 50
Net difference between projected and actual earnings on VLDP OPEB program investments	6	-
Change in assumptions	47	63
Changes in proportion	-	65
Employer contributions subsequent to the measurement date	<u>1,556</u>	<u>-</u>
Total	<u>\$ 2,430</u>	<u>\$ 178</u>

\$1,556 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year ended June 30,

2021	\$ 145
2022	144
2023	143
2024	145
2025	138
Thereafter	(19)

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	3.50%-5.95%
Investment rate of return	6.75%, net of plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$	3,989
Plan Fiduciary Net Position		1,962
Political Subdivision net VLDP OPEB Liability (Asset)	\$	2,027
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		49.19%

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

ROCKBRIDGE REGIONAL LIBRARY**Notes to Financial Statements
June 30, 2020 (Continued)****NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OEPB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by the Library for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

Sensitivity of the Library's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Rockbridge Regional Library's proportionate share of the Net VLDP OPEB Liability	\$	1,883	\$ 1,637	\$ 1,422

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 7 and other benefits described in Note 10, the Library participates in a cost-sharing defined benefit healthcare plan, the County of Rockbridge OPEB Plan. Several entities participate in the defined benefit healthcare plan through the County of Rockbridge and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Library who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

At July 1, 2019 (the measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	<u>14</u>
Total	<u><u>14</u></u>

Contributions

The Library does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The amount paid by the Library for OPEB as the benefits came due during the year ended June 30, 2020 was \$1,000.

Total OPEB Liability

The Library's total OPEB liability was measured as of July 1, 2019. The total OPEB liability was determined by an actuarial valuation as July 1, 2018.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement.

Salary Increases	2.50% increases annually
Discount Rate	3.13%
Healthcare Cost Trend Rates:	0.00% for fiscal year end 2019 and 12.02% for fiscal year end 2020 (to reflect experience), then 6.00% for fiscal year 2021, decreasing to 0.50% per year to an ultimate rate of 5.00%
Mortality:	RP-2014 Mortality Table, fully generational with base year 2006, projected using two- dimensional mortality improvement scale MP-2019
Actuarial Cost Method:	Entry Age Actuarial Cost Method

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate has been set to 3.13% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2019.

Total OPEB Liability

At June 30, 2020, the Library reported a liability of \$9,000 for its proportionate share of the Total OPEB Liability. The Total OPEB Liability was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date. At June 30, 2020 and 2019, the Library's proportion was 2.24% and 2.65%, respectively.

ROCKBRIDGE REGIONAL LIBRARY**Notes to Financial Statements
June 30, 2020 (Continued)****NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)*****Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the Library, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

Rate		
1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
\$ 9,943	\$ 9,000	\$ 8,147

Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Library as of the measurement date calculated using the trend rate, as well as what the Library's net OPEB liability would be if were calculated using a trend that is one percentage point lower or one percentage point higher than the current rate:

Rates		
1% Decrease	Healthcare Cost Trend	1% Increase
\$ 7,923	\$ 9,000	\$ 10,279

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ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to the Pay as You Go OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 337	\$ 763
Changes in assumptions	337	359
Employer contributions subsequent to the measurement date	1,000	-
Total	<u>\$ 1,674</u>	<u>\$ 1,122</u>

\$1,000 reported as deferred outflows of resources related to the Pay as You Go OPEB Plan resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction on the Net Pay as You Go Liability in the fiscal year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pay as You Go OPEB Plan will be recognized in the OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (202)
2022	(202)
2023	(202)
2024	23
2025	135
Thereafter	-

NOTE 12—SUMMARY OF POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

The following is a summary of the Library's OPEB plans as of June 30, 2020:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS Virginia Local Disability Program (Note 10)	\$ 2,430	\$ 178	\$ 1,637	\$ 1,911
Library Stand-Alone Plan (Note 11)	1,674	1,122	9,000	1,000
Totals	<u>\$ 4,104</u>	<u>\$ 1,300</u>	<u>\$ 10,637</u>	<u>\$ 2,911</u>

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 13—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, 2020. 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, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,910	\$ -	\$ -	\$ 3,910
Mutual funds	1,367,982	-	-	1,367,982
Total	<u>\$ 1,371,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,371,892</u>

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, 2020 amounted to \$971,032.

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 ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. 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 14—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.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 15—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 16—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 17—SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, The WHO classified the COVID-19 outbreak as a pandemic triggering volatility in financial markets and a significant negative impact on global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Library is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 62,232	57,492	\$ 56,734	\$ 52,727	\$ 42,144	\$ 40,401
Interest	140,907	138,657	141,981	135,542	131,560	126,396
Changes of assumptions	57,288	-	(2,314)	-	-	-
Differences between expected and actual experience	76,712	(16,319)	(107,881)	(5,088)	(21,491)	-
Benefit payments	(112,240)	(183,131)	(88,883)	(93,508)	(97,143)	(88,906)
Net change in total pension liability	\$ 224,899	(3,301)	\$ (363)	\$ 89,673	\$ 55,070	\$ 77,891
Total pension liability - beginning	2,069,073	2,072,374	2,072,737	1,983,064	1,927,994	1,850,103
Total pension liability - ending (a)	\$ 2,293,972	2,069,073	\$ 2,072,374	\$ 2,072,737	\$ 1,983,064	\$ 1,927,994
Plan fiduciary net position						
Contributions - employer	\$ 37,298	49,863	\$ 48,999	\$ 50,502	\$ 46,273	\$ 45,535
Contributions - employee	29,732	27,741	27,201	24,657	22,448	20,981
Net investment income	133,938	140,751	217,949	30,609	78,551	237,306
Benefit payments	(112,240)	(183,131)	(88,883)	(93,508)	(97,143)	(88,906)
Administrator charges	(1,342)	(1,276)	(1,247)	(1,102)	(1,087)	(1,287)
Other	(84)	(126)	(194)	(13)	(17)	12
Net change in plan fiduciary net position	\$ 87,302	33,822	\$ 203,825	\$ 11,145	\$ 49,025	\$ 213,641
Plan fiduciary net position - beginning	2,022,903	1,989,081	1,785,256	1,774,111	1,725,086	1,511,445
Plan fiduciary net position - ending (b)	\$ 2,110,205	2,022,903	\$ 1,989,081	\$ 1,785,256	\$ 1,774,111	\$ 1,725,086
Library's net pension liability - ending (a) - (b)	\$ 183,767	46,170	\$ 83,293	\$ 287,481	\$ 208,953	\$ 202,908
Plan fiduciary net position as a percentage of the total pension liability	91.99%	97.77%	95.98%	86.13%	89.46%	89.48%
Covered payroll	\$ 644,573	598,145	\$ 577,464	\$ 514,193	\$ 468,068	\$ 421,170
Library's net pension liability as a percentage of covered payroll	28.51%	7.72%	14.42%	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

Pension Plan

For the Years Ended June 30, 2011 through June 30, 2020

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)		
2020	\$ 34,393	\$ 34,393	\$ -	\$ 607,714		5.66%
2019	37,401	37,401	-	644,573		5.80%
2018	50,093	50,093	-	598,145		8.37%
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%

Notes to Required Supplementary Information
Pension Plan
Year Ended June 30, 2020

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

ROCKBRIDGE REGIONAL LIBRARY

Schedule of Library's Share of Net OPEB Liability
 Virginia Local Disability Program (VLDP)
 For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2019	0.08081% \$	1,637 \$	249,659	0.66%	49.19%
2018	0.08923%	-	216,658	0.00%	51.39%
2017	0.09105%	1,000	167,203	0.60%	38.40%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

ROCKBRIDGE REGIONAL LIBRARY

Schedule of Employer Contributions

Virginia Local Disability Program (VLDP)

For the Years Ended June 30, 2014 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 1,556	\$ 1,556	\$ -	\$ 216,168	0.72%
2019	1,798	1,798	-	249,659	0.72%
2018	1,300	1,300	-	216,658	0.60%
2017	1,000	1,000	-	167,203	0.60%
2016	632	632	-	105,298	0.60%
2015	573	573	-	95,573	0.60%
2014	47	47	-	7,762	0.60%

Schedule is intended to show information for 10 years. However, library contributions began in fiscal year 2014. Additional years will be included as they become available.

ROCKBRIDGE REGIONAL LIBRARY

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2020

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

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

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

Schedule of Library's Proportionate Share of the Net OPEB Liability
Medical, Dental, and Prescription Insurance
For the Years Ended June 30, 2018 through June 30, 2020

Date	Proportion of the Net OPEB Liability (NOL) (1)	Proportionate Share of the NOL (2)	Covered Payroll (3)	Proportionate Share of the NOL as a Percentage of Covered Payroll (2)/(3) (4)
2020	2.24%	\$ 9,000	\$ 181,392	4.96%
2019	2.65%	9,000	213,935	4.21%
2018	2.28%	9,000	172,185	5.23%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

**Notes to Required Supplementary Information -
Medical, Dental, and Prescription Insurance
Year Ended June 30, 2020**

Valuation Date: 7/1/2018
Measurement Date: 7/1/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.13% as of June 30, 2019
Inflation	2.50% per year
Healthcare Trend Rate	0.00% for fiscal year ended 2019 and 12.02% for fiscal year end 2020(to reflect actual experience), then 6.00% for fiscal year end 2021, decreasing 0.50% per year to an ultimate rate
Salary Scale	2.50% annually
Retirement Age	The average age at retirement is 60
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
From local sources:				
Locality appropriations	\$ 1,102,137	\$ 1,102,137	\$ 1,131,624	\$ 29,487
Capital grants and contributions	33,000	33,000	30,000	(3,000)
Operating grants and contributions	5,000	5,000	11,277	6,277
Foundation funding	44,778	44,778	64,847	20,069
Donations	44,978	44,978	65,891	20,913
Friends	25,000	25,000	24,702	(298)
Charges for services	34,250	34,250	36,835	2,585
Interest Income	2,500	2,500	2,977	477
E-rate revenue	32,700	32,700	41,255	8,555
Miscellaneous	-	-	6	6
Intergovernmental:				
Noncategorical aid:				
Commonwealth of Virginia	347,022	347,022	347,022	-
Total revenues	\$ 1,671,365	\$ 1,671,365	\$ 1,756,436	\$ 85,071
Expenditures:				
Parks, recreation, and cultural:				
Compensation and benefits	\$ 1,077,105	\$ 1,077,105	\$ 1,029,892	\$ 47,213
Rent	15,000	15,000	15,000	-
Furniture and fixtures	3,000	3,000	17,929	(14,929)
Insurance	12,500	12,500	13,142	(642)
Maintenance	63,900	63,900	49,993	13,907
Other expenses	81,146	81,146	51,177	29,969
Professional fees	17,500	17,500	20,449	(2,949)
Programming	12,500	12,500	8,634	3,866
State aid expenses	347,022	347,022	347,022	-
Staff development	4,200	4,200	5,364	(1,164)
Transportation	19,250	19,250	13,057	6,193
Communication	7,900	7,900	7,021	879
Utilities	65,618	65,618	50,146	15,472
Debt service:				
Principal	30,000	30,000	25,088	4,912
Interest	3,550	3,550	2,512	1,038
Total expenditures	\$ 1,760,191	\$ 1,760,191	\$ 1,656,426	\$ 103,765
Net change in fund balances	\$ (88,826)	\$ (88,826)	\$ 100,010	\$ 100,010
Fund balance, beginning of year	88,826	88,826	347,762	347,762
Fund balance, end of year	\$ -	\$ -	\$ 447,772	\$ 447,772

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

COMPLIANCE



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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**

**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, 2020, 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, 2020. 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) as a basis for designing 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 financial statements. 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, 2020