

HANDLEY REGIONAL LIBRARY BOARD
(A Special Purpose Government Entity)

Winchester, Virginia

FINANCIAL REPORT

For the Year Ended June 30, 2021

OFFICERS

Mrs. Carole Fox, Chairman

Mr. Lewis Costello, Vice-Chairman

Mrs. Mary Margaret Wise, Secretary

Mr. Carl Rush, Treasurer

Mr. John Huddy, Library Director

MEMBERS OF THE BOARD

Term expires November 30, 2021:

Mrs. Carole Fox
Mr. Rives Bacon

Term expires November 30, 2022:

Mr. Lewis Costello

Term expires November 30, 2023:

Mr. Mark Gaylor

Term expires November 30, 2024:

Mr. Carl Rush

Term expires March 31, 2025:

Mrs. Mary Virginia Thure
Mr. Keith Buzby

Term expires April 30, 2025:

Mrs. Elise Stine-Dolinar

Term expires May 31, 2025:

Mrs. Mary Margaret Wise

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1 and 2
INDEPENDENT AUDITOR’S 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	3 and 4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-13
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	14
Statement of Activities	15
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Change in Fund Balances - Government Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances Governmental Funds to the Statement of Activities	18
NOTES TO FINANCIAL STATEMENTS	19-52
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules - General Fund	53-56
Schedules of Changes in the Net Pension (Asset)/Liability and Related Ratios	57
Schedules of Employer Contributions	58
Schedules of Employer’s Proportionate Share of Net OPEB Liabilities and Related Ratios	59
Schedules of OPEB Contributions	60
Notes to Required Supplementary Information	61



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Handley Regional Library Board
Winchester, 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 Handley Regional Library Board (the 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.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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.

Basis for Qualified Opinion on a Discretely Presented Component Unit

The financial statements of Friends of Handley Regional Library as of June 30, 2021 have not been audited, and we were not engaged to audit the Friends of Handley Regional Library financial statements as part of our audit of the Library's basic financial statements for the year then ended. Friends of Handley Regional Library's financial activities are included with the Handley Regional Library Board's basic financial statements as a discretely presented component unit.

Qualified Opinion

In our opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion on a Discretely Presented Component Unit paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the Handley Regional Library Board, as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund for Handley Regional Library Board, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

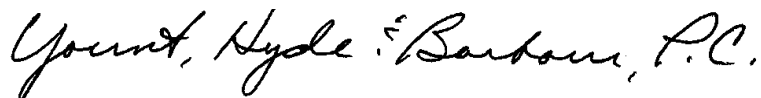
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison schedules, schedules of changes in the net pension (asset)/liability, schedules of employer contributions, schedules of employer's proportionate share of net OPEB liabilities and related ratios, and schedules of OPEB contributions 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the 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 the audit performed in accordance with *Government Auditing Standards* in considering Handley Regional Library Board's internal control over financial reporting and compliance.



Winchester, Virginia
November 12, 2021



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

To the Board of Directors
Handley Regional Library Board
Winchester, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Handley Regional Library Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Handley Regional Library Board's basic financial statements and have issued our report thereon dated November 12, 2021. We have issued a qualified opinion due to the unaudited Friends of Handley Regional Library's financial activities being included with the Handley Regional Library Board's basic financial statements as a discretely presented component unit. The financial statements of Friends of Handley Regional Library 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 noncompliance associated with Friends of Handley Regional Library.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Handley Regional Library Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Handley Regional Library Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Handley Regional Library Board'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

The Library has a limited number of administrative staff that prevents them from maintaining proper segregation of duties necessary for complete internal accounting control. This situation exists because a few individuals have the responsibility for all accounting functions, which is common in a small office. We understand that the Board and management are aware of this risk and have addressed and implemented controls to help mitigate the result of limited staffing, as a response to this deficiency. We recommend that the Board continue to review monthly financial information particularly to budgeted amounts and make inquiries when variances are noted.

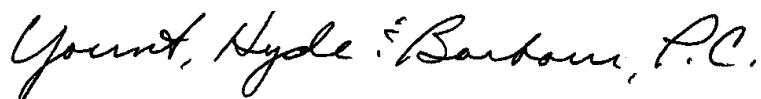
The Library's accounting department currently does not prepare its financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Library is unable to, and has not established internal controls over the preparation of financial statements. We are required to report this deficiency. The standards do not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. Accordingly, the Library may decide that curing the deficiency described above would not be cost effective and take no action.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Handley Regional Library Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test 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.



Winchester, Virginia
November 12, 2021

HANDLEY REGIONAL LIBRARY BOARD
MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Handley Regional Library Board (the Library), we offer readers of the Library's financial statements, this narrative overview and analysis of the financial activities of the Library for the year ending June 30, 2021. The notes to the basic financial statements will also help explain terms and concepts.

1. OVERVIEW OF FINANCIAL STATEMENTS

A. Government-Wide Funds and Governmental Funds

Understanding the difference between two views of the Library's financial picture is crucial to comprehending the financial statements. One aim of the Government Account Standards Board (GASB) is to present financial statements of government units in the same way that business financial statements are presented, and the government-wide presentation provides financial information in that format.

a. Government-Wide Financials

The *Government-Wide* financials, on pages 14 and 15, present the Library as a whole. The Endowment Fund and the Friends of the Handley Regional Library are considered separate organizations or a component unit that is closely tied to the Library. These component units are only shown on the *Government-Wide* financial statements. The *Government-Wide* financials are on a full accrual basis.

b. Governmental Funds

The *Governmental Fund* financials, on pages 16 and 17, present funds individually and are not on the accrual basis.

The manner in which the audit presents financial statements should not be considered as keeping two sets of books, but a requirement of GASB standards to present two different views of the same financial information. Consult the lower portion of page 16 and page 18, for a reconciliation of the differences between the *Government-Wide* and the *Governmental Funds*.

B. Primary Governmental Funds

The total Primary Governmental Funds are comprised of the General Fund and the Permanent Funds.

a. The General Fund

The *General Fund* is the annual operating fund and includes money received from the state and local governments to run library operations and money spent by the Library for such items as salaries, books, and other library materials, and other costs of running the Library.

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, continued

b. The Permanent Funds

As of June 2021, the Library system has five permanent funds. The Trustees Library Fund was established from the corpus of the funds remaining from the construction of the Library, as instructed by the Will of John Handley. The Mahaney Trust was created under the Will of John Mahaney with direction to spend interest from the fund for innovative projects. The third permanent fund, The Cochran Archives Endowment Fund, was established in February 2013 from a bequest from Clayton Cochran, with instructions for earnings to be used to support the Stewart Bell, Jr. Archives. The fourth permanent fund, Harry F. Byrd, Jr. Endowment Fund for Handley Library, was established in the November 2013 from a bequest from Senator Harry F. Byrd, Jr. for use in maintaining the Handley Library facilities. The newest fund the Richard R. Duncan Fund was received at the end of this fiscal year and is to be used to further the study of western Virginia, West Virginia, and western Maryland.

C. COMPARATIVE FINANCIAL STATEMENTS

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

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

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, continued

2. COMPARATIVE FINANCIAL STATEMENTS

Looking at the Primary Government in the Government-Wide Statement of Net Position, on page 14, and the Government-Wide Statement of Activities on page 15, some items show changes from the previous year.

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% Change</u>
Selected Asset Items				
Cash	\$ 309,384	\$ 1,324,016	\$ 1,014,632	327.95%
Investments	1,173,098	1,331,828	158,730	13.53%
Capital assets, net of accumulation depreciation	2,290,479	2,303,156	12,677	0.55%
Net pension asset	163,559	--	(163,559)	-100.00%
Other assets	1,483,957	1,496,376	12,419	0.84%
Total Assets	<u>\$ 5,420,477</u>	<u>\$ 6,455,376</u>	<u>\$ 1,034,899</u>	<u>19.09%</u>
Deferred Outflows of Resources				
Pension deferrals	\$ 85,608	\$ 206,801	\$ 121,193	141.57%
OPEB deferrals	11,677	16,304	4,627	117.49%
Total Deferred Outflows of Resources	<u>\$ 97,285</u>	<u>\$ 223,105</u>	<u>\$ 125,820</u>	<u>129.33%</u>
Selected Liability Items				
Accounts payable & accrued expenses	\$ 83,626	\$ 87,753	\$ 4,127	4.94%
Accrued leave	142,496	156,995	14,499	10.18%
Capital lease payable	127,036	100,105	(26,931)	-21.20%
Net pension liability	--	78,400	78,400	--
Net OPEB liability	53,700	58,910	5,210	9.70%
Total Liabilities	<u>\$ 406,858</u>	<u>\$ 482,163</u>	<u>\$ 75,305</u>	<u>18.51%</u>
Deferred Inflows of Resources				
Pension deferrals	\$ 35,593	\$ 2,772	\$ (32,821)	-92.21%
OPEB deferrals	3,418	1,760	(1,658)	-31.64%
	<u>\$ 39,011</u>	<u>\$ 4,532</u>	<u>\$ (34,479)</u>	<u>-88.38%</u>
Net Position				
Invested in capital assets	\$ 3,549,949	\$ 3,589,557	\$ 39,608	1.12%
Restricted for:				
Investment	1,220,989	2,361,959	1,140,970	93.45%
Other purposes	60,079	32,647	(27,432)	-45.66%
Unrestricted	240,876	207,623	(33,253)	-13.81%
Total Net Position	<u>\$ 5,071,893</u>	<u>\$ 6,191,786</u>	<u>\$ 1,119,893</u>	<u>22.08%</u>

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, continued

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% Change</u>
Selected Revenue Items				
Local government revenue	\$ 1,878,370	\$ 1,916,458	\$ 38,088	2.03%
State revenue	401,838	447,833	45,995	11.45%
NonBoard income	229,378	1,097,656	868,278	378.54%
Public support	17,636	51,304	33,668	190.90%
Investment income	52,179	205,422	153,243	293.69%
Other income	50,445	63,726	13,281	26.33%
Total Revenue	<u>\$ 2,629,846</u>	<u>\$ 3,782,399</u>	<u>\$ 1,152,553</u>	<u>43.83%</u>
Selected Expenditures				
Personnel	\$ 1,708,885	\$ 1,900,687	\$ 191,802	11.22%
Utilities	111,376	94,055	(17,321)	-15.55%
Other operating	328,361	253,570	(74,791)	-22.78%
Maintenance	117,952	138,456	20,504	17.38%
Other expenses	451,123	458,960	7,837	1.74%
Total Expenditures	<u>\$ 2,717,697</u>	<u>\$ 2,845,728</u>	<u>\$ 128,031</u>	<u>4.71%</u>
Excess (Deficiency) of Revenues Over Expenses Before Transfers				
	\$ (87,851)	\$ 936,671	\$ 1,024,522	-1166.20%
Transfers	260,950	183,222	(77,728)	-29.79%
Change in Net Position	<u>\$ 173,099</u>	<u>\$ 1,119,893</u>	<u>\$ 946,794</u>	<u>546.97%</u>
Total Assets of Component Unit (Endowment Fund)				
	<u>\$ 3,065,447</u>	<u>\$ 3,433,675</u>	<u>\$ 368,228</u>	<u>12.01%</u>

3. CHANGE IN NET POSITION

As shown in the Government-Wide financial statements, on page 14, the library's total assets, as of June 30, 2021 are \$6,455,376. This represents an increase of 19.09% compared to the previous year. Most notably, cash on hand increased 327.95% and is a direct result of the receipt of the one-million-dollar bequest from Richard R. Duncan. The library's net pension asset decreased 100% and is now a liability. Pension and other post-employment benefits are discussed in more detail on the following page.

Total liabilities increased by 18.51% compared to the previous year. The largest liability on the books for the Library is unused accrued leave for employees. If the Library had to pay all unused leave to all employees at the same time, the Library would owe \$156,995.

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, continued

As required by GASB statement 68, the Library is allocated its proportionate share of the Virginia Retirement System's net pension asset/liability, deferred outflows of resources, and deferred inflows of resources. Decisions regarding the allocations are made by the administrators of the pension plan, not by Handley Regional Library.

The following is to help the reader better understand how GASB statement 68 affects the Library's net position. Under the liability heading on the Government-Wide Statement of Net Position, the liability of \$78,400 reflects the amount owed above and beyond the value of pension assets net of the liability, or actuarially-determined long-term retirement payouts from the fund to retirees, as last valued on June 30, 2020. Under Deferred Outflows of Resources, \$206,801 represents employer contributions made to the pension subsequent to the measurement date (June 30, 2020) and the difference between expected and actual experience. Under Deferred Inflows of Resources, \$2,772 represents the difference between expected and actual experience, the net difference between projected and actual earnings, and changes in assumptions related to the pension. Further information on the Library's pension plan can be found in the Notes to the Financial Statements and the related supplementary information. In this section, it is noted that the pension fund is funded at 97.47% (page 57).

GASB statement 75 requires the accrual and disclosure of other post-employment benefit (OPEB) liabilities. In the library's case, other post-employment benefits include group life insurance for current and retired Virginia Retirement System employees. Under the liabilities heading on the Government-Wide Statement of Net Position, the liability of \$58,910 reflects the liability, or actuarially-determined long-term life insurance payouts from the fund to employees, as last valued on June 30, 2020. Under Deferred Outflows of Resources, \$16,304 represents employer contributions made to the OPEB Plan subsequent to the measurement date (June 30, 2020) and the difference between expected and actual experience. Under Deferred Inflows of Resources, \$1,760 represents the difference between expected and actual experience, the net difference between projected and actual earnings, and changes in assumptions related to the OPEB. Further information on the library's group term life insurance plan can be found in the Notes to the Financial Statements and related supplementary information.

Total net position this year is \$6,191,786. This number includes capital assets of \$3,689,662, net of related liabilities of \$100,105.

On the Government-Wide statements, the Primary Government activities not only include the General fund assets, liabilities, and activities, it also includes the assets, liabilities and activities of the Permanent funds. The chart below shows the change in fair market value, for the permanent funds, from fiscal year 2020 to fiscal year 2021. As mentioned previously a fifth permanent fund, the Richard R. Duncan fund, was added this fiscal year. Its value as of June 30, 2021, is \$1,000,000.

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% Change</u>
Handley Board of Trustees	\$ 396,449	\$ 443,516	\$ 47,067	11.87%
Mahaney Trust	284,050	315,725	31,675	11.15%
Cochran Archives Endowment	224,150	252,679	28,529	12.73%
Harry F. Byrd, Jr. Endowment	268,305	300,808	32,503	12.11%

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, continued

- a. The Endowment Fund, shown in the component unit column, increased in net position by \$368,228, or 12.01%, after fees and transfers to the library. Below is a breakdown of endowment fund activity:

Interest & dividend income	\$ 66,734
Realized capital gains	137,649
Unrealized capital gains	319,829
Fees	(19,484)
Transfers to operating	<u>(136,500)</u>
	<u>\$ 368,228</u>

The total net position of the endowment fund at the end of the year was \$3,433,675.

- b. Friends of Handley Regional Library (the Friends), as previously noted, is a separate organization, governed by its own board. The Friends provide support to the Library by funding part of the salary of the Friends' Executive Director, by supporting the general operating fund of the Library, and by supplying significant funding for children and adult programs. In the Government-Wide Statement of Activities, funds donated by the Friends are listed as transfers. This year the Friends transferred \$44,547 to Handley Regional Library. The Board of the Friends has set aside principal of its investments to provide the salary supplement and other annual donations to the Library.

Total net position of the Friends of Handley Regional Library at June 30, 2021 was \$313,767, an increase of 14.4% after transfers to Handley Regional Library.

4. ANALYSIS OF BALANCES & TRANSACTIONS

In the Government-Wide Statement of Activities, on page 15, local government revenues increased 2.03% and state revenue increased by 11.45% over the previous year. NonBoard income increased by 378.54% or \$868,278 in large part due to the receipt of the fifth permanent fund. Public support saw an increase this year of 190.9%, or \$33,667. Investment income also saw a significant increase from the prior year of 293.69%, or \$153,243.

Overall, total revenues for fiscal year 2021 were up \$1,152,553, or 43.83%, over fiscal year 2020.

Total expenditures for fiscal year 2021 were up \$128,031, or 4.71%, over the previous year. The largest increase was in personnel with a \$191,802, or 11% increase over the previous year. This increase is reflective of a \$113,202 actuarial pension expense increase and an increase of \$55,128 in health insurance premiums. Several accounts saw significant decreases from the prior year. Utilities were down 15.55%, or \$17,321 and Other Operating was down 22.78%, or \$74,791. These will be discussed in more detail in the section 5 below.

Looking at the General fund, on page 17, expenditures exceeded revenues by \$208,918. After factoring in internal transfers from the Permanent Funds, the Endowment Fund, and the Friends, of \$238,379, the General Fund balance increased \$29,461. This net increase brings the General Fund balance at June 30, 2021 to \$270,118.

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, continued

When combining the activities of the General Fund and the Permanent Funds, the Total Governmental Fund balance increased \$1,169,235 for a total of \$2,582,846 as of June 30, 2021.

5. GENERAL FUND, ACTUAL vs. BUDGETED INCOME AND EXPENDITURES, 2020 - 2021

Due to several mid-year changes to budgeted revenues, Handley Regional Library revised its budget during the year. The budget amounts below reflects the final budget. Differences between the final budget for revenue and expenditures and what actually happened in revenue and expenditures are easy to see in the supplementary information, beginning on page 53. Budget variances for selected revenues and expenditures, in the chart below, are discussed in sections A and B.

	<u>Budget</u>	<u>Actual</u>	<i>Variance</i> <i>Favorable</i> <i>(Unfavorable)</i>	<u>% Variance</u>
Selected Revenue Items				
NonBoard funds	\$ 14,000	\$ 2,000	\$ (12,000)	-85.71%
Donations - general	15,000	30,925	15,925	106.17%
Donations - in-kind	--	11,754	11,754	--
Donations - restricted	--	7,125	7,125	--
Copier revenue	15,000	9,173	(5,827)	-38.85%
Fines, fees, and other:				
Overdue fees	42,000	31,412	(10,588)	-25.21%
Other income	1,000	10,551	9,551	955.10%
Total Revenue	2,576,791	2,582,360	5,569	0.22%
Selected Expenditures				
Personnel	\$ 1,807,108	\$ 1,799,318	\$ 7,790	0.43%
Books and related materials	374,146	333,700	40,446	10.81%
Utilities	123,000	94,055	28,945	23.53%
Staff development	18,000	6,652	11,348	63.04%
Other operating expenditures:				
Library programs	20,900	8,580	12,320	58.95%
Repairs and maintenance	51,000	53,595	(2,595)	-5.09%
Capital expenditures:				
Library equipment	--	11,234	(11,234)	--
Total Expenditures	2,883,030	2,791,278	91,752	3.18%

HANDLEY REGIONAL LIBRARY BOARD
MANAGEMENT DISCUSSION AND ANALYSIS, continued

A. Revenues

When developing revenue projections for fiscal year 2021, the Library Board was conservative due to the uncertainties around the economic impact of COVID-19. Even though Copier revenue and Overdue fee budget expectations were lowered when compared to the prior fiscal year, these budget lines still underperformed. Copier revenues came in at 38.85%, or \$5,827 less than budgeted and Overdue fees came in at 25.21%, or \$10,558 less than budgeted.

Despite the underperformance of these budget lines, the Library was able to make up for the lost revenues through Donations and Other income. In total, the library received \$49,804 in donations for fiscal year 2021. This far exceeded the budgeted amount of \$15,000. Included in these donations was \$11,754 in in-kind support from Frederick County. In-kind donations are donations of good and/or services instead of cash. Frederick County used CARES act funds to purchase contactless self-checkout equipment for the Bowman Library. Other income was \$9,551, or 955.1% more than budgeted and includes \$10,000 in CARES act grant monies from the City of Winchester.

Overall, revenues were \$5,569, or 0.22%, more than budgeted.

B. Expenditures

When reviewing expenditures for the year, there were several budget lines that were not expended as expected. As with revenues, some of these variances were a direct impact of COVID-19. Books and related materials came in at 10.81%, or \$10,446 under budget for the year. This can be attributed to publication and delivery delays due to COVID-19. Expenditure of Staff Development and Library program budgets were impacted by social distancing and travel restrictions due to COVID-19. Staff Development was 63.04%, or \$11,348 under budget and Library programs were 58.95%, or \$12,320 under budget for the fiscal year.

The library's largest expense is personnel, which came very close to budget at 0.43%, or \$7,790 under budget for the year.

This year utilities came significantly under budget at 23.53%, or \$28,945, under budget. This was the direct result the recent high efficiency HVAC renovations at the Handley Library Building.

Under Capital Expenditures, the Library equipment budget line expenditure of \$11,234 represents the bulk of Frederick County's in-kind donation of contactless self-checkout equipment for Bowman Library.

Overall, expenditures came in under budget by \$91,752, or 3.18%. As mentioned previously in the Analysis of Balances and Transactions section above, expenditures exceeded revenues by \$208,918. However, after factoring in internal transfers, the General Fund balance increased \$29,461. This net increase brings the General Fund balance at June 30, 2021 to \$270,118.

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS, *continued*

6. SIGNIFICANT CAPITAL ASSETS AND DEBTS

The Library's most significant capital asset is its book collection. As of June 30, 2021, there are \$1,600,279 in book assets, net of depreciation, and another \$1,386,506 in non-depreciating assets. The Auditor of Public Accounts for Virginia established the depreciation period for books. The depreciation period for books and other library materials such as DVDs is 10 years. Fine art and the rare books and manuscripts that are in Archives make up the bulk of non-depreciating assets. The depreciated value of all other asset categories at June 30, 2021 totaled \$690,200.

The Library has a lease commitment for copiers. The present value of the commitment remaining on the lease at June 30, 2020 was \$100,105. Library staff members who leave the Library's employ in good standing receive payment for leave accrued. The Library could owe as much as \$156,995 in accrued compensated absences.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2021 year began with uncertainty as the COVID-19 pandemic was still limiting library operations. It has since abated enough that operations have resumed at a level that is very close to being fully open. Library hours and services have largely returned to normal with some limitations due to ensuring our customers can safely distance from each other.

The budget requests that were submitted for fiscal year 2022 included modest increases but in the end, we received a smaller than requested increase. Overall local income for 2022 increased 2.15% over last year. This increase did however allow us to give staff a 5% raise.

Our reaction to this crisis remains one of cautious optimism, planning, and conservative spending as our fiscal future remains uncertain.

8. CONTACT INFORMATION

This report had been prepared by Handley Regional Library Board's Director, John Huddy in consultation with Carole Fox, Chairman, Handley Regional Library Board, and Ann White, Deputy Director. For further information, contact the Director:

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Email	jhuddy@handleyregional.org
Mailing address	P. O. Box 58 Winchester, VA 22604

HANDLEY REGIONAL LIBRARY BOARD

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2021

	<u>Component Units</u>		
	<u>Primary Government Governmental Activities</u>	<u>Endowment Fund</u>	<u>Friends of Handley Regional Library (Unaudited)</u>
ASSETS			
Cash	\$ 1,324,016	\$ 65,577	\$ 47,335
Investments	1,331,828	3,368,098	240,283
Beneficial interest in assets held by			
Community Foundation	5,260	--	--
Inventory of fundraising materials	9,495	--	969
Prepaid expenses	95,115	--	--
Capital assets, net of accumulated depreciation	2,303,156	--	25,180
Capital assets, not being depreciated	1,386,506	--	--
Total assets	<u>\$ 6,455,376</u>	<u>\$ 3,433,675</u>	<u>\$ 313,767</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	\$ 206,801	\$ --	\$ --
Other post employment benefits (OPEB) deferrals	16,304	--	--
Total deferred outflows of resources	<u>\$ 223,105</u>	<u>\$ --</u>	<u>\$ --</u>
Total assets and deferred outflows of resources	<u>\$ 6,678,481</u>	<u>\$ 3,433,675</u>	<u>\$ 313,767</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 87,753	\$ --	\$ --
Accrued leave	156,995	--	--
Capital lease payable	100,105	--	--
Net pension liability	78,400	--	--
Net OPEB liability	58,910	--	--
Total liabilities	<u>\$ 482,163</u>	<u>\$ --</u>	<u>\$ --</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	\$ 2,772	\$ --	\$ --
Other post employment benefits (OPEB) deferrals	1,760	--	--
Total deferred inflows of resources	<u>\$ 4,532</u>	<u>\$ --</u>	<u>\$ --</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 3,589,557	\$ --	\$ 25,180
Restricted for:			
Purchase of books	--	518,361	--
Investment	2,361,959	1,326,334	--
Other purposes	32,647	1,588,980	--
Unrestricted	207,623	--	288,587
Total net position	<u>\$ 6,191,786</u>	<u>\$ 3,433,675</u>	<u>\$ 313,767</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,678,481</u>	<u>\$ 3,433,675</u>	<u>\$ 313,767</u>

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	<u>Component Units</u>		
	<u>Primary Government Governmental Activities</u>	<u>Endowment Fund</u>	<u>Friends of Handley Regional Library (Unaudited)</u>
Expenses:			
Personnel costs	\$ 1,900,687	\$ --	\$ --
Maintenance	138,456	--	--
Copier expense	14,660	--	--
Utilities	94,055	--	--
Telecommunications	32,604	--	--
Staff development	6,967	--	--
Other operating expenditures	253,570	--	13,388
Materials and supplies	--	--	--
General expenditures	7,774	19,485	7,380
Interest expense	2,867	--	--
Depreciation	394,088	--	904
Total expense	<u>\$ 2,845,728</u>	<u>\$ 19,485</u>	<u>\$ 21,672</u>
Revenues:			
Local government revenues	\$ 1,916,458	\$ --	\$ --
State revenues	447,833	--	--
NonBoard income	1,097,656	--	--
Public support	51,304	--	10,874
Copier revenue	9,173	--	--
Fines and fees	45,243	--	--
Investment income	205,422	526,389	50,281
Loss on disposal of capital assets	(2,365)	--	--
Other revenues	11,675	--	44,573
Total revenues	<u>\$ 3,782,399</u>	<u>\$ 526,389</u>	<u>\$ 105,728</u>
Net revenue	<u>\$ 936,671</u>	<u>\$ 506,904</u>	<u>\$ 84,056</u>
Other financing sources/uses:			
Transfers - internal activities	\$ 183,222	\$ (138,676)	\$ (44,547)
Change in net position	\$ 1,119,893	\$ 368,228	\$ 39,509
Net position:			
Beginning of year	<u>5,071,893</u>	<u>3,065,447</u>	<u>274,258</u>
End of year	<u>\$ 6,191,786</u>	<u>\$ 3,433,675</u>	<u>\$ 313,767</u>

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2021

	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 293,885	\$ 1,030,131	\$ 1,324,016
Investments	49,231	1,282,597	1,331,828
Beneficial interest in assets held by Community Foundation	5,260	--	5,260
Inventory of fundraising materials	<u>9,495</u>	<u>--</u>	<u>9,495</u>
Total assets	<u>\$ 357,871</u>	<u>\$ 2,312,728</u>	<u>\$ 2,670,599</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 41,781	\$ --	\$ 41,781
Accrued payroll	<u>45,972</u>	<u>--</u>	<u>45,972</u>
Total liabilities	<u>\$ 87,753</u>	<u>\$ --</u>	<u>\$ 87,753</u>
FUND BALANCES			
Fund balances:			
Nonspendable	\$ 63,986	\$ 708,962	\$ 772,948
Restricted	32,647	1,000,000	1,032,647
Assigned	--	603,766	603,766
Unassigned	<u>173,485</u>	<u>--</u>	<u>173,485</u>
Total fund balances	<u>\$ 270,118</u>	<u>\$ 2,312,728</u>	<u>\$ 2,582,846</u>
Total liabilities and fund balances	<u>\$ 357,871</u>	<u>\$ 2,312,728</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	\$ 3,689,662
Prepaid expenses not recorded under the modified accrual method	95,115
Net pension liability	(78,400)
Deferred outflows of resources related to pensions are not reported in the funds	206,801
Deferred outflows of resources related to OPEB are not reported in the funds	16,304
Short-term lease liability is not recorded under the modified accrual method	(27,366)
Net OPEB liability	(58,910)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(156,995)
Lease liability	(72,739)
Deferred inflows of resources related to pensions are not reported in the funds	(2,772)
Deferred inflows of resources related to OPEB are not reported in the funds	<u>(1,760)</u>
Net position of governmental activities	<u>\$ 6,191,786</u>

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local government revenues	\$ 1,916,458	\$ --	\$ 1,916,458
State revenues	447,833	--	447,833
NonBoard income	97,656	1,000,000	1,097,656
Public support	51,304	--	51,304
Fundraising income, net	1,424	--	1,424
Copier revenue	9,173	--	9,173
Fines and fees	45,243	--	45,243
Investment income	2,718	202,704	205,422
Other revenues	<u>10,551</u>	<u>--</u>	<u>10,551</u>
Total revenues	<u>\$ 2,582,360</u>	<u>\$ 1,202,704</u>	<u>\$ 3,785,064</u>
Expenditures:			
Personnel costs	\$ 1,799,318	\$ --	\$ 1,799,318
Books and materials	333,700	--	333,700
Maintenance	154,860	--	154,860
Copier expense	32,360	--	32,360
Utilities	94,055	--	94,055
Telecommunications	32,604	--	32,604
Staff development	6,652	--	6,652
Other operating expenditures	254,293	--	254,293
Capital expenditures	83,436	--	83,436
General expenditures	<u>--</u>	<u>7,773</u>	<u>7,773</u>
Total expenditures	<u>\$ 2,791,278</u>	<u>\$ 7,773</u>	<u>\$ 2,799,051</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (208,918)</u>	<u>\$ 1,194,931</u>	<u>\$ 986,013</u>
Other financing sources/(uses):			
Transfers - internal activities	<u>\$ 238,379</u>	<u>\$ (55,157)</u>	<u>\$ 183,222</u>
Total other financing sources/(uses)	<u>\$ 238,379</u>	<u>\$ (55,157)</u>	<u>\$ 183,222</u>
Change in fund balances	\$ 29,461	\$ 1,139,774	\$ 1,169,235
Fund balance, beginning of year	<u>240,657</u>	<u>1,172,954</u>	<u>1,413,611</u>
Fund balance, end of year	<u>\$ 270,118</u>	<u>\$ 2,312,728</u>	<u>\$ 2,582,846</u>

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 1,169,235
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	\$ 409,430
Depreciation expense	(394,088)
Proceeds from sale of fixed assets	(300)
Loss on disposal of capital assets	(2,365)
	<u>\$ 12,677</u>
Assets in the Statement of Net Position are expenditures in governmental funds:	
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	\$ 38,384
Contributions to the other post employment benefit (OPEB) plan in the current fiscal year are not included on the Statement of Activities	4,115
Change in prepaid expenses	<u>12,419</u>
	<u>\$ 54,918</u>
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 lease liability	\$ 26,931
Change in compensated absences	(14,499)
Change in OPEB amounts	(3,040)
Change in pension related amounts	<u>(126,329)</u>
	<u>\$ (116,937)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,119,893</u>

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Handley Regional Library Board (the Library), a special purpose governmental entity, was established by ordinance of the City of Winchester on May 17, 1960, and reorganized as a regional board in November 1979 according to the laws governing regional library boards generally; Title 42:1-39 and Title 41.1-40 Code of Virginia (1950), as amended. The City of Winchester acted in the capacity of fiscal agent for the Library until July 1, 1993. Since that date, the Library has acted as its own fiscal agent. With the adoption of the Regional Library Agreement on October 26, 1995, Handley Library Board became Handley Regional Library Board. The Board serves the City of Winchester and the counties of Clarke and Frederick.

The accounting policies of the Library conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP and used by the Board are discussed below.

Reporting Entity

These financial statements present the Library (the primary government) and its component units, the Handley Regional Library Endowment Fund and Friends of Handley Regional Library. Component units are legally separate entities that are included in the Board's reporting entity because of the significance of their operating or financial relationships with the Handley Regional Library Board.

The Endowment Fund is governed by a three-member board appointed by Handley Regional Library Board. For the year ended June 30, 2021 the board members were N. Hartley Schearer, Jr., Marjorie Lewis and James Riley. The sole purpose of the Endowment Fund is to raise funds to provide for the growth needs of the Handley Regional Library Board.

The Friends of Handley Regional Library is a separate 501(c)(3) organization, governed by its own board of directors. The primary purpose of the Friends of Handley Regional Library is to provide expansion program support for the Library. The Friends of Handley Regional Library is an unaudited component unit within these statements.

Basic Financial Statements – Government-Wide Statements

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity and are reported on a full accrual, economic resource basis, which recognizes long-term assets, as well as long-term debt and obligations. Governmental activities generally are financed through state and local government revenues, public support, fees, fines, and other nonexchange revenues.

Notes to Financial Statements

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Library:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Library:

General fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Permanent fund accounts for assets held by the Library pursuant to a trust agreement. The principal position of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Board currently has five permanent funds, the Mahaney Trust Fund, the Handley Board of Trustees Library Endowment Fund, the Cochran Archive Endowment Fund, the Harry F. Byrd, Jr. Endowment Fund for Handley Library, and the Richard R. Duncan Trust Fund.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

Budgets and Budgetary Accounting

The following procedures are used by the Library in establishing the budgetary data reflected in the required supplemental information:

Prior to January 1, the director of the Library prepares and submits, as required, to the Common Council and the County Boards of Supervisors, a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and means of financing them. The jurisdictions conduct public hearings to obtain citizen comments. The budget is legally adopted through a passage of an appropriate resolution. All budgets are adopted on a basis materially consistent with U.S. generally accepted accounting principles. Both the original and final approved budgets are presented in the required supplemental information.

Investments

The Library categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. See Note 2 for additional fair value detail.

Level 1 – Inputs are quoted prices in active markets for identical assets.

Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.

Level 3 – These are unobservable inputs, such as property valuation or an appraisal.

Inventory and Prepaid Items

Inventory of fundraising materials is stated at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and expensed when paid in the fund financial statements.

Notes to Financial Statements

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Library books and materials	10 years
Equipment	5-15 years
Furniture and fixtures	7-10 years
Improvements	10-40 years
Vehicles	5 years

The Library has archives and a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is capitalized but is not depreciated.

Fund Balances

Net position on the Government-Wide Statement of Net Position is displayed in three components:

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation and related debt.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All remaining net position that does not meet the definition of “restricted” or “invested in capital assets.”

Fund Statements

The Library classifies governmental fund balance into five classifications as follows:

- a. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- b. Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as donors or amounts constrained due to constitutional provisions or enabling legislation.
- c. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Board through formal action (vote) of the highest level of decision-making authority (Board of Directors) and does not lapse at year-end.

Notes to Financial Statements

- d. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Library Director.
- e. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories.

The Library uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Library would first use committed, then assigned and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

Revenues, Expenditures and Expenses

Revenues are recognized when earned. Expenditures and expenses are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Compensated Absences

The Board's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Employees can choose to contribute unused sick leave to a community sick leave bank. Employees who contribute to the sick leave bank can then use sick bank hours after meeting certain conditions. Sick bank hours are paid out at 50% of employees' pay rate. Due to the inability to accurately calculate the amount of this liability, no amount has been recorded for the community sick leave bank.

Interfund Activity

All interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board currently has two items that meets this criterion, contributions made to the pension and other post-employment benefit plan (OPEB) plans in the 2021 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so it will not be recognized as revenue until then. The Board currently has two items, deferrals of pension and OPEB expense that meet this criterion.

Notes to Financial Statements

Pensions

For purposes of measuring the net pension asset/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 addition 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.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life insurance Program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB'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 benefit terms. Investments are reported at fair value.

Note 2. Deposits and Investments

Deposits

All deposits of the primary government and its discretely presented component units are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 22-4400 et. seq. of the code of Virginia or covered by federal depository insurance.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investment or collateral securities that are in possession of an outside party. At June 30, 2021, the Board has determined its investments are not exposed to custodial credit risk.

Notes to Financial Statements

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities or other obligations explicitly guaranteed by the U.S. government. Information with respect to the Board's deposit exposure to credit risk is presented below.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issue. At June 30, 2021, no single issuer represented five percent or more of the total investments of the Handley Regional Library Board.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2021, the Board held investments with the following maturities:

Investment Type	Credit Rating	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Maturing in Less than 1 Year
Governmental Activities:				
Money Market Funds	Unrated	\$ 1,030,130	\$ 1,030,130	\$ 1,030,130
Fixed Income Securities	Unrated	635,250	635,250	635,250
Equity				
Large Cap	Unrated	337,975	337,975	337,975
Mid Cap	Unrated	75,011	75,011	75,011
Small Cap	Unrated	64,192	64,192	64,192
International	Unrated	170,169	170,169	170,169
Equity Securities	Unrated	49,231	49,231	49,231
		<u>\$ 2,361,958</u>	<u>\$ 2,361,958</u>	<u>\$ 2,361,958</u>
Endowment Fund:				
Money Market Funds	Unrated	\$ 65,577	\$ 65,577	\$ 65,577
Fixed Income Securities	Unrated	1,680,058	1,680,058	1,680,058
Equity				
Large Cap	Unrated	835,965	835,965	835,965
Mid Cap	Unrated	211,068	211,068	211,068
Small Cap	Unrated	162,644	162,644	162,644
International	Unrated	478,363	478,363	478,363
		<u>\$ 3,433,675</u>	<u>\$ 3,433,675</u>	<u>\$ 3,433,675</u>
Friends of Handley Regional Library:				
Money Market Funds	Unrated	\$ 41,747	\$ 41,747	\$ 41,747
Mutual Funds	Unrated	240,283	240,283	240,283
		<u>\$ 282,030</u>	<u>\$ 282,030</u>	<u>\$ 282,030</u>
Total Fair Value		<u>\$ 6,077,663</u>	<u>\$ 6,077,663</u>	<u>\$ 6,077,663</u>

Notes to Financial Statements

The Handley Regional Library Board's rated debt investments presented above were rated using the Moody's rating scale.

The beneficial interest in assets held by the Community Foundation of \$5,260 is categorized as Level 2 and is without a stated maturity date (Note 3).

Investments are presented in the financial statements at fair market value and are summarized at June 30, 2021 as follows:

	Component Units		
Governmental Activities	Endowment Fund	Friends of Handley Regional Library (Unaudited)	
Money Market Funds	\$ 1,030,130	\$ 65,577	\$ 41,747
Fixed Income Securities	635,250	1,680,058	240,283
Equity			
Large Cap	337,975	835,965	--
Mid Cap	75,011	211,068	--
Small Cap	64,192	162,644	--
International	170,169	478,363	--
Equity Securities	49,231	--	--
Total Investments held	\$ 2,361,958	\$ 3,433,675	\$ 282,030
Less: Money Market Funds included in cash	(1,030,130)	(65,577)	(41,747)
Total Investments	\$ 1,331,828	\$ 3,368,098	\$ 240,283

Note 3. Beneficial Interest in Assets Held by Community Foundation

The Library has established an endowment fund at the Community Foundation of the Northern Shenandoah Valley (Foundation). The endowment is administered by the Foundation for the benefit of Handley Regional Library Board. The fund consists of two types of contributions, agency contributions made by the Board and third-party contributions. The Board maintains variance power over its agency contributions; therefore, the fair value of agency contributions plus earnings is reported as an asset in the accompanying financial statements. The balance as of June 30, 2021 was \$5,260.

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2021</u>
Governmental activities:				
Computer equipment	\$ 258,680	\$ 31,723	\$ (3,195)	\$ 287,208
Furniture and equipment	1,055,551	11,341	--	1,066,892
Improvements	391,742	--	(7,615)	384,127
Library books	6,096,778	331,992	--	6,428,770
Library equipment	700,302	11,234	--	711,536
Vehicles	26,498	23,140	(4,465)	45,173
Nondepreciating assets	<u>1,386,506</u>	<u>--</u>	<u>--</u>	<u>1,386,506</u>
Totals	<u>\$ 9,916,057</u>	<u>\$ 409,430</u>	<u>\$ (15,275)</u>	<u>\$ 10,310,212</u>
Less accumulated depreciation:				
Computer equipment	\$ 175,164	\$ 25,761	\$ (3,195)	\$ 197,730
Furniture and equipment	1,030,779	3,339	--	1,034,118
Improvements	311,882	9,716	(4,950)	316,648
Library books	4,496,499	280,705	--	4,777,204
Library equipment	198,251	73,410	--	271,661
Vehicles	<u>26,497</u>	<u>1,157</u>	<u>(4,465)</u>	<u>23,189</u>
Total accumulated depreciation	<u>\$ 6,239,072</u>	<u>\$ 394,088</u>	<u>\$ (12,610)</u>	<u>\$ 6,620,550</u>
Governmental activities capital assets, net	<u>\$ 3,676,985</u>	<u>\$ 15,342</u>	<u>\$ (2,665)</u>	<u>\$ 3,689,662</u>
Friends of Handley Regional Library:				
Buildings	<u>\$ 36,145</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 36,145</u>
Less accumulated depreciation:				
Buildings	<u>\$ 10,061</u>	<u>\$ 904</u>	<u>\$ --</u>	<u>\$ 10,965</u>
Friends of Handley Regional Library capital assets, net	<u>\$ 26,084</u>	<u>\$ (904)</u>	<u>\$ --</u>	<u>\$ 25,180</u>

Notes to Financial Statements

Note 5. Defined Benefit Pension Plan

Plan Description

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

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

Retirement Plan Provisions

Plan 1:

About Plan 1: Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members: Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election: VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

Retirement Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Notes to Financial Statements

Service Credit: Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement if the employer offers the health insurance credit.

Vesting: Vesting is the minimum length of service a member needs to qualify for future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for the plan. Members also must be vested to receive a full refund of their contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Calculating the Benefit: The basis benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an option form of retirement payment, an option factor specific to the option chosen is then applied.

Average Final Compensation: A member's average final compensation is the average of 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Normal Retirement Age: Age 65.

Earliest Unreduced Retirement Eligibility: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility: Age 55 with at least five years (60 months) of creditable service or at age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Notes to Financial Statements

Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act of Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.
- The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Plan 2:

About Plan 2: Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members: Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election: Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

Notes to Financial Statements

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Retirement Contributions: Same as Plan 1.

Service Credit: Same as Plan 1.

Vesting: Same as Plan 1.

Calculating the Benefit: See definition under Plan 1.

Average Final Compensation: A member's average final compensation is the average of 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Normal Retirement Age: Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility: Age 60 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.

Eligibility: Same as Plan 1.

Exceptions to COLA Effective Dates: Same as Plan 1.

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service: Same as Plan 1.

Notes to Financial Statements

Hybrid Retirement Plan:

About the Hybrid Retirement Plan: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

The benefit from the defined contribution component of the Plan depends on the member and employer contributions made to the Plan and the investment performance of those contributions.

In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members: Employees are in the Hybrid Retirement Plan if their membership date is on or after July 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the Plan during the election window held January 1 – April 20, 2014; the Plan's effective date for opt-in members was July 1, 2014.

***Non-eligible Members:** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP Plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Retirement Contributions: A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the Plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the Plan, and the employer is required to match those voluntary contributions according to specified percentages.

Notes to Financial Statements

Service Credit:

Defined Benefit Component: Under the defined benefit component of the Plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the Plan.

Vesting:

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the Plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the Plan, based on service.

- After 2 years, a member is 50% vested and may withdraw 50% of employer contributions.
- After 3 years, a member is 75% vested and may withdraw 75% of employer contributions.
- After 4 or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit:

Defined Benefit Component: See definition under Plan 1.

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation: Same as Plan 2. It is used in the retirement formula for the defined benefit component of the Plan.

Notes to Financial Statements

Service Retirement Multiplier:

Defined Benefit Component: The retirement multiplier for the defined benefit component 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.

Defined Contribution Component: Not applicable.

Normal Retirement Age:

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility:

Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility:

Defined Benefit Component: Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement:

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Not applicable.

Eligibility: Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

Disability Coverage: Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Notes to Financial Statements

Purchase of Prior Service:

Defined Benefit Component: Same as Plan 1, with the following exception – Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component: Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>10</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	<u>8</u>
Active members	<u>15</u>
Total covered employees	<u><u>33</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, may be impacted as a result of funding options provided to political subdivisions (which includes the Board) 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 5.55% 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 \$38,384 for the year ended June 30, 2021.

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 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.

Notes to Financial Statements

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	3.5% - 5.35%
Investment rate of return	6.75% net of pension plan investment expense, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements

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

Notes to Financial Statements

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.64%</u>
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>7.14%</u>

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to 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

Notes to Financial Statements

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 (Asset)/Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)/Liability
	(a)	(b)	(a) - (b)
Balances, June 30, 2019	\$ 2,801,847	\$ 2,965,406	\$ (163,559)
Changes for the year:			
Service cost	\$ 76,131	\$ --	\$ 76,131
Interest	186,684	--	186,684
Changes of assumptions	--	--	--
Differences between expected and actual experience	103,008	--	103,008
Contributions - employer	--	34,052	(34,052)
Contributions - employee	--	34,753	(34,753)
Net investment income	--	57,024	(57,024)
Benefit payments, including refunds of employee contributions	(72,315)	(72,315)	--
Administrative expenses	--	(1,897)	1,897
Other changes	--	(68)	68
Net changes	\$ 293,508	\$ 51,549	\$ 241,959
Balances, June 30, 2020	\$ 3,095,355	\$ 3,016,955	\$ 78,400

Sensitivity of the Net Pension (Asset)/Liability to Changes in the Discount Rate:

The following presents the net pension (asset)/liability of the Board using the discount rate of 6.75%, as well as what the political subdivision's net pension (asset)/liability would be if it were calculated using a discount rate that is one percent point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease	Current	1% Increase
	5.75%	Discount Rate 6.75%	7.75%
The Library's Net Pension (Asset)/Liability	\$ 470,738	\$ 78,400	\$ (248,927)

Notes to Financial Statements

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 \$126,329. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,276	\$ 2,772
Change in assumptions	12,907	--
Net difference between projected and actual earnings on pension plan investments	90,234	--
Employer contributions subsequent to the measurement date	38,384	--
Total	\$ 206,801	\$ 2,772

\$38,384 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:

Year Ended June 30,

2022	\$	51,439
2023		55,481
2024		30,133
2025		28,592
2026		--
Thereafter		--

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issues VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://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.

Notes to Financial Statements

Note 6. Other Post-Employment Benefits (OPEB)

Group Life Insurance (GLI) Program and Plan Provisions

Plan Description

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

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI Program have several components.

Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.

Accidental Death Benefit – The accidental death benefit is double the natural death benefit.

Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These benefits include accidental dismemberment, safety belt, repatriation, felonious assault, and an accelerated death option.

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Notes to Financial Statements

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Library were \$4,115 for the year ended June 30, 2021.

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

At June 30, 2021, the Library reported a liability of \$58,910 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of July 1, 2020 and the total GLI OPEB liability used to calculate the Net GLI 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 GLI OPEB Liability was based on the Library's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00353% as compared to .00330% at June 30, 2019.

For the year ended June 30, 2021, the Library recognized GLI OPEB expense of \$3,044. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,779	\$ 530
Net difference between projected and actual earnings on		
GLI OPEB program investments	1,770	--
Change in assumptions		
on pension plan investments	2,946	1,230
Change in Proportion	3,694	--
Employer contributions subsequent to the measurement date	4,115	--
Total	<u>\$ 16,304</u>	<u>\$ 1,760</u>

Notes to Financial Statements

\$4,115 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30,

2022	\$	1,685
2023		2,185
2024		2,641
2025		2,661
2026		1,095
Thereafter		162

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Notes to Financial Statements

Mortality Rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Notes to Financial Statements

Net GLI OPEB Liability

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

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

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

Notes to Financial Statements

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u><u>7.14%</u></u>

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was

Notes to Financial Statements

100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Political subdivision's			
Net OPEB (Asset)/Liability	\$ 77,442	\$ 58,910	\$ 43,861

Detailed information about the GLI Program'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.

Note 7. NonBoard Income

NonBoard income for the year ended June 30, 2021, consists of the following:

	Governmental Activities
Handley Board of Trustees - Sullivan	\$ 3,656
Handley Board of Trustees - Robinson	92,000
Newton B. Shingleton Trust	2,000
Richard R. Duncan Trust Fund	1,000,000
Other Grants	1,500
	\$ 1,099,156

Notes to Financial Statements

Note 8. Capital Lease

The capital lease liability at June 30, 2021 of \$100,105, net of imputed interest of \$2,966, represents the present value of the balance due in future years for lease rentals, discounted at 1.6%, for the use of six copy machines. The liability is payable in monthly installments of \$2,397 for principal and interest through January 2025. Because the term of the lease is approximately the same as the estimated useful life of the assets, the lease is considered a capital lease and has been so recorded. The lease also requires additional contingent rental which is variable based on number and type of pages printed monthly.

The following is a schedule by years of the future minimum lease payments under the capital lease together with the net minimum lease payments as of June 30, 2021:

Years ending June 30:

2022	\$	28,764
2023		28,764
2024		28,764
2025		16,779
2026		--
Thereafter		--
Total minimum lease payments	\$	<u>103,071</u>
Less the amount representing imputed interest		<u>(2,966)</u>
Present value of net minimum payments	\$	<u>100,105</u>

Notes to Financial Statements

Note 9. Fund Balance

Fund balance consists of the following:

	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Inventory	\$ 9,495	\$ --	\$ 9,495
Permanent fund principal	--	708,962	708,962
Equity allocation in electric co-op	49,231	--	49,231
Beneficial interest in assets held by Community Foundation	5,260	--	5,260
Subtotal	<u>\$ 63,986</u>	<u>\$ 708,962</u>	<u>\$ 772,948</u>
Restricted:			
Clarke County furniture	\$ 700	\$ --	\$ 700
Summer reading advertising	325	--	325
Marketing	550	--	550
Purchase of books and materials	31,072	--	31,072
Western VA, West VA, Western MD history	--	1,000,000	1,000,000
Subtotal	<u>\$ 32,647</u>	<u>\$ 1,000,000</u>	<u>\$ 1,032,647</u>
Assigned:			
Investments	\$ --	\$ 603,766	\$ 603,766
Unassigned	<u>\$ 173,485</u>	<u>\$ --</u>	<u>\$ 173,485</u>
	<u>\$ 270,118</u>	<u>\$ 2,312,728</u>	<u>\$ 2,582,846</u>

Note 10. Investment Income

Investment income consists of the following:

	<u>Governmental Activities</u>	<u>Endowment Fund</u>	<u>Component Units Friends of Handley Regional Library (Unaudited)</u>
Interest and dividend income	\$ 25,927	\$ 66,734	\$ 8,759
Realized and unrealized gains	178,299	459,655	41,522
Equity allocation	1,196	--	--
Totals	<u>\$ 205,422</u>	<u>\$ 526,389</u>	<u>\$ 50,281</u>

The calculation of realized gains or losses is independent of the calculation of the net change in fair value of investments.

Notes to Financial Statements

Note 11. Endowment Funds

The Board maintains four permanent endowment funds, The Handley Board of Trustees Endowment Fund, the Mahaney Trust, the Cochran Archives Endowment Fund, and the Harry F. Byrd, Jr. Endowment Fund for Handley Library. The amounts permanently restricted are \$150,000, \$108,762, \$200,000, and \$250,200, respectively. These permanent endowment funds are reported at their fair market value as net position restricted for investment on Government-wide statement of net position.

The Board's investment policy provides that the Library not withdraw more than 4.5% of the average asset value of each fund for the preceding twelve quarters or the number of quarters a fund has been in existence if less than twelve. The state law regarding the ability to spend net appreciation for donor-restricted endowments is the *Uniform Prudent Management of Institutional Funds Act*, Section 55-268.11 of the Code of Virginia.

Note 12. Concentrations

The Library receives a substantial amount of its support from state and local governments. A significant reduction in this support could adversely affect the organization's programs and activities.

Note 13. Upcoming Accounting Pronouncements

The Library will adopt the following new accounting standards issued by GASB by the required effective dates:

GASB Statement No. 87, *Leases*, is designed to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were 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. Statement 87 will be effective for the Library beginning with its fiscal year ending June 30, 2022.

GASB Statement No. 91, *Conduit Debt Obligations*, seeks to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement 91 will be effective for fiscal year ending June 30, 2023.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of LIBOR as an appropriate benchmark interest rate is effective for the fiscal year ending June 30, 2023. The remaining requirements of Statement 93 will be effective for fiscal year ending June 30, 2022.

Notes to Financial Statements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, aims to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Statement 94 will be effective for fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Statement 96 will be effective for fiscal year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan – An Amendment of GASB Statements NO. 14 and No. 84, and a Supersession of GASB Statement No. 32*, aims to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement to defined benefit pension plans and deferred benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately for year ending June 30, 2020. The remaining requirement of Statement No. 97 are effective for fiscal year ending June 30, 2023.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. Statement 98 will be effective for fiscal year ending June 30, 2022.

The Library has not yet determined the effect these Statements will have on its financial statements.

Notes to Financial Statements

Note 14. Uncertainties Related to the Global Pandemic

During the year ended June 30, 2020, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel, size and duration of group meetings. Most industries have, and continue to, experience disruption to business operations and the impact of reduced consumer spending, including the Library. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while it is difficult to quantify the effects on the Library, it is reasonably possible that there will be an effect on the Library's operations in fiscal year 2022 and beyond.

Note 15. Subsequent Events

The Library has evaluated subsequent events through November 12, 2021, the date which the financial statements were available to be issued. The Library has determined that there are no subsequent events that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND**

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenue Sources				
Local government revenues:				
Frederick County	\$ 1,218,200	\$ 1,218,200	\$ 1,218,200	\$ --
City of Winchester	419,020	419,020	419,020	--
Clarke County	241,150	279,238	279,238	--
State revenue	423,013	447,833	447,833	--
Endowment income:				
Handley Board of Trustees - Robinson	--	92,000	92,000	--
Handley Board of Trustees - Sullivan	7,000	7,000	3,656	(3,344)
NonBoard funds	14,000	14,000	2,000	(12,000)
Public support:				
Donations - general	15,000	15,000	30,925	15,925
Donations - in-kind	--	--	11,754	11,754
Donations - restricted	--	--	7,125	7,125
Other grants	--	--	1,500	1,500
Copier revenue	15,000	15,000	9,173	(5,827)
Fines, fees, and other:				
Overdue fees	42,000	42,000	31,412	(10,588)
Nonresident fees	2,800	2,800	2,270	(530)
Interlibrary loan fees	500	500	5	(495)
Meeting room fees	--	--	(5)	(5)
Refund for lost materials	14,000	14,000	11,561	(2,439)
Fundraising income - net	2,000	2,000	1,424	(576)
Investment income	7,200	7,200	2,718	(4,482)
Other income	1,000	1,000	10,551	9,551
Total revenues	<u>\$ 2,421,883</u>	<u>\$ 2,576,791</u>	<u>\$ 2,582,360</u>	<u>\$ 5,569</u>

See Independent Auditor's Report.

**HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND, Continued**

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenditures				
Personnel Costs:				
Professional salaries, full-time	\$ 365,700	\$ 368,700	\$ 361,997	\$ 6,703
Nonprofessional salaries, full-time	375,122	382,122	428,732	(46,610)
Nonprofessional salaries, part-time	560,036	579,353	515,702	63,651
Nonprofessional salaries, nonclassified	136,663	146,163	124,901	21,262
Payroll taxes	108,619	108,619	103,838	4,781
Employer VRS	54,798	54,798	47,065	7,733
Other insurance	<u>167,353</u>	<u>167,353</u>	<u>217,083</u>	<u>(49,730)</u>
Total personnel costs	<u>\$ 1,768,291</u>	<u>\$ 1,807,108</u>	<u>\$ 1,799,318</u>	<u>\$ 7,790</u>
Books and Related Materials:				
Books	\$ 172,428	\$ 172,428	\$ 155,675	\$ 16,753
Newspapers and periodicals	14,250	14,250	15,911	(1,661)
Binding	250	250	501	(251)
Microforms	--	--	1,230	(1,230)
Audiovisuals	115,118	115,118	81,632	33,486
Other nonbook	<u>69,100</u>	<u>72,100</u>	<u>78,751</u>	<u>(6,651)</u>
Total books and related materials	<u>\$ 371,146</u>	<u>\$ 374,146</u>	<u>\$ 333,700</u>	<u>\$ 40,446</u>
Maintenance:				
Elevator inspection	\$ 2,700	\$ 2,700	\$ 2,679	\$ 21
Lawn care	26,000	26,000	26,000	--
Halon gas - archives	460	460	--	460
HVAC	4,800	4,800	4,963	(163)
Trash disposal	2,500	2,500	1,705	795
Alarm system	10,500	10,500	9,764	736
Pest control	1,041	1,041	1,026	15
Computer licensing	85,000	88,600	95,008	(6,408)
Book security equipment	<u>16,160</u>	<u>16,160</u>	<u>13,715</u>	<u>2,445</u>
Total maintenance	<u>\$ 149,161</u>	<u>\$ 152,761</u>	<u>\$ 154,860</u>	<u>\$ (2,099)</u>
Copier Expense	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 32,360</u>	<u>\$ (3,360)</u>

See Independent Auditor's Report.

**HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND, Continued**

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenditures, continued				
Utilities:				
Electric	\$ 93,000	\$ 93,000	\$ 65,130	\$ 27,870
Heating	18,000	18,000	16,708	1,292
Water and sewer	<u>12,000</u>	<u>12,000</u>	<u>12,217</u>	<u>(217)</u>
Total utilities	<u>\$ 123,000</u>	<u>\$ 123,000</u>	<u>\$ 94,055</u>	<u>\$ 28,945</u>
Telecommunications:				
Telecomm. - internet	\$ 22,164	\$ 22,164	\$ 20,666	\$ 1,498
Telephone - regular	<u>12,000</u>	<u>12,000</u>	<u>11,938</u>	<u>62</u>
Total telecommunications	<u>\$ 34,164</u>	<u>\$ 34,164</u>	<u>\$ 32,604</u>	<u>\$ 1,560</u>
Staff Development:				
ALA membership	\$ 1,500	\$ 1,500	\$ 1,015	\$ 485
Conference travel	8,800	12,300	5,612	6,688
In-house workshops	1,700	1,700	25	1,675
Tuition and textbooks	<u>--</u>	<u>2,500</u>	<u>--</u>	<u>2,500</u>
Total staff development	<u>\$ 12,000</u>	<u>\$ 18,000</u>	<u>\$ 6,652</u>	<u>\$ 11,348</u>
Other Operating Expenditures:				
Advertising	\$ 10,000	\$ 10,000	\$ 8,379	\$ 1,621
Dues and memberships	2,900	2,900	2,799	101
Insurance	21,000	21,000	20,790	210
Janitorial materials and supplies	16,000	17,671	16,978	693
Library materials and supplies	24,000	24,000	17,645	6,355
Library programs	20,900	20,900	8,580	12,320
Office supplies	5,700	5,700	6,365	(665)
Postage	4,400	4,400	1,985	2,415
Professional services - IT	51,000	51,000	55,227	(4,227)
Professional services - other	37,000	39,600	35,643	3,957
Repairs and maintenance	51,000	51,000	53,595	(2,595)
Vehicle expense	3,500	3,500	4,020	(520)
Other operating expenditures	<u>15,000</u>	<u>15,000</u>	<u>22,287</u>	<u>(7,287)</u>
Total other operating expenditures	<u>\$ 262,400</u>	<u>\$ 266,671</u>	<u>\$ 254,293</u>	<u>\$ 12,378</u>

See Independent Auditor's Report.

**HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND, Continued**

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenditures, continued				
Capital Expenditures:				
Vehicle	\$ --	\$ 23,000	\$ 23,140	\$ (140)
Library furniture and fixtures	4,000	10,820	11,341	(521)
Library equipment	--	--	11,234	(11,234)
Computer hardware and software	13,000	44,360	37,721	6,639
Leasehold improvements	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total capital expenditures	<u>\$ 17,000</u>	<u>\$ 78,180</u>	<u>\$ 83,436</u>	<u>\$ (5,256)</u>
General Expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Grand total - expenditures	<u>\$ 2,766,162</u>	<u>\$ 2,883,030</u>	<u>\$ 2,791,278</u>	<u>\$ 91,752</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (344,279)</u>	<u>\$ (306,239)</u>	<u>\$ (208,918)</u>	<u>\$ 97,321</u>
Other financing sources/uses:				
Transfers - internal activities	<u>\$ 236,279</u>	<u>\$ 236,279</u>	<u>\$ 238,379</u>	<u>\$ 2,100</u>
Total other financing sources/uses	<u>\$ 236,279</u>	<u>\$ 236,279</u>	<u>\$ 238,379</u>	<u>\$ 2,100</u>
Changes in fund balance	\$ (108,000)	\$ (69,960)	\$ 29,461	\$ 99,421
Fund balance:				
Beginning of year	<u> 37,167</u>	<u> 37,167</u>	<u> 240,657</u>	<u> 203,490</u>
End of year	<u>\$ (70,833)</u>	<u>\$ (32,793)</u>	<u>\$ 270,118</u>	<u>\$ 302,911</u>

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD
SCHEDULES OF CHANGES IN THE NET PENSION
(ASSET)/LIABILITY AND RELATED RATIOS

	Plan Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 76,131	\$ 71,729	\$ 69,978	\$ 66,632	\$ 80,255	\$ 79,694	\$ 79,162
Interest	186,684	177,112	164,794	162,909	157,485	144,337	133,759
Changes to benefit terms	--	--	--	--	--	--	--
Differences between expected and actual experience	103,008	(17,360)	15,974	(127,373)	(91,590)	30,714	--
Changes in assumptions	--	80,837	--	(7,750)	--	--	--
Benefit payments, including refund of employee contributions	(72,315)	(81,294)	(68,253)	(66,715)	(70,615)	(63,231)	(60,366)
Net change in total pension liability	\$ 293,508	\$ 231,024	\$ 182,493	\$ 27,703	\$ 75,535	\$ 191,514	\$ 152,555
Total pension liability - beginning	<u>2,801,847</u>	<u>2,570,823</u>	<u>2,388,330</u>	<u>2,360,627</u>	<u>2,285,092</u>	<u>2,093,578</u>	<u>1,941,023</u>
Total pension liability - ending (a)	<u>\$ 3,095,355</u>	<u>\$ 2,801,847</u>	<u>\$ 2,570,823</u>	<u>\$ 2,388,330</u>	<u>\$ 2,360,627</u>	<u>\$ 2,285,092</u>	<u>\$ 2,093,578</u>
Plan fiduciary net position:							
Contributions - employer	\$ 34,052	\$ 31,040	\$ 42,759	\$ 42,446	\$ 57,968	\$ 57,969	\$ 64,406
Contributions - employee	34,753	31,351	30,049	29,761	31,470	31,605	30,611
Net investment income	57,024	187,478	193,264	284,006	40,503	98,802	289,436
Benefit payments, including refund of employee contributions	(72,315)	(81,294)	(68,253)	(66,715)	(70,615)	(63,231)	(60,336)
Administrative expense	(1,897)	(1,822)	(1,632)	(1,602)	(1,379)	(1,306)	(1,515)
Other	(68)	(118)	(174)	(254)	(17)	(22)	(15)
Net change in fiduciary net position	\$ 51,549	\$ 166,635	\$ 196,013	\$ 287,642	\$ 57,930	\$ 123,817	\$ 322,587
Plan fiduciary net position - beginning	<u>2,965,406</u>	<u>2,798,771</u>	<u>2,602,758</u>	<u>2,315,116</u>	<u>2,257,186</u>	<u>2,133,369</u>	<u>1,810,782</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,016,955</u>	<u>\$ 2,965,406</u>	<u>\$ 2,798,771</u>	<u>\$ 2,602,758</u>	<u>\$ 2,315,116</u>	<u>\$ 2,257,186</u>	<u>\$ 2,133,369</u>
Net pension (asset)/liability - ending (a) - (b)	<u>\$ 78,400</u>	<u>\$ (163,559)</u>	<u>\$ (227,948)</u>	<u>\$ (214,428)</u>	<u>\$ 45,511</u>	<u>\$ 27,906</u>	<u>\$ (39,791)</u>
Plan fiduciary net position as a percentage of the total pension (asset)/liability	97.47%	105.84%	108.87%	108.98%	98.07%	98.78%	101.90%
Covered-employee payroll	\$ 762,095	\$ 727,219	\$ 661,216	\$ 624,894	\$ 617,157	\$ 628,763	\$ 610,575
Net pension (asset)/liability as a percentage of covered-employee payroll	10.29%	-22.49%	-34.47%	-34.31%	7.37%	4.44%	-6.52%

This schedule is presented to show information for ten years. Information will be added as it is available.

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30,	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 38,384	\$ 38,384	\$ --	\$ 762,095	5.04%
2020	\$ 34,052	\$ 34,052	\$ --	\$ 727,219	4.68%
2019	\$ 30,456	\$ 30,456	\$ --	\$ 661,216	4.61%
2018	\$ 43,643	\$ 43,643	\$ --	\$ 624,894	6.98%
2017	\$ 42,449	\$ 42,449	\$ --	\$ 617,157	6.88%
2016	\$ 56,105	\$ 56,105	\$ --	\$ 619,677	9.05%
2015	\$ 57,969	\$ 57,969	\$ --	\$ 628,763	9.22%
2014	\$ 64,406	\$ 64,406	\$ --	\$ 610,575	10.55%

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

**Schedules of Employer's Proportionate Share of
Net OPEB Liabilities and Related Ratios**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Group Life Insurance (GLI) Program OPEB Plan				
Employer's Proportion of the Net GLI OPEB Liability	0.3530%	0.3300%	0.3230%	0.3310%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 58,910	\$ 53,700	\$ 49,000	\$ 49,000
Employer's Covered Payroll	\$ 762,095	\$ 727,219	\$ 647,779	\$ 613,825
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.73%	7.38%	7.56%	7.98%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

Note: This data will be presented prospectively until ten years are accumulated.

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

Schedules of OPEB Contributions

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
Net Group Life Insurance (GLI) Program OPEB Plan					
2021	\$ 4,115	\$ 4,115	\$ --	\$ 762,095	0.54%
2020	\$ 3,782	\$ 3,782	\$ --	\$ 727,219	0.52%
2019	\$ 3,368	\$ 3,368	\$ --	\$ 647,779	0.52%
2018	\$ 3,192	\$ 3,192	\$ --	\$ 613,825	0.52%
2017	\$ 3,171	\$ 3,171	\$ --	\$ 609,826	0.52%
2016	\$ 3,284	\$ 2,974	\$ 310	\$ 619,677	0.48%
2015	\$ 3,375	\$ 3,057	\$ 318	\$ 636,822	0.48%
2014	\$ 3,245	\$ 2,937	\$ 308	\$ 612,221	0.48%
2013	\$ 3,224	\$ 2,920	\$ 304	\$ 608,375	0.48%
2012	\$ 2,637	\$ 1,678	\$ 959	\$ 599,362	0.28%

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

Notes to Required Supplementary Information

June 30, 2021

1. Changes of Benefit Terms:

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

2. Changes in 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) – General Employees:

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