PAMUNKEY REGIONAL LIBRARY

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2021

And Report of Independent Auditor

PAMUNKEY REGIONAL LIBRARY

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JUNE 30, 2021

PAMUNKEY REGIONAL LIBRARY

BOARD OF TRUSTEES

JUNE 30, 2021

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Pamunkey Regional Library
Hanover, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Pamunkey Regional Library (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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Pamunkey Regional Library, 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's Discussion and Analysis and required supplementary information other than Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The Board of Trustees listing and the Supplemental Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Board of Trustees listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, 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 an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
May 25, 2022

The Management's Discussion and Analysis ("MD&A") offers the readers of the Pamunkey Regional Library's (the "Library") financial statements a narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2021.

Financial Highlights

In fiscal year 2021, the Library's Commonwealth of Virginia aid award was slightly more than what was received in the previous year at $568,060. The Library's state aid grant changes from year to year, with the two primary factors impacting the amount of the grant being total amount of state aid available, and changes in the Library's local funding. The Library received $147,081 in CARES funding for fiscal year 2021.

The Library Board classified the use of the General Fund balance at June 30, 2021 of $2,780,198; $2,465,198 as assigned and $315,000 as committed.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Library's basic financial statements, which are comprised of three components: (1) Government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Library's financial statements present two kinds of statements, each with a different snapshot of the Library's finances. The focus is on both the Library as a whole (Government-wide) and the fund financial statements (General Fund). The Government-wide financial statements provide both short-term and long-term information about the Library's overall financial status. The fund financial statements focus on individual parts of the Library, reporting the Library's operations in more detail than the Government-wide financial statements. Both perspectives (Government-wide and fund) allow the reader to address the relevant questions, broaden the basis of comparison, and enhance the Library's accountability.

Government-Wide Financial Statements – The Government-wide financial statements, similar to those used by private-sector companies, report information about the Library as a whole. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off financially as a result of the year's activities?". The Statement of Net Position and the Statement of Activities, the Government-wide financial statements, report information about Library finances as a whole and about its activities in a way that helps answer this question. These financial statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources prepared using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These financial statements include short-term, spendable resources with capital assets, and long-term obligations. In the Statement of Net Position and the Statement of Activities on pages 10 and 11, respectively, reports the Library's activities, which consist of the following: personnel related expenses; books, periodicals, and other related materials; donated administrative services and facilities; utility expense; rent; depreciation; and other operational expenses. Primarily, operating contributions either through local government appropriations, Commonwealth of Virginia aid, or through donations finance most of these Library activities.

Fund Financial Statements – The fund financial statements focus on the Library's General Fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate fiscal accountability by using governmental fund financial statements to provide more detailed information about the Library's General Fund.

Fund – Within accounting principles generally accepted in the United States of America ("U.S. GAAP"), an operating fund is used to report all of an entity's basic services. The Library has one operating fund, which is the General Fund, where the focus is on (1) cash and other financial resources that can be readily converted to cash and (2) balances left at year-end that are available for spending. Consequently, the General Fund's statements provide a near or short-term view of the Library's finances that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance Library programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation statement of the operating funds that explains the relationship (or differences) between them. The General Fund's financial statements can be found on pages 12 through 15 of this annual financial report.

Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the financial information provided in the financial statements and can be found on pages 16 through 48 of this annual financial report.

Government-Wide Financial Analysis

Net Position

The following table reflects condensed information on the Library's net position as of June 30, 2021 and 2020:

Summary of Net Position

	Library activities	
	Years ended June 30	
	2021	**2020**
Current and other assets	$ 2,983,096	$ 2,948,809
Net other postemployment benefits asset	874	8,070
Capital assets	307,738	23,041
Total assets	3,291,708	2,979,920
Deferred outflows of resources	427,710	267,261
Current and other liabilities	202,899	156,602
Long term liabilities	895,903	518,775
Total liabilities	1,098,802	675,377
Deferred inflows of resources	58,632	176,133
Net position:		
Invested in capital assets	307,738	23,041
Restricted for other postemployment benefits	874	8,070
Unrestricted for library services	2,253,372	2,364,560
Total net position	$ 2,561,984	$ 2,395,671

As noted earlier, net position may serve over time as a useful indicator of the Library's financial status. In the case of the Library's net position as of June 30, 2021, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $2,561,984 as compared to $2,395,671 as of June 30, 2020. As of June 30, 2021 and 2020, 12.01% or $307,738 and 0.96% or $23,041, respectively, of the Library's net position reflects its net investment in capital assets (e.g., vehicles, furniture and fixtures, and equipment). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Of the remaining net position balance as of June 30, 2021 and 2020, $2,253,372 and $2,364,560 respectively, are unrestricted and $874 and $8,070, respectively, are restricted for other postemployment benefits.

Change in Net Position

For the years ended June 30, 2021 and 2020, the Library's total revenues and expenses for the Library's activities are reflected in the following table:

	Library activities	
	Years ended June 30	
	2021	2020
Revenues:		
Charges for services	$ 24,624	$ 25,203
Operating contributions	5,227,208	4,650,701
Miscellaneous	48,357	226,555
Total revenues	5,300,189	4,902,459
Expenses:		
Personnel related expenses	3,075,123	2,696,975
Books, periodicals and other related materials	801,002	596,611
Donated administrative services and facilities	488,567	314,060
Utility expense	210,118	186,975
Rent	150,075	184,714
Depreciation	29,395	12,224
Other operating expenses	379,596	414,413
Total expenses	5,133,876	4,405,972
Increase in net position	166,313	496,487
Net position, beginning of year	2,395,671	1,899,184
Net position, end of year	$ 2,561,984	$ 2,395,671

Revenues

For the year ended June 30, 2021, revenues from all sources totaled $5,300,189 compared with the year ended June 30, 2020, when revenues from all sources were $4,902,459. Operating contributions, including donated services, are the largest component of revenues with $5,227,208 for the year ended June 30, 2021 (approximately 98.66% of the total Library activities revenues) and $4,650,701 for the year ended June 30, 2020 (approximately 94.86% of the total Library activities revenues). For the years ended June 30, 2021 and 2020, the remaining revenues consist mainly of miscellaneous general revenue ($48,357 or 0.88%) and ($226,555 or 4.62%), respectively. Charges for services are the smallest source of revenue with $24,624 for the year end June 30, 2020

(0.46% of the total Library activities revenue) and $25,203 for the year ended June 30, 2020 (0.51% of the total Library activities revenues).

Expenses

For the year ended June 30, 2021, program expenses for Library activities totaled $5,133,876 compared to $4,405,972 for the year ended June 30, 2020.

Personnel-related expenses of $3,075,123 and $2,696,975 for the years ended June 30, 2021 and 2020, respectively, were the largest expenses of Library services, representing 59.90% for the year ended June 30, 2021 and 61.21% for the year ended June 30, 2020. For the year ended June 30, 2021, books, periodicals, and other related materials ($801,002 or 15.60%) was the second largest expense with the third largest expense ($488,567 or 9.52%) being donated administrative services and facilities. For the year ended June 30, 2020, books, periodicals, and other related materials ($596,611 or 13.54%) was the second largest expense with the third largest expense ($314,060 or 7.13%) being donated administrative services and facilities.

Capital assets depreciation for the year ended June 30, 2021 was $29,395 and for the year ended June 30, 2020 was $12,224.

Financial Analysis of the Library's General Fund

General Fund

The focus of the Library's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, the fund balance may serve as a useful measure of the Library's resources available for spending at the end of the fiscal year.

- At June 30, 2021, the Library's General Fund reported a fund balance of $2,780,198 compared with $2,792,207 at June 30, 2020.
- Assigned fund balance of $2,465,198 is established to be used in future fiscal years for facilities related expenses.
- Committed fun balance of $315,000 is established to used in fiscal year 2022 for facilities.

General Fund Library Revenues and Expenditures

The following table presents a summary of revenues of the Library's General Fund for the years ended June 30, 2021 and 2020, along with the amount and percentage of increases and decreases in relation to prior year revenues:

	Year ended June 30, 2021	Percent of total	Year ended June 30, 2020	Percent of total	Increase (decrease) from 2020	Percent increase (decrease)
Revenues:						
Fines, penalties and fees	$ 24,624	0.46 %	$ 25,203	0.51 %	$ (579)	(2.30) %
Operating contributions:						
From local governments	4,023,500	75.91	3,854,419	78.62	169,081	4.39
Donated administrative services and facilities	488,567	9.22	314,060	6.41	174,507	55.56
State aid	568,060	10.72	482,222	9.84	85,838	17.80
Federal aid	147,081	2.78	—	0.00	147,081	100.00
Miscellaneous	48,357	0.91	226,555	4.63	(178,198)	(78.66)
Total revenues	$ 5,300,189	100.00 %	$ 4,902,459	100.00 %	$ 397,730	8.11 %

Overall, revenues were 8.11% higher than prior year. Miscellaneous revenue for 2021 includes no earned interest or large donations which were present in year ending 2020. Donated services for 2021 includes the Library's first full year use of Hanover County's financial systems and services, such use was only partial for the year ending 2020. The Library received Coronavirus Aid, Relief, and Economic Security "CARES" Act funding for 2021 which is not present in year ending 2020. Fines, penalties and fees is 2.30% lower in 2021 due to limited public access to library branches during the global health pandemic due to a novel strain of coronavirus ("COVID-19"). COVID-19 related factors (e.g. Governor's Executive order and local orders) that alter normal library operations will continue to impact miscellaneous revenue, and fine and fee revenue into fiscal year 2022.

The following table presents a summary of expenditures of the General Fund for the years ended June 30, 2021 and 2020, along with the amount and percentage of increases and decreases in relation to prior year expenditures:

	Year ended June 30, 2021	Percent of total	Year ended June 30, 2020	Percent of total	Increase (decrease) from 2020	Percent increase (decrease)
Expenditures:						
Personnel related	$ 2,968,750	55.89 %	$ 2,643,780	60.91 %	$ 324,970	12.29 %
Books, periodicals, and other related material	801,002	15.07	596,611	13.74	204,391	34.26
Donated administrative services and facilities	488,567	9.19	314,060	7.24	174,507	55.56
Utility expense	210,118	3.96	186,975	4.31	23,143	12.38
Rent	150,075	2.83	184,714	4.26	(34,639)	(18.75)
Miscellaneous	693,686	13.06	414,413	9.55	279,273	67.39
Total expenditures	$ 5,312,198	100.00 %	$ 4,340,553	100.00 %	$ 971,645	22.39 %

Overall, expenditures were 22.39% higher than prior year. Books, periodicals, and other related materials (34.26%) was the third largest increase in expenditures, as the Library remains committed to maintaining and improving circulation numbers with an increase in material spending. The COVID-19 pandemic impacted the Libraries ability to acquire new materials in year ending 2020 but 2021 saw a return to regular material acquisitions. Donated services for 2021 was second largest increase (55.56%). Donated services includes the Library's first full year use of Hanover County's financial systems and services, such use was only partial for the year ending 2020. Miscellaneous expenditures is the largest expenditure increase (67.39%) in year 2021. It includes $230,000 for renovation of administration space and $85,000 for self-checkout kiosk which were not present in year ending 2020. Both expenses are capitalized assets.

The following table presents a summary of the Library's budgetary highlights for the year ended June 30, 2021, along with the variances as compared to the actual June 30, 2021 revenues and expenditures.

Year ended June 30, 2021 General Fund Budgetary Highlights

	Original budget	Amended budget	Actual	Variance positive (negative)
Revenues:				
Fines, penalties and fees	$ 25,000	$ 25,000	$ 24,624	$ (376)
Operating contributions	4,023,500	4,023,500	4,023,500	—
State aid	536,578	568,060	568,060	—
Federal Aid	—	147,082	147,081	(1)
Miscellaneous	91,025	60,042	48,357	(11,685)
Donated services	-	-	488,567	488,567
Total	$ 4,676,103	$ 4,823,684	$ 5,300,189	$ 476,505
Expenditures:				
Personnel related	$ 3,312,393	$ 3,112,878	$ 2,968,750	$ 144,128
Books, periodicals and other related materials	666,155	739,044	801,002	(61,958)
Donated services	-	-	488,567	(488,567)
Utility	212,434	217,666	210,118	7,548
Rent	122,760	150,839	150,075	764
Miscellaneous	386,361	740,652	693,686	46,966
Total	$ 4,700,103	$ 4,961,079	$ 5,312,198	$ (351,119)

Capital Assets

The Library's changes in capital assets, net of accumulated depreciation, for the year ended June 30, 2021 for its Library activities are reflected in the table below:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Vehicles	$ 83,807	$ -	$ -	$ 83,807
Furniture and fixtures	119,494	-	(19,694)	99,800
Equipment	46,239	85,867	(26,683)	105,423
Lease Holder Improvement	-	230,000	-	230,000
Total capital assets	249,540	315,867	(46,377)	519,030
Less accumulated depreciation for:				
Vehicles	(71,390)	(9,314)	-	(80,704)
Furniture and fixtures	(116,884)	(819)	-	(117,703)
Equipment	(38,225)	(19,262)	44,602	(12,885)
Total accumulated depreciation	(226,499)	(29,395)	44,602	(211,292)
Total capital assets, net	$ 23,041	$ 286,472	$ (1,775)	$ 307,738

Operating fund assets with a cost of $5,000 or more and an estimated useful life of more than one year are capitalized and depreciated over their useful lives using the straight–line method.

Additional information on the Library's capital assets can be found in Note 5 of the notes to the financial statements.

Economic Factors and Next Year's Budgets

The Library's long-range plan supports budget requests from the four local governments. The Commonwealth's aid is expected to remain stable. The impact of the COVID-19 pandemic was still present for fiscal year 2021. While material circulation improved 10% from fiscal year 2020, library services involving visitation and/or in-person attendance have had slow recovery. Rising hourly wages due to industry, economic or legislative changes will require the Library to adjust compensation and pay scales to stay competitive and retain talent.

For fiscal year 2022, the Library has not requested increases in local government contributions. The Library will be requesting increases in local government contributions for fiscal year 2023 and beyond.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Library's finances. Should you have any questions about this report or need additional information, please contact the Library Director at Pamunkey Regional Library, P. O. Box 119, Hanover, VA 23069.

PAMUNKEY REGIONAL LIBRARY

STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2021

Assets:		
Cash and cash equivalents	$	2,982,800
Other Receivables		296
Net other postemployment benefits asset		874
Capital assets, net of accumulated depreciation		307,738
Total assets		3,291,708
Deferred Outflows of Resources:		
Deferred outflows relating to pension		390,800
Deferred outflows relating to other postemployment benefits		36,910
Total deferred outflows of resources		427,710
Liabilities:		
Accounts payable		79,892
Accured payroll		123,007
Compensated absences		225,062
Net pension liability		542,394
Net other postemployment benefits liability		128,447
Total liabilities		1,098,802
Deferred Inflows of Resources:		
Deferred inflows relating to pension		47,674
Deferred inflows relating to other postemployment benefits		10,958
Total deferred inflows of resources		58,632
Net Position:		
Invested in capital assets		307,738
Restricted for other postemployment benefits		874
Unrestricted for Library operations		2,253,372
Total net position	$	2,561,984

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Program expenses:		
Library Operations	$	5,133,876
Total program expenses		5,133,876
Program revenues:		
Charges for services		24,624
Operating grants and contributions:		1,203,708
Total program revenues		1,228,332
Net program loss		(3,905,544)
General revenues:		
Operating contributions from local governments		4,023,500
Miscellaneous		48,357
Total general revenues		4,071,857
Net increase in net position		166,313
Net position, beginning of year		2,395,671
Net position, end of year	$	2,561,984

See accompanying notes to financial statements.

JUNE 30, 2021

Assets		
Cash and cash equivalents	$	2,982,800
Other Receivables		296
Total assets	$	2,983,096
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	79,891
Accured payroll		123,007
Total liabilities		202,898
Fund balance:		
Committed		315,000
Assigned		2,465,198
Total fund balance		2,780,198
Total liabilities and fund balance	$	2,983,096

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND TO THE STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2021

Ending fund balance – General Fund	$	2,780,198
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 fund.		
Capital assets, being depreciated:		
Vehicles		83,807
Furniture and fixtures		99,800
Lease Holder Improvements		230,000
Equipment		105,423
Total capital assets		519,030
Less accumulated depreciation		(211,292)
		307,738
Prepaid item-other postemployment benefit asset is included in current period expenditures of the fund		
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the fund:		
Compensated absences		(225,062)
Generally accepted accounting principles require the recognition of net pension liability and deferred inflows and outlflows of outflows related to pensions. These amounts do not use current financial resources and are not reported in the fund.		
Net pension liability		(542,394)
Pension investment experience		173,709
Pension contributions after measurement date		111,768
Difference between expected and actual experience		16,207
Change in assumptions		41,441
Generally accepted accounting principles require the recognition of net other postemployment benefits asset, net other postemployment benefits liability, and deferred inflows and outflows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the fund.		
Net other postemployment benefits asset		874
Net other postemployment benefits liability		(128,447)
OPEB investment experience		2,663
Difference between expected and actual experience		4,649
GLI and HIC contributions after measurement date		12,006
Change in assumptions		3,399
Change in proportion		3,235
Net position of governmental activities	$	2,561,984

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GENERAL FUND

YEAR ENDED JUNE 30, 2021

Revenues:		
Fines, penalties and fees	$	24,624
Operating contributions:		
From local governments		4,023,500
Donated administrative services and facilities		488,567
Federal aid		147,081
State aid		568,060
Miscellaneous		48,357
Total revenues		5,300,189
Expenditures:		
Personnel related		2,968,750
Books, periodicals and other related materials		801,002
Donated administrative services and facilities		488,567
Utilities		210,118
Rent		150,075
Miscellaneous		693,686
Total expenditures		5,312,198
Net change in fund balance		(12,009)
Fund balance, beginning of year		2,792,207
Fund balance, end of year	$	2,780,198

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

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

YEAR ENDED JUNE 30, 2021

Net change in fund balance – total General Fund	$	(12,009)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay		315,867
Loss on disposal of capital assets		(1,775)
Depreciation expense		(29,395)
Under the modified accrual basis of accounting used in governmental funds, expenditures for compensated absences are not recognized until they are presented for payment. In the Statement of Activities, they are reported as expenses.		(51,870)
Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. Pension expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net pension liability and deferred inflows and outflows related to pension.		(50,138)
Other postemployment benefits (OPEB) contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. OPEB expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net OPEB asset, net OPEB liability, and deferred inflows and outflows of resources related to OPEB.		(4,367)
Change in net position	$	166,313

See accompanying notes to financial statements.

Note 1—Summary of significant accounting policies

The Pamunkey Regional Library (the "Library") was organized in 1941 to operate as a regional free library system pursuant to the *Code of Virginia* (the "Code"). The Library provides services to the Counties of Hanover, Goochland, King and Queen, and King William and the Towns of Ashland and West Point under the administration and control of the Board of Trustees (the "Board"). The ten member Board consists of four citizens from the County of Hanover, Virginia (the "County") and two citizens from each of the Counties of Goochland, King and Queen, and King William. The Board of Supervisors from each county appoints the Library Board trustees to four-year terms. The Library is not a component unit of the County and, therefore, is not reported in the County's Comprehensive Annual Financial Report as a component unit.

Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities, whether short-term or long-term, of the Library. Governmental activities, which are mainly supported by operating contributions received from various counties, are reported on the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers for overdue books, lost books, and dog tag fees, and (2) Commonwealth of Virginia aid for Library operations. Other items not included among program revenues are reported as general revenues.

Fund Financial Statements – The fund financial statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) of the Library's governmental fund reports the finances of the Library and generally include only short-term information, the most readily available assets and present due liabilities, and just the resources that flow into and out of the Library during the year and shortly thereafter.

Whereas the government-wide financial statements provide an all-encompassing view of all the Library's finances, the fund financial statements provide a narrower look at the Library's current resources as noted above. A reconciliation is provided that explains the reasons that total fund balance in the Balance Sheet differ from total net position in the government-wide Statement of Net Position. A reconciliation is also provided explaining the differences between the net change in fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the change in net position on the Statement of Activities. The differences noted on the reconciliations relate to the fact that the fund financial statements primarily report short-term financial information, whereas the government-wide statements report both short and long-term information.

The Library reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Library used to account for all of the Library's expendable financial resources and related liabilities.

Note 1—Summary of significant accounting policies (continued)

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements – The General Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are measurable and available) to pay the liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within 90 days after the end of the current fiscal period. Fines, penalties, and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for compensated absences, which is recognized when the obligation is expected to be liquidated with expendable, available financial resources.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflow of resources, and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and a demand deposit account. Cash equivalents are stated at cost, which approximates fair value, and have maturities of less than three months at the time of acquisition.

Due from Hanover County – Value is the amount of unspent Library operating funds held by Hanover County.

Capital Assets – Capital assets, which include vehicles, furniture and fixtures, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than $5,000 and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available, an estimated historical cost where no historical cost records exist. Donated assets are recorded at acquisition value at the date of donation. Based on this definition, the Library expenses the costs of library books acquired. The buildings associated with the various branches of the Library, which provide services, are not owned by the Library and, therefore not recorded as capital assets by the Library.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Note 1—Summary of significant accounting policies (continued)

The Library depreciates capital assets using the straight-line method over their estimated useful lives as follows:

Assets	Years
Vehicles	5–10 years
Furniture and fixtures	10 years
Equipment	5–10 years
Lease Holder Improvements	Term of the Lease

Net Position and Fund Balance

Net position in government-wide statements may be classified as net investment in capital assets, restricted or unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through state statute. At June 30, 2021, there was a portion of net position that was restricted.

In the governmental fund financial statements, fund balance may be composed of one of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The General Fund may classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Library does not have any nonspendable fund balances at June 30, 2021.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The Library does not have any restricted fund balances at June 30, 2021.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes imposed by majority vote resolution of the Library Board. Any changes or removal of specific purpose requires majority action by the governing body. At June 30, 2021, the committed fund balance was $315,000. These funds are for improvements to the Atlee branch library and Library administrative space.

Assigned Fund Balance – This classification includes the portion of fund balance that the Library intends to use for specific purposes and assigned by the Library Board. At June 30, 2021, the assigned fund balance was $2,465,198.

Unassigned Fund Balance – This classification includes the portion of the General Fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. At June 30, 2021, the Library had no unassigned fund balance.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance.

Compensated Absences – Library employees will earn vacation and sick leave in varying amounts on a monthly basis, based upon length of service. Annual carryover limitations apply to vacation hours, but not to sick leave. Employees are compensated for unused vacation and sick leave upon separation, retirement, or death based upon years of service and limited to a maximum dollar amount.

Note 1—Summary of significant accounting policies (continued)

Annual leave begins to accrue during the first month of employment, but may not be taken until three months employment has been completed. Employees who terminate prior to completion of three months employment are not entitled to annual leave pay. After the first three months employment, employees are eligible for payment for accrued annual leave upon termination.

Annual leave is accrued at the rate of 1.5 days per month with a maximum accrual of 24 days up to 5 years of service, 1.75 days per month with a maximum accrual of 30 days up to 10 years of service, and 2 days per month with a maximum accrual of 36 days over 10 years of service.

Sick leave is accrued at the rate of 1.25 days for each completed month of employment. There is no limit to the amount of sick leave that may be accrued. At the time of separation, an employee is paid for 25% of any credits exceeding 50 days. Part-time employees who work at least 20 hours each week are entitled to annual and sick leave on a pro rata basis depending on the number of hours worked. Sick leave is accrued under the vesting method which estimates the expected eligibility of all employees to receive termination payments.

Pension Plans – The Library participates in the Virginia Retirement System ("VRS") Political Subdivision Retirement Plan, an agent multiple-employer plan, administered by the VRS. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the VRS agent multiple-employers, and the additions to/deductions from the VRS agent multiple-employer net fiduciary position, have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retiree Medical Benefits Plan and Trust – The Library participates in the Hanover County Retiree Medical Benefits Plan a multiple-employer defined benefit plan and related Trust to provide health insurance benefits to the employees and retired employees of the County and other participating employers including the Hanover County School Board, the Pamunkey Regional Library, and the Pamunkey Regional Jail Authority. The Hanover County Finance Board was established pursuant to Code Section 15.2-1547 is responsible for the oversight of the Hanover Retiree Medical Benefits Trust, established pursuant to Code Section 15.2-1544, which provides the authority under which benefit terms are established or may be amended. The Library's portion of the related Medical Trust OPEB asset, deferred outflows or resources and deferred inflows of resources related to the Medical Trust OPEB Plan, and Medical Trust OPEB expense have been measured and reported in accordance with U.S. GAAP as prepared by Hanover County's external actuary. Additionally, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Federal Aid- In fiscal year 2021 the Library received $147,081 as a sub-recipient from Hanover County for the Coronavirius Aid, Relief and Economic Securities Act ("CARES" Act) funding through the State of Virginia. The CARES Act cites that the Library must use the funds as directed for COVID-19 preventative and recovery measures through December 30, 2021. The Library used the funds to purchase self-checkout kiosk units, digital materials, expand the Library's mobile hotspot lending program, and janitorial cleaning supplies.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources representing a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expenditure/expense) until then. The Library has five pension and OPEB related items that qualify for reporting in this category and they relate to pension and OPEB activity resulting from contributions made subsequent to the measurement date, the difference in projected and actual earnings on pension plan investments, the difference between expected and actual experience, change in proportion and change in assumptions. Contributions made subsequent to the measurement date will be recognized as a reduction in the net liability in 2020. The difference between estimated and actual experience, changes in assumptions, and changes in proportion will be amortized

Note 1—Summary of significant accounting policies (concluded)

over the remaining service life of all participants while amounts related to investments will be amortized over a closed five-year period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources representing an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Library has four types of deferred inflows of resources relating to pension and OPEB activity, all of which will be amortized over the remaining service life of all participants with the exception of amounts related to investments, which will be amortized over a five year period.

Note 2—Stewardship, compliance, and accountability

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

1) The Director of the Library prepares the overall proposed annual operating budget, which includes local appropriations from each county.

2) The Board of the Library approves the proposed annual operating budget and authorizes all operating expenditures and appropriates funds through the adoption of the budget.

3) The budget for the General Fund is adopted on a basis consistent with U.S. GAAP.

Note 3—Regional library agreement among the Counties of Hanover, Goochland, King and Queen, and King William

Each county agrees that it will make a yearly appropriation of funds to the Library in at least the amount necessary to permit the Library to meet the minimum requirements for the Commonwealth of Virginia grants-in-aid. Appropriations are made in proportion to the population of each respective county.

Note 4—Pooled Cash and Cash Equivalents with Fiscal Agent

Hanover County acts as a fiscal agent for the Pamunkey Regional Library. Accordingly, the Library follows the deposit and investment guidelines of the County. As of June 30, 2021, the Library's carrying value of deposits and investments as part of the County pooled cash and investments was $2,982,800.

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

In accordance with Section 2.2-4500 of the "Code" and other applicable law and regulations, the County's investment policy (the "Policy") permits investments in obligations of the United States or agencies thereof; held directly, by collateralized repurchase agreement, or in mutual funds registered under the Investment Company Act of 1940, whose portfolios are restricted to U.S. and U.S. agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for

Note 4—Pooled Cash and Cash Equivalents with Fiscal Agent (continued)

Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, certain corporate notes, bankers' acceptances, and repurchase agreements, savings accounts or time deposits in approved banks or savings institutions within the Commonwealth, and the State Treasurer's Local Government Investment Pool, a 2a-7 like pool.

The following tables present pooled cash and cash equivalents and investments with fiscal agent at fair value on a recurring basis in accordance with GAAP at June 30, 2021

Assets:	**Balance June 30, 2021**	**Quoted prices in active market (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level:				
Cash and cash equivalents in pooled funds	$ 432,749	$ 432,749	$ -	$ -
Investments in pooled funds	1,008,060	514,285	493,775	-
Total	**1,440,809**	**$ 947,034**	**$ 493,775**	**$ -**
Cash equivalents and short-term investments measured at the amortized costs:				
Money Market Fund	2,080			
Certificates of Deposit	114,374			
LGIP	1,251,575			
LGIP EM	173,962			
Total	**2,982,800**			

Interest Rate Risk **–** As a means of limiting exposure to fair value losses arising from interest rates, both the reporting entity’s pooled investment portfolio and the County manage maturity of fixed-income accounts to precede or coincide with the expected need of funds. The County’s policy also limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase, except proceeds from the sale of bonds, which must be invested in compliance with the specific requirement of bond covenants, and may be invested in securities with longer maturities.

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1 to 3	More than 3
Pooled Investments:				
Cash deposits	$ 432,749	432,749	-	-
Demand and time deposits	114,374	95,245	19,129	-
Money market mutual funds	2,080	2,080	-	-
U.S. Government and agency bonds	927,208	-	927,208	-
Corporate notes and bonds	66,966	46,719	20,247	-
Commercial paper	13,886	13,886	-	-
LGIP Funds	1,425,537	1,425,537	-	-
Total pooled deposits and investments	$ 2,982,800	2,016,216	966,584	-

Note 4—Pooled Cash and Cash Equivalents with Fiscal Agent (concluded)

Credit Risk **–** As required by the State statute, the County's Policy requires that commercial paper have a short-term debt rating of no less than A-1 (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Ratings, and that its maturity may not exceed 270 days and the issuing corporation, or its guarantor must have a net worth of at least $50 million and the issuer's net income must average $3 million for the five previous years.

Corporate notes must have a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The final maturity shall not exceed a period of 5 years from the time of purchase. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Negotiable Certificates of Deposit and Bank Deposit Notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The County's rated pooled debt investments as of June 30, 2021 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as not applicable (N/A) in the credit rating column, and those that are not rated are designated as N/R.

Concentration of Credit Risk - The County Policy establishes limitations on the pooled investment portfolio composition by issuer in order to control concentration of credit risk. No more than five percent of the pooled investment portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
LGIP	100% maximum
Money market mutual funds	100% maximum
Each Federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

As of June 30, 2021, the only issuer exceeding five percent of the pooled investments was the U.S. Treasury, which represented nineteen percent of pooled investments.

Custodial Credit Risk - Deposits: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. The County's deposits at June 30, 2021 were fully insured under the Virginia Security for Public Deposits Act and are therefore not considered to be subject to custodial credit risk.

Custodial Credit Risk – Investments: For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's policy requires that all investment securities purchased for the County be held by the County or by the County's designated custodian. If held by a custodian, the securities must be in the County's or the custodian's nominee name and identifiable on the custodian's books as belonging to the County and the custodian must be a third-party, not a counterparty to the investment transaction. As of June 30, 2021, all of the County's pooled investments were held by the trust department of the County's custodial bank in the County's name.

Note 5—Capital Assets

Capital assets at June 30, 2021 were composed of the following amounts:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Vehicles	$ 83,807	$ -	$ -	$ 83,807
Furniture and fixtures	119,494	-	(19,694)	99,800
Equipment	46,239	85,867	(26,683)	105,423
Lease Holder Imporvement	-	230,000	-	230,000
Total capital assets	249,540	315,867	(46,377)	519,030
Less accumulated depreciation for:				
Vehicles	(71,390)	(9,314)	-	(80,704)
Furniture and fixtures	(116,884)	(819)	-	(117,703)
Equipment	(38,225)	(19,262)	44,602	(12,885)
Total accumulated depreciation	(226,499)	(29,395)	44,602	(211,292)
Total capital assets, net	$ 23,041	$ 286,472	$ (1,775)	$ 307,738

Note 6—Compensated absences

The following is a summary of the compensated absences of the Library for the year ended June 30, 2021:

	Compensated absences
Balance at June 30, 2020	$ 173,193
Additions	205,347
Deletions	(153,478)
Balance at June 30, 2021*	$ 225,062

*Due within one year

Note 7—Donated administrative services and facilities

In addition to the yearly appropriation of funds described in Note 3, the Counties of Goochland, Hanover, and King and Queen and the Town of West Point provide certain branch libraries with free utility services, library space, and building improvements. Hanover County also provides certain free general government administrative and accounting services relating to payroll recordkeeping for the Library. The value of such contributions from the County amounted to $431,036 for the year ended June 30, 2021. The Counties of King and Queen and Goochland, and the Town of West Point, collectively contributed $57,531 for the year ended June 30, 2021.

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS)

Pension Plan

Agent Multiple-Employer Plan - The Library employees participate in agent multiple-employer defined benefit pension plans administered by the VRS. The VRS requires periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The required employer contributions for Library employees are established annually by the VRS, by separate actuarial valuations specific to each group.

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS agent multiple-employer and the additions to/deductions from the VRS agent multiple-employer plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Financial Report and GASB 68 Report. A copy of the 2020 Annual Financial Report and GAAP Pension 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.

VRS Plan Description

All full-time, salaried permanent employees of the Library are automatically covered by VRS upon employment. This plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and Library pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code, 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 VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out as described below:

VRS Plan 1 and Plan 2

Overview: Plan 1 and Plan 2 are defined benefit plans. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. Employees are eligible for and in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. Employees are eligible for and 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. VRS Plan 1 and 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.

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.

Creditable Service: Creditable Service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future Library retirees.

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

Vesting: Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.

Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Benefit Calculations: The Basic Benefit is calculated based on a formula using the member's average final compensation, service credit and plan multiplier. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

For Plan 1, a member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. The Plan 1 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%.

Under Plan 1, the normal retirement age is 65. The earliest unreduced retirement can occur at age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. The earliest reduced retirement can occur at age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

For Plan 2, a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. The service retirement multiplier factor is the same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

Under Plan 2, the normal retirement age is consistent with the normal Social Security retirement age. The earliest unreduced retirement can occur at normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. The earliest reduced retirement can occur at Age 60 with at least five years (60 months) of service credit.

Cost-of-Living Adjustment in Retirement: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the Cost-of-Living Adjustment ("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 service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Under Plan 1, the 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%. Under Plan 2, the COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

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 under the Virginia Sickness and Disability Program (VSDP).

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% under Plan 1 and 1.65% under Plan 2 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.

Hybrid Plan

Overview: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan as noted:

• The defined benefit is based on a member's age, service credit, 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.

Members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window held January 1-April 30, 2014.

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.

Creditable Service: Creditable Service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future Library retirees.

Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.

Vesting: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit 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, as follows:

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required, except as governed by law.

Benefit Calculations: The benefit calculations for the Hybrid Plan are as outlined in Plan 1 and 2, except 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.

The average final compensation is a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. It is used in the retirement formula for the defined benefit component of the plan.

The service 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.

The normal retirement age is consistent with the normal Social Security retirement age, with a provision that members are eligible to receive distributions upon leaving employment, subject to restrictions. The earliest member unreduced retirement can occur at normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit. The Cost-of-Living (COLA) in retirement terms are consistent with the provisions noted for Plan 2.

Disability Coverage: Employees of political subdivisions and school divisions (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.

Purchase of Prior Service: Considerations are the same as noted under Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

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:

	Library Employees
Inactive members or their beneficiaries currently receiving benefits	16
Inactive members:	
Vested inactive members	4
Non-vested inactive members	7
Inactive members active elsewhere in VRS	8
Total inactive members	19
Active members:	26
Total covered employees	61

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

The contractually required contribution rates for the Library in VRS for the fiscal year ended June 30, 2021, was 8.91% of their annual 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, were 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 $111,768 and $76,908 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability
The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. At June 30, 3021, the Library reported a net pension liability of $542,394. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using the updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

Actuarial Assumptions

The total pension liability was measured as of June 30, 2019 for Library employees, 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:

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; general employees males 95% of rates and 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 and 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 year 110% of rates; females 125% of rates.

* 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 GAAP 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.

The actuarial assumptions used in the June 30, 2019 valuation was 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 are as follows:

Library Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted withdrawal rates to better fit experience at each age and service year thriugh 9 years of service
Lowered disability rates
No change in salary scale
Decreased discount rate from 7.00% to 6.75%

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan 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 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	4.60%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.04%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic normal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. VRS 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 complied for the FY20 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 90% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	$ 5,298,492	$ 5,076,260	$ 222,232
Changes for the year:			
Service cost	117,410	-	117,410
Interest	345,659	-	345,659
Differences between expected and actual experience	82,372	-	82,372
Contributions - employer	-	76,908	(76,908)
Contributions - employee	-	55,570	(55,570)
Net investment income	-	96,339	(96,339)
Benefit payments, including refunds of employee contributions	(355,238)	(355,238)	-
Administrative expenses	-	(3,426)	3,426
Other changes	-	(112)	112
Net changes	190,203	(129,959)	320,162
Balances at June 30, 2020	$ 5,488,695	$ 4,946,301	$ 542,394

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

The following presents the net pension liability for the Library using the discount rate of 6.75%, as well as what their net pension liability (asset) 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%)	Discount Rate	1 % Increase (7.75%)
Library Employees			
Net Pension Liability	$ 1,157,092	$ 542,394	$ 22,358

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (concluded)

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 $161,905. At June 30, 2021, the Library reported a deferred outflows of resources and a deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 63,881	$ 47,674
Net difference between projected and actual earnings on pension plan investments	173,710	-
Changes of assumptions	41,441	-
Employer contributions subsequent to the measurement date	111,768	-
Total	$ 390,800	$ 47,674

$111,768 reported as deferred outflow of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amount reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2022	$ 58,350
2023	74,205
2024	51,068
2025	47,735
2026	-
Thereafter	-
Total	$ 231,358

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial 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 9—OPEB Plan

The Library provides for optional participation by eligible retirees and their eligible spouses and dependents in the medical and prescription drug healthcare benefit program available to employees. The County has established the County Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Retiree Medical Benefits Trust Agreement (Trust), which are administered as one plan for the County and its affiliates (collectively, Employers). The Library accounts for and reports its participation in the Plan by applying the requirements for a cost-sharing multiple-employer plan. The Plan covers eligible retirees of the Library. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The "Code" assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (Board). The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries.

The Trust is considered part of the County's financial reporting entity and is included in County's financial statements as an Other Postemployment Benefits Trust Fund. The Library is required to make periodic contributions to fund its share of the plan based on periodic actuarial analysis of its future obligations. A copy of Hanover County's FY2020 Comprehensive Annual Financial Report may be downloaded from the following website, https://www.hanovercounty.gov/283/Comprehensive-Annual-Financial-Report.

The Plan provides that the employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents. In order to participate in the Plan, retirees must be enrolled in the health insurance program available to Library employees at date of separation. In addition, participants must meet the VRS retirement age and service retirement requirements and, if hired after September 30, 2007, must have five years of service with an Employer, or retire pursuant to the disability requirements of Social Security or the VRS. The amount of monthly subsidy provided by the Plan is based on years of service and, as of June 30, 2015, ranged from $100 per month for employees with 10 but less than 15 years of service to $200 per month for 20 or more years of service. The subsidy for a retiree's spouse and dependents is equal to that of the retiree, with a limit of three subsidies per retiree. Effective for those who retire July 1, 2015 or later, there shall not be a subsidy for their spouses or dependents. Retirees hired prior to October 1, 2007 have no years of service requirement, but must meet all other requirements for participation. In addition, retirees hired prior to October 1, 2007 who have at least 10 years of service with an Employer, and whose age and years of service equal at least 60 (grandfathered employees), will receive an initial subsidy of $251 per month. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility. Any plan participants currently in the Plan over age 65 must be enrolled in Medicare as primary insurer effective July 1, 2015. Additionally, any grandfathered retirees who are not yet age 65 must enroll in Medicare as primary insurer once they have met the Medicare eligibility requirements.

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from $471 to $1,272 per month for those electing retiree-only coverage, and from $1,333 to $3815 per month for family coverage. Cost of administering the Plan will be borne by the Trust or by the Employers.

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

Note 9—OPEB Plan (continued)

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2020 actuarial valuation, the Entry-Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 6.5%annualinvestmentrate of return (net of administrative expenses) and a payroll increase assumption of 2.50%. The liability is being amortized as a level percentage of projected payroll on a closed basis over sixteen years. Mortality rates were based on the RP-2000 Fully Generational Combined Table.

The assumed inflation rate is 2.5%. The long-term expected rate of return of OPEB plan investments net of inflation is 4.90% on Equities (including US and International),2.40% on Core Fixed, 3.30% on Investment Grade Corporate Debt, 4.00% on Emerging Market Debt, and 3.90% on High Yield Investments.

The discount rate used to measure the total OPEB liability was 6.5%. This is the expected rate of return on trust assets. During its February2020 meeting, the OPEB Trust Board established this 6.5% rate (not adjusted for inflation) as the long-term target rate for the Plan over a rolling five year period. Previously the discount rate was 7.0%, unchanged since the Plan's inception. The OPEB Trust Board reviews annual feasibility studies performed by the Plan's investment consultant to consider the ongoing appropriateness of the target rate and whether a change should be considered. No changes were made to the 6.5% rate in the year ended June 30, 2021.

Contributions - The Plan is funded through member and employer contributions on a pay-as-you-go basis. Retirees receiving benefits contribute a minimum of 76.1% of the health insurance premium rate for retiree only, retiree + one minor child, retiree and spouse, retiree + children, and family coverage, respectively. The actual contribution within each range depends on the health plan selected by the retiree. During the current year, retired Library members contributed $13,674, of the total premiums through their required contributions.

The Library contributed $36 and $38 in pay-as-you-go contributions to the Self Insurance Plan for the years ended June 30, 2021 and 2020, respectively. These contributions equate to 0.48% and 0.48% of the Library's proportionate share in the Plan, respectively. It is the intent of the Library to fully fund the Actuarially Determined Contributions each year.

As Plan funding is used subsidize premium rates, the OPEB Plan liability is not affected by changes in the Long-Term Medical rend.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate
The following presents the net OPEB asset of the Library at June 30, 2020, using the discount rate of 6.5%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1% point lower (5.5%) or 1% point higher (7.5%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1 % Increase (7.50%)
Library Employees			
Net OPEB Liability (Asset)	$ 656	$ (874)	$ (2,312)

Note 9—OPEB Plan (continued)

Net Postemployment Healthcare Plan and Other Postemployment Benefits (OPEB) Asset
At June 30, 2021, the Library reported a net OPEB asset of $874. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Changes in Net OPEB Asset
The related change in the Net OPEB Asset for the Library for the measurement date of June 30, 2020 are outlined as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (a) - (b)
Balances at June 30, 2019	$ 19,186	$ 27,256	$ (8,070)
Changes for the year:			
Change in proportionate share	(1,163)	(1,652)	489
Service cost	805	-	805
Interest	1,131	-	1,131
Experience (Gains)	(1,965)	-	(1,965)
Employer Trust contributions	-	36	(36)
Changes of Benefit Terms	8,305	-	8,305
Net investment income	-	1,533	(1,533)
Benefit payments	(1,216)	(1,216)	-
Net changes	5,897	(1,299)	7,196
Balances at June 30, 2020	$ 25,083	$ 25,957	$ (874)

Note 9—OPEB Plan (concluded)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2021, the Library recognized OPEB expense for its retiree medical plan of ($8,144). At June 30, 2021, the Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1	$ 1,808
Net difference between projected and actual earnings on pension plan investments	-	618
Changes in assumptions	423	-
Change in proportion	399	-
Total	$ 823	$ 2,426

The differences between expected and actual experience and net difference between projected and actual earnings on OPEB plan investments will be recognized in OPEB expense as follows:

Year ending June 30	
2022	$ (471)
2023	(313)
2024	(259)
2025	(115)
2026	(137)
Thereafter	(308)
Total	$ (1,603)

Note 10—Health Insurance Credit program - VRS

The Library participates in the Political Subdivision Health Insurance Credit (HIC) Program as an agent multiple-employer plan.

Plan Description
All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Eligible Employees
The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees of participating localities are enrolled automatically upon employment. They include Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts
The Library's Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.

- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

Program Notes
The monthly HIC benefit cannot exceed the individual premium amount. No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans. And employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Note 10—Health Insurance Credit program – VRS (continued)

Employees Covered by Benefit Terms
As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Library Employees
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members:	-
Total inactive members	5
Active members:	26
Total covered employees	31

Contributions
The contribution requirement for active employees is governed by §51.1-1402(E) of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Library's contractually required employer contribution rate for the year ended June 30, 2021 was 0.19% 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 was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Library to the Political Subdivision HIC Program were $4,308 and $3,372 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

Actuarial Assumptions
The total HIC 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.

Note 10—Health Insurance Credit program - VRS (continued)

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; general employees males 95% of rates and 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 and 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 year 110% of rates; females 125% of rates.

* 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 GAAP 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.

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:

Library Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted withdrawal rates to better fit experience at each age and service year thriugh 9 years of service
Lowered disability rates
No change in salary scale
Decreased discount rate from 7.00% to 6.75%

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:

Note 10—Health Insurance Credit program – VRS (continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	4.60%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.04%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic normal return	7.14%

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the 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 HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

Note 10—Health Insurance Credit program – VRS (continued)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	$ 37,541	$ 9,386	$ 28,155
Changes for the year:			
Service cost	1,128	-	1,128
Interest	2,440	-	2,440
Difference between expected and actual experience	2,646	-	2,646
Contributions - employer	-	3,372	(3,372)
Benefit payments, including refunds		197	(197)
of employee contributions	(2,786)	(2,786)	-
Administrative expenses	-	(20)	20
Other changes	-	-	-
Net changes	3,428	763	2,665
Balances at June 30, 2020	$ 40,969	$ 10,149	$ 30,820

Sensitivity of the HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC 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%)	Discount Rate (6.75%)	1 % Increase (7.75%)
Library Employees			
Net HIC OPEB Liability	$ 35,194	$ 30,820	$ 27,069

Note 10—Health Insurance Credit program - Virginia Retirement System (concluded)

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2021, the Library recognized HIC Program OPEB expense $3,016. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,538	$ 1,468
Net difference between projected and actual earnings on pension plan investments	348	-
Change in assumptions	596	463
Employer contributions subsequent to the measurement date	4,308	-
Total	$ 7,790	$ 1,931

$4,308 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ending June 30	
2022	$ 80
2023	119
2024	238
2025	713
2026	401
Thereafter	-
Total	$ 1,551

Note 11—Group Life Insurance Program - VRS

The Library participates in the VRS Group Life Insurance (GLI) Program, cost-sharing multiple employer plans, for both its professional and non-professional employees.

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 VRS, 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 Group Life Insurance Program OPEB.

Eligibility: 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 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 include:
- Accidental dismemberment benefit
- Safety belt benefit
- Repatriation benefit
- Felonious assault benefit
- Accelerated death benefit 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.

Note 11—Group Life Insurance Program – VRS (continued)

Minimum Benefit Amount and Cost-of-Living Adjustment: For covered members with at least 30 years of service credit, 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 Plan2cost-of-livingadjustment calculation. The minimum benefit adjusted for the COLA was $8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code, 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 GLI 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 $7,698 and $6,312 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities

At June 30, 2021, the Library reported a liability of $97,627 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the 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 Library's proportion was 0.00585% as compared to 0.00585% at June 30, 2019.

GLI OPEB Expense

For the year ended June 30, 2021, the Library recognized GLI OPEB expense of $5,249. 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.

Note 11—Group Life Insurance Program – VRS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB
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
Difference between expected and actual experience	$ 6,262	$ 876
Net difference between projected and actual earnings on GLI OPEB investments	2,933	-
Changes of assumptions	4,882	2,039
Change in proportion	6,522	3,686
Employer contributions subsequent to the measurement date	7,698	-
Total	$ 28,297	$ 6,601

$7,698 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board non-professional group'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 ending June 30	
2022	$ 2,960
2023	3,789
2024	3,924
2025	2,764
2026	505
Thereafter	56
Total	$ 13,998

Note 11—Group Life Insurance Program – VRS (continued)

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.

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; general employees males 95% of rates and 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 and 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 year 110% of rates; females 125% of rates.

* 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 GAAP 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.

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:

Library Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted withdrawal rates to better fit experience at each age and service year thriugh 9 years of service
Lowered disability rates
No change in salary scale
Decreased discount rate from 7.00% to 6.75%

Note 11—Group Life Insurance Program - VRS (continued)

Net GLI OPEB Liability
The Net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As 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	1,855,102
Employers' Net GLI OPEB Liability	$1,668,835
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 GAAP in VRS's notes to the financial statements and required supplementary information.

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	4.60%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.04%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic normal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October10. 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Note 11—Group Life Insurance Program – VRS (concluded)

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

	1% Decrease (5.75%)	Rate (6.75%)	1 % Increase (7.75%)
Library Employees			
Net GLI OPEB Liability	$ 128,339	$ 97,627	$ 72,687

Group Life Insurance Program Fiduciary Net Position

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

Note 12—Lease Commitments and Contingent Liabilities

Lease Commitments- Certain Library premises (i.e., Atlee Square, Upper King William, and the Montpelier branches) are leased under various operating leases that expire in 2021. Library began leasing temporary administrative space in December 2020 and signed a 5 year lease for administrative space in June 2021. Total rent expense for the year ended June 30, 2021 was $150,075.

As of June 30, 2021, future minimum lease payments due under operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Year ending June 30,		Future minimum lease payments
2022	$	85,800
2023		104,193
2024		106,956
2025		109,803
2026		101,376
2027		25,320
	$	533,448

Contingent Liabilities - Certain expenses of grant funding are subject to audit by the grantor, and the Library is contingently liable to refund amounts received in excess of allowable expenses. In the opinion of the management of the Library, no material refunds will be required as a result of expenditures disallowed by the grantors.

During 2020, an outbreak of COVID-19 emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Library's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time. The Library continues to monitor the effects of the coronavirus on revenue and expenditures.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

PAMUNKEY REGIONAL LIBRARY

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)

YEAR ENDED JUNE 30, 2021

	Budgeted amounts			Variance with final positive
	Original	Final	Actual	(negative)
Revenues:				
Fines, penalties and fees	$ 25,000	$ 25,000	$ 24,624	$ (376)
Operating contributions:				
From local governments	4,023,500	4,023,500	4,023,500	—
Donated administrative services and facilities	—	—	488,567	488,567
Federal aid	—	147,082	147,081	(1)
State aid	536,578	568,060	568,060	—
Miscellaneous	91,025	60,042	48,357	(11,685)
Total revenues	4,676,103	4,823,684	5,300,189	476,505
Expenditures:				
Library services:				
Personnel related	3,312,393	3,112,878	2,968,750	144,128
Books, periodicals and other related materials	666,155	739,044	801,002	(61,958)
Donated administrative services and facilities	—	—	488,567	(488,567)
Utility	212,434	217,666	210,118	7,548
Rent	122,760	150,839	150,075	764
Miscellaneous	386,361	740,652	693,686	46,966
Total expenditures	4,700,103	4,961,079	5,312,198	(351,119)
Net change in fund balance	(24,000)	(137,395)	(12,009)	125,386
Fund balance – beginning	2,792,207	2,792,207	2,792,207	—
Fund balance – ending	$ 2,768,207	$ 2,654,812	$ 2,780,198	$ 125,386

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2021

	2021*	2020*	2019*	2018*	2017*	2016*	2015**
Total pension liability							
Service cost	$ 117,410	$ 107,250	$ 119,739	$ 113,345	$ 114,279	$ 133,615	$ 124,981
Interest	345,659	337,322	344,765	327,679	281,576	271,337	239,812
Changes of assumptions	-	135,684	-	15,875	-	-	-
Differences between expected and actual experience	82,372	29,275	(328,206)	(81,306)	390,782	(56,250)	-
Benefit Payments, including refunds of employee contributions	(355,238)	(259,846)	(225,418)	(37,592)	(218,452)	(120,639)	(101,928)
Other changes	-	-	-	-	-	163,969	-
Net change in total pension liability	190,203	349,685	(89,120)	338,001	568,185	392,032	262,865
Total pension liability - beginning	5,298,492	4,948,807	5,037,927	4,699,926	4,131,741	3,739,709	3,476,844
Total pension liability - ending (a)	$ 5,488,695	$ 5,298,492	$ 4,948,807	$ 5,037,927	$ 4,699,926	$ 4,131,741	$ 3,739,709
Plan fiduciary net position							
Contributions - employer	$ 76,908	$ 76,720	$ 121,371	$ 110,831	$ 99,771	$ 113,256	$ 115,441
Contributions - employee	55,570	53,490	56,160	51,205	47,326	54,205	49,626
Net investment income	96,339	322,143	339,889	383,253	86,221	164,581	457,979
Benefit Payments, including refunds of employee contributions	(355,238)	(259,846)	(225,418)	(37,592)	(218,452)	(120,639)	(101,928)
Administrative expense	(3,426)	(3,259)	(2,916)	(1,822)	244	(2,167)	(2,392)
Other	(112)	(203)	(303)	(449)	(14)	484,035	24
Net change in plan fiduciary net position	(129,959)	189,045	288,783	505,426	15,096	693,271	518,750
Plan fiduciary net position - beginning	5,076,260	4,887,215	4,598,432	4,093,006	4,077,910	3,384,639	2,865,889
Plan fiduciary net position - ending (b)	$ 4,946,301	$ 5,076,260	$ 4,887,215	$ 4,598,432	$ 4,093,006	$ 4,077,910	$ 3,384,639
Net pension liability ending (a) - (b)	$ 542,394	$ 222,232	$ 61,592	$ 439,495	$ 606,920	$ 53,831	$ 355,070
Plan fiduciary net position as a percentage of the total Pension liability	90.12%	95.81%	98.76%	91.28%	87.09%	98.70%	90.51%
Covered-employee payroll	$ 1,204,366	$ 1,144,314	$ 1,175,436	$ 1,068,959	$ 978,129	$ 1,048,018	$ 1,092,211
Net pension liability as a percentage of covered-employee payroll	45.04%	19.42%	5.24%	41.11%	62.05%	5.14%	32.51%

Schedule is intended to show information for 10 years. Since 2015 is the first year for presentation, no other data is available. However, additional years will be included as they become available.

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

** For the fiscal year ended June 30, 2015, the Library VRS Plan was considered a cost-sharing employer in the Hanover County Plan. During the year, the Library's proportionate share of net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense were allocated based on plan contributions, approximately 1.79% for the year ended June 30, 2014.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION (UNAUDITED)

JUNE 30, 2021

Date *	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a% of Covered Employee Payroll (5)
2021	$ 111,768	$ 111,768	$ -	$ 1,431,908	7.81%
2020	76,908	76,908	-	1,204,366	6.39%
2019	76,720	76,720	-	1,144,314	6.70%
2018	121,371	121,371	-	1,175,436	10.33%
2017	110,831	110,831	-	1,068,959	10.37%
2016	99,771	99,771	-	978,129	10.20%
2015	113,256	113,256	-	1,048,018	10.81%

** Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.*

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

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF CHANGES IN THE NET OPEB ASSEST AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2021

As of June 30 of the Measurement Year	**2021***	**2020***	**2019***	**2018***
Medical Retiree Trust				
Total OPEB liability				
Service cost	$ 805	$ 794	$ 827	$ 774
Interest cost	1,131	1,200	1,155	1,108
Experience (Gains)	(1,965)	2	(152)	-
Change of benefit terms	8,305	-	-	-
Changes in assumptions	-	600	-	-
Change in proportionate share	(1,163)	-	(34)	-
Benefit payments	(1,216)	(1,097)	(1,298)	(1,049)
Net change in total OPEB liability	5,897	1,499	498	833
Total OPEB liability - beginning	19,186	17,687	17,189	16,356
Total OPEB liability - ending (a)	$ 25,083	$ 19,186	$ 17,687	$ 17,189
Total fiduciary net position				
Contributions - employer	$ 36	$ 96	$ 201	$ 1,049
Change in proportionate share	(1,652)	-	(50)	-
Net investment income	1,533	2,526	1,987	2,413
Benefit payments	(1,216)	(1,097)	(1,298)	(1,049)
Net change in plan fiduciary net position	(1,299)	1,525	840	2,413
Plan fiduciary net position - beginning	27,256	25,731	24,891	22,478
Plan fiduciary net position - ending (b)	$ 25,957	$ 27,256	$ 25,731	$ 24,891
Net OPED asset ending (b) - (a)	$ 874	$ 8,070	$ 8,044	$ 7,702
Plan fiduciary net position as a percentage of the total OPED asset	103.48%	142.06%	145.48%	144.81%
Covered payroll	$ 1,304,377	$ 1,291,251	$ 1,175,436	$ 1,068,959
Net OPEB asset as a percentage of covered payroll	-0.07%	-0.62%	-0.68%	-0.72%
Contributions as a percentage of covered payroll	0.00%	0.01%	0.02%	0.10%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

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

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB (UNAUDITED)

JUNE 30, 2021

Date *	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a% of Covered Employee Payroll (5)
Medical Retiree Trust					
2021	$ -	$ 36	$ -	$ 1,431,908	0.00%
2020	-	38	-	1,304,377	0.00%
2019	-	96	-	1,291,251	0.01%
2018	-	201	-	1,175,436	0.02%
VRS - Health Insurance Credit					
2021	$ 4,308	$ 4,308	$ -	$ 1,431,908	0.30%
2020	3,372	3,372	-	1,304,377	0.26%
2019	3,205	3,205	-	1,291,251	0.25%
2018	3,177	3,177	-	1,175,436	0.27%
VRS - Group Life Insurance					
2021	$ 7,698	$ 7,698	$ -	$ 1,431,908	0.54%
2020	6,312	6,312	-	1,304,377	0.48%
2019	6,009	6,009	-	1,291,251	0.47%
2018	6,165	6,165	-	1,175,436	0.52%

* *Schedule is intended to show information for 10 years. 2018 is the first fiscal year for this presentation; additional years will be included as they become available.*

Additionally, note that the Group Life Insurance contribution prior year presentation has been revised to reflect only the employer portion of the contribution.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY HEALTH INSURANCE CREDIT PROGRAM (UNAUDITED)

JUNE 30, 2021

	2021*	2020*	2019*	2018*
Total OPEB liability				
Service cost	$ 1,128	$ 1,132	$ 1,229	$ 1,369
Interest on total HIC OPEB liability	2,440	2,349	2,413	2,292
Changes of assumptions	-	920	-	(1,223)
Difference between expected and actual experience	2,646	527	(2,953)	-
Benefit payments	(2,786)	(1,890)	(1,313)	(128)
Net change in total OPEB liability	3,428	3,038	(624)	2,310
Total OPEB liability - beginning	37,541	34,503	35,127	32,817
Total OPEB liability - ending (a)	$ 40,969	$ 37,541	$ 34,503	$ 35,127
Total fiduciary net position				
Contributions - employer	$ 3,372	$ 3,205	$ 3,177	$ 2,887
Net investment income	197	546	426	424
Benefit Payments, including refunds of employee contributions	(2,786)	(1,890)	(1,313)	(128)
Administrative expense	(20)	(13)	(12)	(11)
Other	-	(1)	(10)	10
Net change in plan fiduciary net position	763	1,847	2,268	3,182
Plan fiduciary net position - beginning	9,386	7,539	5,271	2,089
Plan fiduciary net position - ending (b)	$ 10,149	$ 9,386	$ 7,539	$ 5,271
Net OPEB liability ending (a) - (b)	$ 30,820	$ 28,155	$ 26,964	$ 29,856
Plan fiduciary net position as a percentage of the total OPEB liability	24.77%	25.00%	21.85%	15.01%
Covered payroll	$ 1,304,377	$ 1,291,251	$ 1,175,436	$ 1,068,959
Political subdivision's net OPEB liability as a percentage of covered payroll	2.36%	2.18%	2.29%	2.79%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

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

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM (UNAUDITED)

JUNE 30, 2021

Library's share	2021*	2020*	2019*	2018*
Library's Proportion of the Net GLI OPEB Liability	0.00585%	0.00585%	0.00619%	0.00580%
Library's Proportionate Share of the Net GLI OPEB Liability	$ 97,627	$ 95,195	$ 94,000	$ 88,000
Covered Payroll	$ 1,304,377	$ 1,291,251	$ 1,175,436	$ 1,068,959
Library's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.485%	7.372%	7.997%	8.232%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	51.22%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

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

VRS Pension, Health Insurance Credit, and Group Life Insurance Program

Changes of benefit terms: For the Pension valuation and disclosures, there have been no material changes to the System benefit provisions since the prior actuarial valuation. Additionally, for the Health Insurance Credit and Group Life Insurance Program, there have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

Changes of assumptions: The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2013, through June 30, 2017, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Library Employees
Update mortality table - RP-2014 projected to 2021
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted withdrawal rates to better fit experience at each year age and service
Lowered disability rates
No change in salary scale
Decreased discount rate from 7.00% to 6.75%

SUPPLEMENTAL INFORMATION

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GENERAL FUND

YEAR ENDED JUNE 30, 2021

Revenues:		
County of Hanover	$	2,941,000
County of Goochland		464,768
County of King William		444,597
County of King and Queen		173,135
Federal Aid grants		147,081
State Aid grants		568,060
Fines, penalties and fees		24,624
Other revenue		35,829
Donated administrative services and facilities		488,567
Expenditure refund		12,710
Interest income		(182)
Total revenues		5,300,189
Expenditures:		
Professional staff salaries		907,691
Other staff salaries		1,301,588
Personnel related expense		759,471
Books and periodicals		801,002
Donated administrative services and facilities		488,567
Utilities		131,413
Telephone		78,705
Rent		150,075
Supplies		58,730
Library equipment		193,001
Equipment rental and repair		231,779
Professional fees		186,702
Insurance		16,510
Bookmobile and van expenses		6,293
Continuing education		671
Total expenditures		5,312,198
Revenues under expenditures		(12,009)
Fund balance, beginning of year		2,792,207
Fund balance, end of year	$	2,780,198

COMPLIANCE SECTION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Pamunkey Regional Library
Hanover, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* ("Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the General Fund of the Pamunkey Regional Library (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, and have issued our report thereon dated May 25, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Specifications

Library's Responses to Findings

The Library's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Library's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
May 25, 2022

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements**: Yes, Finding 2021-001**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2021-001 – Significant Deficiency – Capital Assets

Criteria: In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the Library for the fiscal year just ended.

Condition: Annually, the Library's Department of Finance oversees the preparation, processing, and recordation of hundreds of financial transactions that ultimately will be reflected in the yearly Annual Financial Report produced within the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the year-end external audit and financial reporting processes, one instance was identified where $230,000 of leasehold improvements were improperly expensed rather than capitalized.

Cause: The leasehold improvements were part of the Library's administrative office project. Leasehold improvements approximating $230,000 directly associated with the administrative offices were not properly capitalized. Those costs were improperly expensed by the Library rather than capitalizing those costs as leasehold improvements.

Effect: Overstatement of expenses and understatement of capital assets, as of and for the year ended June 30, 2021. Management corrected the identified misstatement before finalizing the Annual Financial Report.

Recommendation: We recommend management, at the time purchase orders are approve, indicate on the purchase order which items should be capitalized and added to the fixed asset subsidiary schedules. To facilitate this all such purchase orders should be coded to a separately identified capitalized expenditure account. When invoices are matched with purchase orders and receiving reports, accounts payable should enter capital acquisitions into those identified capitalized expenditure account(s). From those capitalized expenditure account(s), a schedule of additions should be maintained as assets are purchased to simplify the process of capitalizing property and equipment additions at year-end. Additionally, we recommend that management periodically review expenditure details, including repairs and maintenance expenditures, for transactions that are capital in nature for consideration of reclassifying those expenditures to the identified capitalized expenditure account(s).

Views of Responsible Officials: The Library has accounts payable procedures in place as suggested by the auditor's recommendations. This was a single transaction involved in leasing new space for the Library, a transaction that has not happened in more than 20 years. When brought to our attention and understood under a different lens, the Library agreed the transaction should have been capitalized and made the needed changes to the financial statements.

C. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contacts, and Grants

None noted