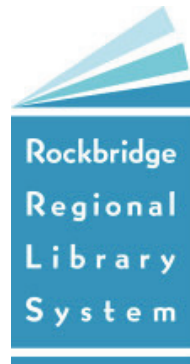


# ROCKBRIDGE REGIONAL LIBRARY



## FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

# **ROCKBRIDGE REGIONAL LIBRARY**

## **FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2021**

## **ROCKBRIDGE REGIONAL LIBRARY**

### ***TRUSTEES***

Bruce McWilliams, Chair

Jessica Rasmussen, Vice Chair

Carl Behrens, Treasurer

Thomas C. Lominac, Deputy Treasurer

Joe Cailles, Parliamentarian

Beverly Slaydon, Secretary

Thomas Bell

Alexandra Brown

Tom Goodale

Gail Heslip

Doug Horan

Brandea Reed

### ***DIRECTOR***

Julie Goyette

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

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**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, 2021, 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, 2021, 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 45-53 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 January 18, 2022, 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  
January 18, 2022



## MANAGEMENT DISCUSSION & ANALYSIS FY 2021

The following is a discussion and analysis of the financial performance for Rockbridge Regional Library System (RRLS) for the fiscal year ended June 30, 2021. This section is a summary of the library's financial activities based on current knowledge, decisions and conditions. The results of fiscal year 2021 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, 2021 is \$1,680,888, an increase of \$75,119 or 4%.
- The net position of the component unit of the Library (Rockbridge Regional Library Foundation) for the year ending June 30, 2021 is \$1,639,836, an increase of \$265,776 or 19%.
- The total fund balance for the year ending June 30, 2021 is \$447,772.

### 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, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Component Unit Foundation</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets:</b>				
Current and other assets	\$ 723,358	\$ 473,536	\$ 1,639,836	\$ 1,439,067
Capital assets	1,437,873	1,411,076	-	-
<b>Total assets</b>	<b>\$ 2,161,231</b>	<b>\$ 1,884,612</b>	<b>\$ 1,639,836</b>	<b>\$ 1,439,067</b>
<b>Deferred outflows of resources</b>	<b>\$ 158,133</b>	<b>\$ 122,683</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Current and other liabilities	\$ 24,745	\$ 25,764	\$ -	\$ 65,007
Noncurrent liabilities	612,020	346,637	-	-
<b>Total liabilities</b>	<b>\$ 636,765</b>	<b>\$ 372,401</b>	<b>\$ -</b>	<b>\$ 65,007</b>
<b>Deferred inflows of resources</b>	<b>\$ 1,711</b>	<b>\$ 29,125</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position:</b>				
Net investment in capital assets	\$ 1,418,658	\$ 1,365,685	\$ -	\$ -
Restricted	61,464	68,132	1,054,618	971,032
Unrestricted	200,766	171,952	585,218	403,028
<b>Total net position</b>	<b>\$ 1,680,888</b>	<b>\$ 1,605,769</b>	<b>\$ 1,639,836</b>	<b>\$ 1,374,060</b>

**Changes in Net Position**  
**Years Ended June 30, 2021 and 2020**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
<b>Program Revenues</b>		
Charges for services	\$ 29,294	\$ 36,835
Grants and contributions	1,626,851	1,675,363
<b>Total program revenues</b>	<b>\$ 1,656,145</b>	<b>\$ 1,712,198</b>
<b>General revenues:</b>		
Use of money and property	\$ 285	\$ 2,977
Miscellaneous	38,166	41,261
<b>Total general revenues</b>	<b>\$ 38,451</b>	<b>\$ 44,238</b>
<b>Total revenues</b>	<b>\$ 1,694,596</b>	<b>\$ 1,756,436</b>
<b>Expenses:</b>		
Parks, recreation and cultural	\$ 1,619,477	\$ 1,758,606
<b>Total expenses</b>	<b>\$ 1,619,477</b>	<b>\$ 1,758,606</b>
<b>Change in net position</b>	<b>\$ 75,119</b>	<b>\$ (2,170)</b>
<b>Net position, beginning</b>	<b>1,605,769</b>	<b>1,607,939</b>
<b>Net position, ending</b>	<b>\$ 1,680,888</b>	<b>\$ 1,605,769</b>



## FUND FINANCIAL STATEMENTS

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

- Governmental funds

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

- Component Units

The Rockbridge Regional Library Foundation is a 501(c)(3) charitable organization and is listed in a separate column of the *Government-wide* Statement of Activities (Exhibit 2). The Foundation supports the library system exclusively with the management of an endowment and fundraising.

### SELECTED REVENUE AND EXPENDITURES

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% Change</u>
<b>Selected Revenue Items</b>				
Local government revenue	\$ 999,336	\$ 1,161,624	\$ (162,288)	-13.97%
State revenue	376,613	347,022	29,591	9%
Donations	97,981	65,891	32,090	49%
Foundation funding-endowment	72,530	64,847	7,683	12%
Fines & fees	29,294	36,835	(7,541)	-20%
Other revenues	118,842	80,217	38,625	48%
<b>Total Revenue</b>	<b>\$ 1,694,596</b>	<b>\$ 1,756,436</b>	<b>\$ (61,840)</b>	<b>-4%</b>
<b>Selected Expenditures</b>				
Compensation & benefits	\$ 912,575	\$ 1,035,256	\$ (122,681)	-11.9%
Library materials & direct costs	21,674	21,691	(17)	-0.1%
State aid expenses	376,613	349,103	27,510	7.9%
Occupancy costs	122,764	146,210	(23,446)	-16.0%
Other expenses	168,712	104,166	64,546	62.0%
<b>Total Expenditures</b>	<b>\$ 1,619,477</b>	<b>\$ 1,656,426</b>	<b>\$ (36,949)</b>	<b>-2.2%</b>
<b>Total Assets of Component Unit</b>	<b>\$ 1,639,836</b>	<b>\$ 1,439,067</b>	<b>\$ 200,769</b>	<b>14.0%</b>

Expenditures decreased by \$36,949, or -2.2% as compared to the prior fiscal year. Reasons for this include a 13.97% decrease in local government revenue and a 20% decrease in fines and fees. Compensation benefits decreased by 11.9% following layoffs and retirement of a manager.

Decreases in compensation & benefits were offset by the increase in State aid revenue. Compensation and benefits are expected to increase for FY 2022 by at least 10% for health insurance, increases in the employer portion of VRS, and the addition of staff.

Increases in revenue included 49% in donations, 12% in foundation funding, and 9% from state aid. Overall, revenue decreased by \$61,840 or 4%.

<b>Selected Revenue Items</b>	<b>Percentage of Total Revenue for 2021</b>
Local government revenue	59%
State revenue	22%
Donations	6%
Foundation funding-endowment	4%
Fines & fees	2%

### Summary of Statement of Capital Assets

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Capital assets not being depreciated:		
Land	\$ 138,560	\$ 138,560
Total capital assets not being depreciated	\$ 138,560	\$ 138,560
Capital assets being depreciated:		
Buildings	\$ 2,013,973	\$ 2,002,297
Leasehold improvements	280,987	280,987
Furniture & fixtures	1,141,587	1,077,799
Vehicles	187,959	155,567
Library books	1,106,322	1,126,517
Other Assets (website)	4,060	4,060
Total capital assets being depreciated	\$ 4,734,888	\$ 4,647,227
Less accumulated depreciation for:		
Buildings	\$ 1,496,947	\$ 1,451,764
Leasehold improvements	277,228	276,258
Furniture & fixtures	1,038,237	1,021,590
Vehicles	53,861	42,410
Library books	565,716	579,915
Other Assets (website)	3,586	2,774
Total accumulated depreciation	\$ 3,435,575	\$ 3,374,711
Total capital assets being depreciated, net	\$ 1,299,313	\$ 1,272,516
Capital assets, net	\$ 1,437,873	\$ 1,411,076

At the end of fiscal year 2021 RRLS had invested \$1,437,873 in capital assets, including land, buildings, equipment, and the collection. This amount represents a net increase of \$26,797 from fiscal year 2020.

At year-end RRLS had a note payable outstanding in the amount of \$19,214, a decrease of \$26,177 or 58% compared to the outstanding balance at June 30, 2020. 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 continued spread of COVID-19 in FY 2021 resulted in a global pandemic effecting financial markets worldwide. 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%. Buena Vista kept the reduction of 30% for FY 2022 while Rockbridge, Bath and Lexington increased allocations. If this trend continues, the economic downturn could severely decrease revenue for the library system resulting in further reduction of programs and services, and state aid.

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 21<sup>st</sup> century. Most job applications are online and residents without internet access are affected financially. The public library provides a large number of patrons internet access via computers or with mobile devices via Wi-Fi available 24/7. In addition, we added mobile hotspots during FY 2021 for circulation. For many patrons the library is their only option for online activity and internet access. 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, 2021**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Fund</b>	<b>Rockbridge Regional Library Foundation</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 600,040	\$ 6,190
Investments	-	1,633,296
Receivables:		
Accounts receivable	38,161	-
Prepaid items	23,693	350
Restricted assets:		
Cash and cash equivalents	61,464	-
Capital assets (net of accumulated depreciation):		
Land	138,560	-
Buildings	517,026	-
Leasehold improvements	3,759	-
Furniture and fixtures	103,350	-
Vehicles	134,098	-
Library books	540,606	-
Software and web design	474	-
Total assets	<u>\$ 2,161,231</u>	<u>\$ 1,639,836</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	\$ 153,470	\$ -
OPEB related items	4,663	-
Total deferred outflows of resources	<u>\$ 158,133</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 24,178	\$ -
Unearned revenue	567	-
Long-term liabilities:		
Due within one year	205,411	-
Due in more than one year	406,609	-
Total liabilities	<u>\$ 636,765</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB related items	\$ 1,711	\$ -
Total deferred inflows of resources	<u>\$ 1,711</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 1,418,658	\$ -
Restricted:		
Acquisitions and materials	31,961	-
Debt service reserve	29,503	-
Rockbridge Regional Library Foundation	-	1,054,618
Unrestricted	200,766	585,218
Total net position	<u>\$ 1,680,888</u>	<u>\$ 1,639,836</u>

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

**Statement of Activities**  
**Year Ended June 30, 2021**

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	\$ 1,619,477	\$ 29,294	\$ 1,596,851	\$ 30,000	\$ 36,668	\$ -
Total governmental activities	\$ 1,619,477	\$ 29,294	\$ 1,596,851	\$ 30,000	\$ 36,668	\$ -
<b>COMPONENT UNIT:</b>						
Rockbridge Regional Library						
Foundation	\$ 78,798	\$ -	\$ 20,226	\$ -	\$ -	\$ (58,572)
Total component unit	\$ 78,798	\$ -	\$ 20,226	\$ -	\$ -	\$ (58,572)
General revenues:						
Unrestricted revenues from use of money and property					\$ 285	\$ 218,200
Restricted revenues from use of money and property					-	93,148
Miscellaneous					38,166	13,000
Total general revenues					\$ 38,451	\$ 324,348
Change in net position					\$ 75,119	\$ 265,776
Net position - beginning					1,605,769	1,374,060
Net position - ending					\$ 1,680,888	\$ 1,639,836

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

## **FUND STATEMENTS**



**Balance Sheet - Governmental Fund**  
**June 30, 2021**
**ASSETS**

## Current Assets:

Cash and cash equivalents	\$ 600,040
Restricted cash and cash equivalents	61,464
Receivables	38,161
Prepaid items	23,693
Total assets	<u>\$ 723,358</u>

**LIABILITIES**

## Current Liabilities:

Accounts payable	\$ 24,178
Unearned revenue	567
Total liabilities	<u>\$ 24,745</u>

**FUND BALANCE**

## Nonspendable:

Prepaid items	\$ 23,693
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## Restricted:

Acquisitions and materials	31,961
Debt service reserve	29,503

## Committed:

Bath friends of the library	48,601
Buena Vista and Goshen improvements	67,786
Rockbridge friends of the library	115,470

## Assigned:

Literacy programs	20,946
Library branches discretionary	36,806

## Unassigned

	323,847
Total fund balance	<u>\$ 698,613</u>

Total liabilities and fund balance	<u>\$ 723,358</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, 2021**

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	698,613
---	----	---------

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

Land	\$	138,560	
Buildings		517,026	
Leasehold improvements		3,759	
Furniture and fixtures		103,350	
Vehicles		134,098	
Library books		540,606	
Software and web design		474	
		<u>          </u>	1,437,873

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

Pension related items	\$	153,470	
OPEB related items		4,663	
		<u>          </u>	158,133

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	\$	(19,214)	
Net OPEB liabilities		(10,579)	
Compensated absences		(101,230)	
PPP loan payable		(160,890)	
Net pension liability		(320,107)	
		<u>          </u>	(612,020)

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

OPEB related items	\$	(1,711)	
		<u>          </u>	(1,711)

Net position of governmental activities	\$	<u><u>1,680,888</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, 2021**

Revenues:

From local sources:

Locality appropriations	\$	999,336
Capital grants and contributions		30,000
Operating grants and contributions		38,735
Foundation funding		72,530
Donations		97,981
Friends		11,656
Charges for services		29,294
Interest income		285
E-rate revenue		37,789
Miscellaneous		377

Intergovernmental:

Noncategorical aid:

Commonwealth of Virginia		376,613
Total revenues	\$	<u>1,694,596</u>

Expenditures:

Parks, recreation, and cultural:

Compensation and benefits	\$	912,575
Rent		15,000
Furniture and fixtures		12,776
Insurance		13,108
Maintenance		54,237
Other expenses		84,304
Professional fees		23,475
Programming		4,424
State aid expenses		378,865
Staff development		5,629
Transportation		12,208
Communication		6,771
Utilities		53,673

Debt service:

Principal		26,177
Interest		1,423
Total expenditures	\$	<u>1,604,645</u>

Excess (deficiency) of revenues over (under) expenditures	\$	<u>89,951</u>
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Other financing sources (uses):

Issuance of paycheck protection program loan	\$	<u>160,890</u>
--	----	----------------

Net change in fund balances	\$	250,841
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Fund balance, beginning of year		<u>447,772</u>
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Fund balance, end of year	\$	<u><u>698,613</u></u>
---------------------------	----	-----------------------

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Fund to the Statement of Activities  
Year Ended June 30, 2021**

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

Net change in fund balances	\$	250,841
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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	\$	202,980	
Depreciation expense		<u>(176,183)</u>	26,797

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.

Issuance of paycheck protection program loan	(160,890)	
Principal repayments	26,177	(134,713)

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	\$	5,613	
Change in pension related items		(73,625)	
Change in OPEB related items		<u>206</u>	<u>(67,806)</u>

Change in net position of governmental activities	\$	<u><u>75,119</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, 2021

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

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

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Library does not have any business-type activities to report.

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

The 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, 2021 (Continued)

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

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

Management's Discussion and Analysis – 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, 2021 (Continued)

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

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

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

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

Cash and cash equivalents include 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 \$61,464 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, 2021, the debt service reserve carried a balance of \$29,503, and funds restricted by donors for Library acquisitions and materials amounted to \$31,961.

##### **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, 2021 (Continued)

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

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

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

Accounts receivables 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, 2021, the liability for compensated absences was \$101,230.

###### **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 and net OPEB 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, 2021 (Continued)

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

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

###### **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.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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, 2021 (Continued)

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

##### **Deposits**

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

##### **Investments**

Statutes authorize the Library to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper 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	\$	185,999
Total	\$	185,999

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

Any activity of the Rockbridge Regional Library	\$	19,164
Debt service reserve		29,503
Buena Vista improvements		31,105
Goshen improvements		36,681
Friends of the library		48,601
Literacy		20,945
Total investment securities	\$	185,999

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

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

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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

##### **Credit Risk of Debt Securities (Continued)**

The Library's rated debt investments as of June 30, 2021, were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Rated Debt Investments' Values	
	Fair Quality
Rated Debt Investments	Ratings
	AAAm
Local Government Investment Pool	\$ 185,999
Total	\$ 185,999

##### **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:

Investments	Fair Value	Maturity
		Less than 1 year
Local Government Investment Pool	\$ 185,999	\$ 185,999
Total	\$ 185,999	\$ 185,999

#### **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 2021. 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, 2021 (Continued)

### **NOTE 5—CAPITAL ASSETS:**

	Balance				Balance
	June 30, 2020	Additions	Deletions		June 30, 2021
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	\$ 11,676	\$ -	\$	2,013,973
Leasehold improvements	280,987	-	-		280,987
Furniture and fixtures	1,077,799	63,788	-		1,141,587
Vehicles	155,567	32,392	-		187,959
Library books	1,126,517	95,124	(115,319)		1,106,322
Software and web design	4,060	-	-		4,060
Total capital assets being depreciated	\$ 4,647,227	\$ 202,980	\$ (115,319)	\$	4,734,888
Accumulated Depreciation:					
Buildings	\$ (1,451,764)	\$ (45,183)	\$ -	\$	(1,496,947)
Leasehold improvements	(276,258)	(970)	-		(277,228)
Furniture & fixtures	(1,021,590)	(16,647)	-		(1,038,237)
Vehicles	(42,410)	(11,451)	-		(53,861)
Library books	(579,915)	(101,120)	115,319		(565,716)
Software and web design	(2,774)	(812)	-		(3,586)
Total accumulated depreciation	\$ (3,374,711)	\$ (176,183)	\$ 115,319	\$	(3,435,575)
Capital assets being depreciated, net	\$ 1,272,516	\$ 26,797	\$ -	\$	1,299,313
Capital assets, net	\$ 1,411,076	\$ 26,797	\$ -	\$	1,437,873

Depreciation expense for the fiscal year totaled \$176,183.

### **NOTE 6—APPROPRIATIONS:**

Participating localities appropriated the following support for the year ended June 30, 2021:

Bath County	\$	145,766
Buena Vista		142,581
Lexington		158,569
Rockbridge County		552,420
	\$	999,336

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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#### **NOTE 7—PENSION PLAN:**

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

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

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

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

- a. Employees with a membership date 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 with a membership date from July 1, 2010, to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010, and not vested before 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 with a membership date 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, 2021 (Continued)

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#### **NOTE 7—PENSION PLAN: (CONTINUED)**

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

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total 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, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	8
Inactive members:	
Vested inactive members	3
Non-vested inactive members	5
Inactive members active elsewhere in VRS	2
Total inactive members	10
Active members	16
Total covered employees	34



## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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#### **NOTE 7—PENSION PLAN: (CONTINUED)**

##### ***Contributions***

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

The Library's contractually required employer contribution rate for the year ended June 30, 2021 was 8.35% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$43,546 and \$34,393 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

##### ***Actuarial Assumptions – General Employees***

The total pension liability for General Employees in the Library's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
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 fair 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, 2021 (Continued)

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

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, 2021 (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:

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

\* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. On October 10, 2019, the results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2021 (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, 2020, 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, 2020, 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 2,293,972	\$ 2,110,205	\$ 183,767
Changes for the year:			
Service cost	\$ 67,095	\$ -	\$ 67,095
Interest	150,483	-	150,483
Differences between expected and actual experience	20,026	-	20,026
Contributions - employer	-	34,393	(34,393)
Contributions - employee	-	28,224	(28,224)
Net investment income	-	40,094	(40,094)
Benefit payments, including refunds	(129,175)	(129,175)	-
Administrative expenses	-	(1,400)	1,400
Other changes	-	(47)	47
Net changes	\$ 108,429	\$ (27,911)	\$ 136,340
Balances at June 30, 2020	\$ 2,402,401	\$ 2,082,294	\$ 320,107

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2021 (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		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Library's proportionate share of the Library's Retirement Plan Net Pension Liability (Asset)	\$ 555,926	\$ 320,107	\$ 119,457

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

For the year ended June 30, 2021, the Library recognized pension expense of \$117,170. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,368	\$ -
Change in assumptions	14,694	-
Net difference between projected and actual earnings on pension plan investments	62,862	-
Employer contributions subsequent to the measurement date	<u>43,546</u>	<u>-</u>
Total	<u>\$ 153,470</u>	<u>\$ -</u>

\$43,546 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, 2022. 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>	<u>Primary Government</u>
2022	\$ 43,178
2023	25,521
2024	21,215
2025	20,010
2026	-
Thereafter	-

# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2021 (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 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

### NOTE 8—LONG-TERM OBLIGATIONS:

Summary of changes in long-term obligations:

	July 1, 2020	Increase/ Issuances	Decrease/ Retirements	June 30, 2021	Amount Due Within One Year
Direct Borrowings and Direct Placements:					
Notes Payable	\$ 45,391	\$ 160,890	\$ (26,177)	\$ 180,104	\$ 180,104
Other Long-Term Obligations:					
Net OPEB liabilities	\$ 10,637	\$ 4,952	\$ (5,010)	\$ 10,579	\$ -
Compensated Absences	106,842	74,519	(80,132)	101,230	25,307
Net pension liability	183,767	239,051	(102,711)	320,107	-
Total Other Long-Term Obligations	\$ 301,246	\$ 318,522	\$ (187,853)	\$ 431,916	\$ 25,307
Total Long-Term Obligations	\$ 346,637	\$ 479,412	\$ (214,030)	\$ 612,020	\$ 205,411

The Library's outstanding notes payable of \$180,104 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 U.S. Department of Agriculture 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	\$ 19,214	\$ 19,214
\$160,890 Paycheck Protection Program (PPP) unsecured note payable due in monthly installments over a 5 year term, including interest at 1% per annum. Loan payments are deferred until 10 months after the end of the 24 week period following loan issuance, and the Library anticipates requesting and receiving loan forgiveness for the full balance of the note.	160,890	160,890
Net OPEB liabilities	10,579	-
Compensated absences	101,230	25,307
Net pension liability	320,107	-
Total balance at June 30, 2021	\$ 612,020	\$ 205,411

Interest expense paid in 2021 was \$1,423.

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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#### **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	
	Notes Payable	
	Principal	Interest
2022	\$ 180,104	321
	\$ 180,104	\$ 321

#### **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 \$80,443 for 2021.

#### **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, 2021 (Continued)

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#### **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, 2021, was 0.83% 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, 2019. 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 \$1,396 and \$1,556 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Library reported a liability \$579 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2020, and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Library's proportion of the VLDP was .05800% as compared to .08081% at June 30, 2019.

For the year ended June 30, 2021, the Library recognized VLDP OPEB expense of \$1,630. 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, 2021 (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, 2021, 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	\$ 469	\$ 679
Net difference between projected and actual earnings on VLDP OPEB program investments	61	-
Change in assumptions	27	39
Changes in proportionate share	-	274
Employer contributions subsequent to the measurement date	<u>1,396</u>	<u>-</u>
Total	<u>\$ 1,953</u>	<u>\$ 992</u>

\$1,396 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, 2022. 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:

<b>Year Ended June 30</b>		
2022	\$	17
2023		16
2024		17
2025		12
2026		(104)
Thereafter		(393)

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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#### **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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
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 fair 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, 2021 (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, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each 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, 2020, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		<b>Political Subdivision VLDP OPEB Plan</b>
Total Political Subdivision VLDP OPEB Liability	\$	4,317
Plan Fiduciary Net Position		3,317
Political Subdivision VLDP Net OPEB Liability (Asset)	\$	<u>1,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		76.84%

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, 2021 (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:

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

\*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

#### **NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB 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, 2020, 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, 2020, 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 VLDP Net OPEB Liability	\$	776	\$ 579	\$ 407

##### ***VLDP OPEB Fiduciary Net Position***

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

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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#### **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, 2020 (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, 2021, was \$0.

##### ***Total OPEB Liability***

The Library's total OPEB liability was measured as of July 1, 2020. The total OPEB liability was determined by an actuarial valuation as July 1, 2020.

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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

##### ***Actuarial Assumptions***

The total OPEB liability in the July 1, 2020, 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	2.45%
Healthcare Cost Trend Rates:	6.00% for the fiscal year end 2021, decreasing 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-2020
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 2.45% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2020.

##### ***Total OPEB Liability***

At June 30, 2021, the Library reported a liability of \$10,000 for its proportionate share of the Total OPEB Liability. The Total OPEB Liability was measured as of July 1, 2020 and was determined by an actuarial valuation as of that date. At June 30, 2021 and 2020, the Library's proportion was 2.05% and 2.24%, respectively.

**ROCKBRIDGE REGIONAL LIBRARY****Notes to Financial Statements  
June 30, 2021 (Continued)**

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**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 (1.45%) or one percentage point higher (3.45%) than the current discount rate:

Rate		
1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
\$ 10,986	\$ 10,000	\$ 9,138

***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
\$ 8,973	\$ 10,000	\$ 11,253

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# ROCKBRIDGE REGIONAL LIBRARY

## Notes to Financial Statements June 30, 2021 (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, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,150	\$ 493
Changes in assumptions	739	226
Employer contributions subsequent to the measurement date	821	-
Total	<u>\$ 2,710</u>	<u>\$ 719</u>

\$821 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, 2022. 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:

Year Ended June 30	
2021	\$ 103
2022	103
2023	307
2024	411
2025	246
Thereafter	-

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

The following is a summary of the Library's OPEB plans as of June 30, 2021:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS Virginia Local Disability Program (Note 10)	\$ 1,953	\$ 992	\$ 579	\$ 1,630
Library Stand-Alone Plan (Note 11)	2,710	719	10,000	1,129
Totals	<u>\$ 4,663</u>	<u>\$ 1,711</u>	<u>\$ 10,579</u>	<u>\$ 2,759</u>

## ROCKBRIDGE REGIONAL LIBRARY

### Notes to Financial Statements June 30, 2021 (Continued)

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#### **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, 2021. 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, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 36	\$ -	\$ -	\$ 36
Mutual funds	1,633,260	-	-	1,633,260
Total	\$ 1,633,296	\$ -	\$ -	\$ 1,633,296

##### 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, 2021, amounted to \$1,054,618.

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, 2021 (Continued)

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#### **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 EVENTS:**

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Rockbridge Regional Library, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Library is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

Full forgiveness of the Library's Paycheck Protection Program (PPP) loan in the amount of \$160,890 was granted on September 1, 2021.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# ROCKBRIDGE REGIONAL LIBRARY

## Schedule of Changes in Net Pension Liability and Related Ratios

### Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019
<b>Total pension liability</b>		
Service cost	\$ 67,095	\$ 62,232
Interest	150,483	140,907
Changes of assumptions	20,026	57,288
Differences between expected and actual experience	-	76,712
Benefit payments	(129,175)	(112,240)
<b>Net change in total pension liability</b>	\$ 108,429	\$ 224,899
<b>Total pension liability - beginning</b>	2,293,972	2,069,073
<b>Total pension liability - ending (a)</b>	<u>\$ 2,402,401</u>	<u>\$ 2,293,972</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 34,393	\$ 37,298
Contributions - employee	28,224	29,732
Net investment income	40,094	133,938
Benefit payments	(129,175)	(112,240)
Administrator charges	(1,400)	(1,342)
Other	(47)	(84)
<b>Net change in plan fiduciary net position</b>	\$ (27,911)	\$ 87,302
<b>Plan fiduciary net position - beginning</b>	2,110,205	2,022,903
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,082,294</u>	<u>\$ 2,110,205</u>
<b>Library's net pension liability - ending (a) - (b)</b>	\$ 320,107	\$ 183,767
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	86.68%	91.99%
<b>Covered payroll</b>	\$ 607,714	\$ 644,573
<b>Library's net pension liability as a percentage of covered payroll</b>	52.67%	28.51%

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.

**Exhibit 7**

<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>		<b>2014</b>	
\$	57,492	\$	56,734	\$	52,727	\$	42,144	\$	40,401
	138,657		141,981		135,542		131,560		126,396
	-		(2,314)		-		-		-
	(16,319)		(107,881)		(5,088)		(21,491)		-
	(183,131)		(88,883)		(93,508)		(97,143)		(88,906)
\$	(3,301)	\$	(363)	\$	89,673	\$	55,070	\$	77,891
	2,072,374		2,072,737		1,983,064		1,927,994		1,850,103
\$	<u>2,069,073</u>	\$	<u>2,072,374</u>	\$	<u>2,072,737</u>	\$	<u>1,983,064</u>	\$	<u>1,927,994</u>
\$	49,863	\$	48,999	\$	50,502	\$	46,273	\$	45,535
	27,741		27,201		24,657		22,448		20,981
	140,751		217,949		30,609		78,551		237,306
	(183,131)		(88,883)		(93,508)		(97,143)		(88,906)
	(1,276)		(1,247)		(1,102)		(1,087)		(1,287)
	(126)		(194)		(13)		(17)		12
\$	<u>33,822</u>	\$	<u>203,825</u>	\$	<u>11,145</u>	\$	<u>49,025</u>	\$	<u>213,641</u>
	1,989,081		1,785,256		1,774,111		1,725,086		1,511,445
\$	<u>2,022,903</u>	\$	<u>1,989,081</u>	\$	<u>1,785,256</u>	\$	<u>1,774,111</u>	\$	<u>1,725,086</u>
\$	46,170	\$	83,293	\$	287,481	\$	208,953	\$	202,908
	97.77%		95.98%		86.13%		89.46%		89.48%
\$	598,145	\$	577,464	\$	514,193	\$	468,068	\$	421,170
	7.72%		14.42%		55.91%		44.64%		48.18%

## Schedule of Employer Contributions

## Pension Plan

Years Ended June 30, 2012 through June 30, 2021

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2021	\$ 43,546	\$ 43,546	\$ -	\$ 565,075	7.71%
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%

Notes to Required Supplementary Information  
Pension Plan  
Year Ended June 30, 2021

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

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

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%



Schedule of Library's Share of Net OPEB Liability  
 Virginia Local Disability Program (VLDP)  
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2020	0.0580%	\$ 579	\$ 216,168	0.27%	76.84%
2019	0.0808%	1,637	249,659	0.66%	49.19%
2018	0.0892%	-	216,658	0.00%	51.39%
2017	0.0911%	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.

Schedule of Employer Contributions  
 Virginia Local Disability Program (VLDP)  
 Years Ended June 30, 2012 through June 30, 2021

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2021	\$ 1,396	\$ 1,396	\$ -	\$ 168,184	0.83%
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.*

Notes to Required Supplementary Information  
 Virginia Local Disability Program (VLDP)  
 For the Year Ended June 30, 2021

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

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

**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 rate from 7.00% to 6.75%

**Schedule of Library's Proportionate Share of the Net OPEB Liability**  
**Medical, Dental, and Prescription Insurance**  
**Years Ended June 30, 2018 through June 30, 2021**

<b>Date</b>	<b>Proportion of the Net OPEB Liability (NOL) (1)</b>	<b>Proportionate Share of the NOL (2)</b>	<b>Covered Payroll (3)</b>	<b>Proportionate Share of the NOL as a Percentage of Covered Payroll (2)/(3) (4)</b>
2021	2.05%	\$ 10,000	\$ 157,139	6.36%
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, 2021**

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Valuation Date: 7/1/2020

Measurement Date: 7/1/2020

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	2.45% as of June 30, 2020
Inflation	2.50% per year
Healthcare Trend Rate	6.00% for fiscal year end 2021, decreasing 0.50% per year to an ultimate rate of 5.00%
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-2020.

## **OTHER SUPPLEMENTARY INFORMATION**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
From local sources:				
Locality appropriations	\$ 998,930	\$ 998,930	\$ 999,336	\$ 406
Capital grants and contributions	30,000	30,000	30,000	-
Operating grants and contributions	13,000	13,000	38,735	25,735
Foundation funding	66,854	66,854	72,530	5,676
Donations	44,978	44,978	97,981	53,003
Friends	34,494	34,494	11,656	(22,838)
Charges for services	41,750	41,750	29,294	(12,456)
Interest Income	-	-	285	285
E-rate revenue	36,750	36,750	37,789	1,039
Miscellaneous	-	-	377	377
Intergovernmental:				
Noncategorical aid:				
Commonwealth of Virginia	355,740	355,740	376,613	20,873
Total revenues	\$ 1,622,496	\$ 1,622,496	\$ 1,694,596	\$ 72,100
Expenditures:				
Parks, recreation, and cultural:				
Compensation and benefits	\$ 953,606	\$ 953,606	\$ 912,575	\$ 41,031
Rent	18,000	18,000	15,000	3,000
Furniture and fixtures	3,624	3,624	12,776	(9,152)
Insurance	13,000	13,000	13,108	(108)
Maintenance	60,000	60,000	54,237	5,763
Other expenses	79,226	79,226	84,304	(5,078)
Professional fees	29,000	29,000	23,475	5,525
Programming	6,500	6,500	4,424	2,076
State aid expenses	376,613	376,613	378,865	(2,252)
Staff development	4,000	4,000	5,629	(1,629)
Transportation	17,250	17,250	12,208	5,042
Communication	8,500	8,500	6,771	1,729
Utilities	58,000	58,000	53,673	4,327
Debt service:				
Principal	-	-	26,177	(26,177)
Interest	3,550	3,550	1,423	2,127
Total expenditures	\$ 1,630,869	\$ 1,630,869	\$ 1,604,645	\$ 26,224
Excess of revenues over expenditures	\$ (8,373)	\$ (8,373)	\$ 89,951	\$ 98,324
Other financing sources (uses):				
Issuance of paycheck protection program loans	-	-	160,890	160,890
Net change in fund balances	\$ (8,373)	\$ (8,373)	\$ 250,841	\$ 259,214
Fund balance, beginning of year	8,373	8,373	447,772	439,399
Fund balance, end of year	\$ -	\$ -	\$ 698,613	\$ 698,613

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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Rockbridge Regional Library as of and for the year ended June 30, 2021, 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 January 18, 2022. 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  
January 18, 2022