

APPALACHIAN REGIONAL LIBRARY

FINANCIAL STATEMENTS

June 30th, 2022

COMBS, 
TENNANT & CARPENTER, P.C.
Certified Public Accountants

Appalachian Regional Library
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6/30/2022

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Financial Section

APPALACHIAN REGIONAL LIBRARY

Library Board of Trustees

June 30, 2022

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Tammy Holston

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Appalachian Regional Library
West Jefferson, North Carolina

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Appalachian Regional Library as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Appalachian Regional Library's basic financial statements as listed in the table of contents

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Appalachian Regional Library, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Appalachian Regional Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Appalachian Regional Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Appalachian Regional Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Appalachian Regional Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 34 and 35 respectively, be presented to supplement the basic financial statements. Such information, although not a required 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Appalachian Regional Library. The individual fund statement is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The individual fund statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the individual fund statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2022 on our consideration of Appalachian Regional Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Appalachian Regional Library's internal control over financial reporting and compliance.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, NC

August 5, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

Appalachian Regional Library

June 30, 2022

As management of Appalachian Regional Library, we offer readers of Appalachian Regional Library's financial statements this narrative overview and analysis of the financial activities of Appalachian Regional Library for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Library's financial statements, which follow this narrative.

Financial Highlights

- The assets of Appalachian Regional Library exceeded its liabilities at the close of the fiscal year by \$1,245,353 (*net position*).
- The Library's total net position increased by \$37,954.
- As of the close of the current fiscal year, Appalachian Regional Library's governmental funds reported an ending fund balance of \$1,115,695, an increase of \$5,962 in comparison with the prior year.
- Appalachian Regional Library has no debt at June 30, 2022.

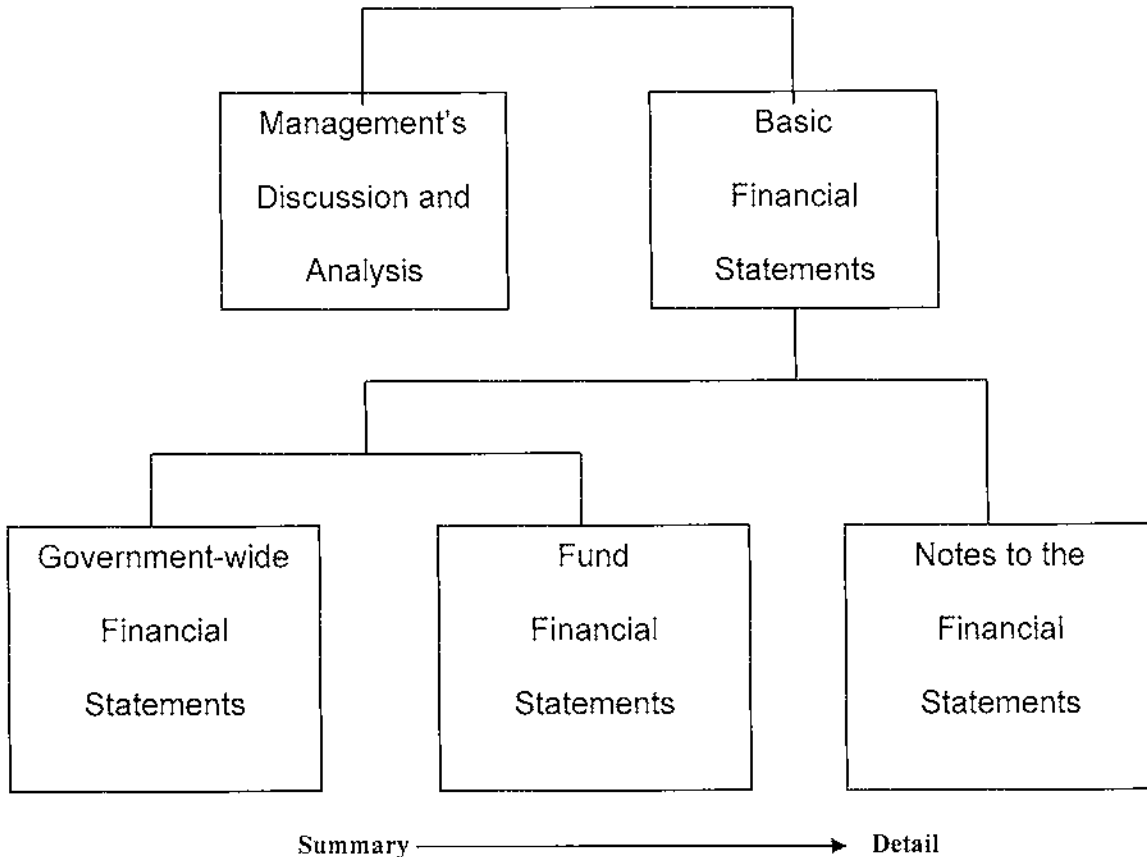
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Appalachian Regional Library's basic financial statements. The Library's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Library through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Appalachian Regional Library.

Management's Discussion and Analysis
Appalachian Regional Library
June 30, 2022

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Library's financial status.

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Library's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements. Appalachian Regional Library had no proprietary funds at June 30, 2022.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Library's individual funds. Budgetary information for the Library also can be found in this section of the statements.

Management's Discussion and Analysis
Appalachian Regional Library
June 30, 2022
Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Library's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Library's financial status as a whole.

The two government-wide statements report the Library's net position and how it has changed. Net position is the difference between the Library's total assets and total liabilities. Measuring net position is one way to gauge the Library's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Library's basic functions such as instructional services and general administration. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the Library charges its students and other customers to provide. The Library had no business-type activities in the current year.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Library's most significant activities. 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. Appalachian Regional Library, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Library's budget ordinance. All of the funds of Appalachian Regional Library are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Library's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Library's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Appalachian Regional Library adopts an annual budget for its General fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from citizens, the management of the Library, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Library to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Library complied with the budget ordinance and whether or not the Library succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Management's Discussion and Analysis
Appalachian Regional Library
June 30, 2022

Proprietary Funds – Appalachian Regional Library has no proprietary funds (Enterprise Funds). *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Interdependence with Other Entities: The Library depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Library is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Appalachian Regional Library's Net Position

Figure 2

	Governmental Activities		Total	
	2022	2021	2022	2021
Current and other assets	\$ 1,163,184	\$ 1,152,643	\$ 1,163,184	\$ 1,152,643
Noncurrent assets	431,397	419,980	431,397	419,980
Deferred outflows of resources	460,278	383,825	460,278	383,825
Total assets and deferred outflows of resources	<u>2,054,859</u>	<u>1,956,448</u>	<u>2,054,859</u>	<u>1,956,448</u>
Long-term liabilities outstanding	386,033	706,139	386,033	706,139
Other liabilities	47,489	42,910	47,489	42,910
Deferred inflows of resources	375,984	-	375,984	-
Total liabilities and deferred inflows of resources	<u>809,506</u>	<u>749,049</u>	<u>809,506</u>	<u>749,049</u>
Net position:				
Net investment in capital assets	431,397	419,980	431,397	419,980
Restricted	70,645	66,519	70,645	66,519
Unrestricted	743,311	720,900	743,311	720,900
Total net position	<u>\$ 1,245,353</u>	<u>\$ 1,207,399</u>	<u>\$ 1,245,353</u>	<u>\$ 1,207,399</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Appalachian Regional Library exceeded liabilities and deferred inflows by \$1,245,353 as of June 30, 2022. The Library's net position increased by \$37,954 for the fiscal year ended June 30, 2022. Appalachian Regional Library uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. The use of some of the Library's assets is restricted by the donor; thus, these assets are not available for spending. Appalachian Regional Library's remaining net position balance of \$743,311 is unrestricted. The Library is allocated its

Management's Discussion and Analysis
Appalachian Regional Library
June 30, 2022

proportionate share of the Local Government Employees' Retirement System's net pension liability (asset), deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Library's management.

Appalachian Regional Library's Changes in Net Position
Figure 3

	Governmental Activities		Total	
	2022	2021	2022	2021
Revenues:				
Program revenues:				
Charges for services	\$ 53,357	\$ 34,259	\$ 53,357	\$ 34,259
Operating grants and contributions	369,449	378,293	369,449	378,293
Capital grants and contributions	73,118	43,672	73,118	43,672
General revenues:				
County, State, and Federal funds	1,918,468	1,770,126	1,918,468	1,770,126
Grants and contributions not restricted to specific programs	253,713	240,931	253,713	240,931
Other	4,163	3,594	4,163	3,594
Total revenues	<u>2,672,269</u>	<u>2,470,875</u>	<u>2,672,269</u>	<u>2,470,875</u>
Expenses:				
Cultural and recreational	<u>2,634,315</u>	<u>2,643,718</u>	<u>2,634,315</u>	<u>2,643,718</u>
Total expenses	<u>2,634,315</u>	<u>2,643,718</u>	<u>2,634,315</u>	<u>2,643,718</u>
Increase (decrease) in net position before transfers	37,954	(172,843)	37,954	(172,843)
Transfers	-	-	-	-
Increase (decrease) in net position	<u>37,954</u>	<u>(172,843)</u>	<u>37,954</u>	<u>(172,843)</u>
Net position, July 1	<u>1,207,399</u>	<u>1,380,242</u>	<u>1,207,399</u>	<u>1,380,242</u>
Net position, June 30	<u>\$ 1,245,353</u>	<u>\$ 1,207,399</u>	<u>\$ 1,245,353</u>	<u>\$ 1,207,399</u>

Governmental activities. Governmental activities increased the Library's net position by \$37,954.

Financial Analysis of the Library's Funds

As noted earlier, Appalachian Regional Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Appalachian Regional Library's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Appalachian Regional Library's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Appalachian Regional Library. At the end of the current fiscal year, Appalachian Regional Library's fund balance available in the General Fund was \$843,858, while total fund balance reached \$1,115,695.

Management's Discussion and Analysis
Appalachian Regional Library
June 30, 2022

At June 30, 2022, the governmental funds of Appalachian Regional Library reported a combined fund balance of \$1,115,695, a 0.54 percent increase from last year.

Capital Asset and Debt Administration

Capital assets. Appalachian Regional Library's investment in capital assets for its governmental activities as of June 30, 2022 totals \$431,397 (net of accumulated depreciation). These assets include furniture and equipment, computer equipment and software, vehicles, and books and collections.

Appalachian Regional Library's Capital Assets

Figure 4
(net of depreciation)

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Furniture and equipment	763,485	3,868	-	767,353
Computer equipment and software	282,035	24,932	-	306,967
Books and collections	3,954,876	100,648	-	4,055,524
Vehicles	64,319	-	-	64,319
Total capital assets being depreciated	5,064,715	129,448	-	5,194,163
Less accumulated depreciation for:				
Furniture and equipment	719,634	13,425	-	733,059
Computer equipment and software	282,035	2,493	-	284,528
Books and collections	3,578,747	102,113	-	3,680,860
Vehicles	64,319	-	-	64,319
Total accumulated depreciation	4,644,735	\$ 118,031	\$ -	4,762,766
Total capital assets being depreciated, net	419,980			431,397
Governmental activity capital assets, net	\$ 419,980			\$ 431,397

Additional information on the Library's capital assets can be found in note III.A.4. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2022, Appalachian Regional Library had no debt outstanding.

Management's Discussion and Analysis
Appalachian Regional Library
June 30, 2022

Economic Factors

The following key economic indicators reflect the growth and prosperity of the Library:

- Economic support from the State and counties continues to allow the Library to provide an adequate level of high quality services to the communities served.

Requests for Information

This report is designed to provide an overview of the Library's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Appalachian Regional Library, West Jefferson, NC, 28694, telephone (336) 846-2041.

Basic Financial Statements

Appalachian Regional Library
Statement of Net Position
June 30, 2022

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents		
Unrestricted	\$ 1,087,489	\$ 1,087,489
Restricted-Libraries	30,490	30,490
Accounts receivable (net)	44,188	44,188
Prepaid expenses	1,017	1,017
Total current assets	<u>1,163,184</u>	<u>1,163,184</u>
Noncurrent assets:		
Capital assets (Note III.A.4):		
Land, non-depreciable improvements, and construction in progress	-	-
Other capital assets, net of depreciation	431,397	431,397
Total noncurrent assets	<u>431,397</u>	<u>431,397</u>
Total assets	<u>1,594,581</u>	<u>1,594,581</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	460,278	460,278
Total deferred outflows of resources	<u>460,278</u>	<u>460,278</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	47,489	47,489
Long-term liabilities:		
Net pension liability	263,165	263,165
Due within one year	15,668	15,668
Due in more than one year	107,200	107,200
Total liabilities	<u>433,522</u>	<u>433,522</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	375,984	375,984
Total deferred inflows of resources	<u>375,984</u>	<u>375,984</u>
NET POSITION		
Net investment in capital assets	431,397	431,397
Restricted for:		
Stabilization by State Statute	44,188	44,188
Libraries	30,490	30,490
Unrestricted	739,278	739,278
Total net position	<u>\$ 1,245,353</u>	<u>\$ 1,245,353</u>

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

Appalachian Regional Library
Statement of Activities
June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
Cultural and recreation	\$ 2,634,315	\$ 53,357	\$ 369,449	\$ 73,118	\$ (2,138,390)	\$ (2,138,390)
Total governmental activities (See Note I)	2,634,315	53,357	369,449	73,118	(2,138,390)	(2,138,390)
Total primary government	\$ 2,634,315	\$ 53,357	\$ 369,449	\$ 73,118	\$ (2,138,390)	\$ (2,138,390)
General revenues:						
Unrestricted county appropriations					1,911,985	1,911,985
Unrestricted town appropriations					6,483	6,483
Grants and contributions not restricted to specific programs					253,713	253,713
Unrestricted investment earnings					2,163	2,163
Miscellaneous					2,000	2,000
Total general revenues					2,176,344	2,176,344
Change in net position					37,954	37,954
Net position, beginning					1,207,399	1,207,399
Net position, ending					\$ 1,245,353	\$ 1,245,353

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

**Appalachian Regional Library
Balance Sheet
Governmental Funds
June 30, 2022**

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 1,087,489	\$ 1,087,489
Restricted-Libraries	30,490	30,490
Receivables, net:		
Federal	-	-
Other	44,188	44,188
Prepaid expenses	1,017	1,017
Total assets	<u>\$ 1,163,184</u>	<u>\$ 1,163,184</u>
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 47,489	\$ 47,489
Total liabilities	<u>47,489</u>	<u>47,489</u>
FUND BALANCES		
Fund balances:		
Restricted		
Stabilization by State Statute	44,188	44,188
Ashe libraries	19,755	19,755
Watauga libraries	7,766	7,766
Wilkes libraries	2,969	2,969
Assigned		
Subsequent year's expenditures	201,193	201,193
Unassigned	839,824	839,824
Total fund balances	<u>1,115,695</u>	<u>1,115,695</u>
Total liabilities and fund balances	<u>\$ 1,163,184</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	431,397
Net pension liability	(263,165)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	460,278
Pension related deferrals	(375,984)
Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds (Note III.B.3.a).	(122,868)
Net position of governmental activities	<u>\$ 1,245,353</u>

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

Appalachian Regional Library
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 June 30, 2022

	Major Funds		Total Governmental Funds
	General Fund		
REVENUES			
Unrestricted intergovernmental	\$ 1,918,468	\$	1,918,468
Restricted intergovernmental	442,567		442,567
Investment earnings	2,163		2,163
Miscellaneous	309,072		309,072
Total revenues	<u>2,672,270</u>		<u>2,672,270</u>
EXPENDITURES			
Current:			
Cultural and recreation	2,621,559		2,621,559
Capital outlay	44,749		44,749
Total expenditures	<u>2,666,308</u>		<u>2,666,308</u>
Excess (deficiency) of revenues over expenditures	<u>5,962</u>		<u>5,962</u>
OTHER FINANCING SOURCES (USES)			
Sales of capital assets	-		-
Appropriated Fund Balance	-		-
Local matching funds	-		-
Total other financing sources (uses)	<u>-</u>		<u>-</u>
Net change in fund balance	5,962		5,962
Fund balances, beginning	1,109,733		1,109,733
Fund balances, ending	<u>\$ 1,115,695</u>	\$	<u>1,115,695</u>

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

Appalachian Regional Library
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2022

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

Net changes in fund balances - total governmental funds	\$	5,962
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
		11,417
Current year changes in pension deferrals		157,754
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		-
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		445
Pension expense		(137,624)
		37,954
Total changes in net position of governmental activities	\$	37,954

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

Appalachian Regional Library
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Unrestricted intergovernmental:				
City government	\$ 5,000	\$ 6,483	\$ 6,483	\$ -
County government	1,911,985	1,911,985	1,911,985	-
Total	<u>1,916,985</u>	<u>1,918,468</u>	<u>1,918,468</u>	<u>-</u>
Restricted intergovernmental:				
Federal grant	73,156	88,156	73,118	
State grant	378,293	369,449	369,449	
Total	<u>451,449</u>	<u>457,605</u>	<u>442,567</u>	<u>(15,038)</u>
Investment earnings	-	-	2,163	2,163
Miscellaneous:				
Gifts and donations	103,677	170,512	170,529	
Other grants	3,000	37,385	37,905	
Fines and fees	35,000	40,199	53,357	
E-rate discount revenue	36,595	45,280	45,280	
Miscellaneous revenue	-	2,000	2,000	
Total	<u>178,272</u>	<u>295,376</u>	<u>309,072</u>	<u>13,696</u>
Total revenues	<u>2,546,706</u>	<u>2,671,449</u>	<u>2,672,270</u>	<u>821</u>
Expenditures:				
Culture and recreation:				
Salaries			1,552,719	
Retirement, social security and other employee benefits			509,308	
Total	<u>2,109,082</u>	<u>2,130,360</u>	<u>2,062,027</u>	<u>68,333</u>
Library materials:				
Books and audiovisuals			144,307	
Periodicals and literacy materials			8,173	
Total	<u>158,219</u>	<u>185,121</u>	<u>152,480</u>	<u>32,641</u>
Other costs:				
Telecommunications and postage			63,766	
Printing			277	
Software			16,636	
Utilities			30,379	
Travel			9,800	
Maintenance and repairs:				
Equipment/building			74,174	
Vehicles			540	
Advertising and recruiting			933	
Auto supplies			3,124	
Supplies			85,678	

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

Appalachian Regional Library
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Contract and professional services			71,732	
Conferences and workshops			6,884	
Dues and subscriptions			17,960	
Insurance and bonds			11,234	
Rent			8,400	
Inter-library loan fees			659	
Miscellaneous expenses			4,876	
Total	<u>380,047</u>	<u>542,221</u>	<u>407,052</u>	<u>135,169</u>
Total cultural and recreational	<u>2,647,348</u>	<u>2,857,702</u>	<u>2,621,559</u>	<u>236,143</u>
Capital Outlay:				
Equipment	39,210	45,191	44,749	442
Total	<u>39,210</u>	<u>45,191</u>	<u>44,749</u>	<u>442</u>
Total expenditures	<u>2,686,558</u>	<u>2,902,893</u>	<u>2,666,308</u>	<u>236,585</u>
Revenues over (under) expenditures	<u>(139,852)</u>	<u>(231,444)</u>	<u>5,962</u>	<u>237,406</u>
Other financing sources (uses):				
Sale of assets	-	-	-	-
Local matching funds	-	-	-	-
Appropriated fund balance	144,438	231,444	-	(231,444)
Contingency	(4,586)	-	-	-
Total	<u>139,852</u>	<u>231,444</u>	<u>-</u>	<u>(231,444)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	5,962	<u>\$ 5,962</u>
Fund balance, beginning			<u>1,109,733</u>	
Fund balance, ending			<u>\$ 1,115,695</u>	

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

Appalachian Regional Library, North Carolina

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of the Appalachian Regional Library conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Appalachian Regional Library was created for the purpose of operating as a Regional Library in Ashe, Watauga and Wilkes Counties, North Carolina; it was created pursuant to North Carolina General Statutes 153 A-270. The twelve-member board of directors of the Library is appointed by the Commissioners of Ashe, Watauga and Wilkes Counties, with four (4) from each county. The Library has the power to approve its own budget, and it maintains its own accounting system. The Counties are not financially accountable for the Library. Therefore, the Library is reported as a joint venture in the notes to the financial statements of the Counties.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Library. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Library had no business-type activities or component units in the current year.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Library and for each function of the Library's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions

that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Library's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Library reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Library. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are federal and State grants and contributions from the Counties served by the Library. The primary expenditures are for cultural and recreational purposes.

The Library presently has no enterprise funds.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Library are maintained during the year using the modified accrual basis of accounting.

Government-wide Proprietary Fund Financial Statements. The government-wide proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations.

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Library considers all revenues available if they are collected within 90 days after year-end.

Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Library funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Library's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Library's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Library are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Library may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Library may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Library to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT). The Library's investments are generally reported at fair value.

2. Cash and Cash Equivalents

The Library pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Restricted Assets

The Library reports restricted cash for contributions made to the Library for a specified purpose that remains unspent. At June 30, 2022 those amounts are as follows:

Ashe	\$	9,116
Watauga		3,914
Wilkes		<u>13,427</u>
Total restricted cash	\$	<u><u>26,457</u></u>

4. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$2,500 for all capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost.

Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date

of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Vehicles	5
Furniture and Equipment	10
Books and Collections	7
Computer Equipment	5

5. Collections and Books

Values of individual books and library materials purchased by the Library typically fall well below the capitalization limit established by the Library however, the collections of books and library materials have an aggregate value that is material to the financial statements. Additionally, these materials have a useful life greater than one year. As such, the Library capitalizes and depreciates collections and books using a composite depreciation model.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Library has one item that meet this criterion, contributions made to the pension plan in the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Library has one item that meets the criterion for this category, deferrals of pension expense.

7. Long-Term Obligation

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental fund type statements of net position.

8. Compensated Absences

The vacation policy of the Library provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Library's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Library has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Library's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Library does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position / Fund Balances

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types 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. As of June 30, 2022, there were no funds in the nonspendable fund balance.

Restricted Fund Balance – This classification includes the amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Libraries – portion of fund balance that is restricted by revenue sources for use in specific library facilities.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Appalachian Regional Library’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. As of June 30, 2022, there were no funds in the committed fund balance. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – portion of fund balance that Appalachian Regional Library intends to use for a specific purpose.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

10. Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Library’s employer contributions are recognized when due and the Library has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance and Accountability

Our audit for the fiscal year ended June 30, 2022 disclosed no Material Violations of Finance-Related Legal and Contractual Provisions.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Library are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Library's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Library, these deposits are considered to be held by the Library's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Library or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Library under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Library has no policy regarding custodial credit risk for deposits.

At June 30, 2022, the Library's deposits had a carrying amount of \$1,117,979 and a bank balance of \$1,153,037. As of June 30, 2022, \$500,000 of the bank balance was covered by federal depository insurance, however the remainder was covered by collateral held under the pooling method.

3. Receivables – Allowance for Doubtful Accounts

As the Library fully expects to collect all accounts receivable, no allowance has been made for them. The amounts shown on the Balance Sheet and the Statement of Net Position are shown at their full carrying value.

4. Capital Assets

Primary Government

Capital asset activity for the Library for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Furniture and equipment	763,485	3,868	-	767,353
Computer equipment and software	282,035	24,932	-	306,967
Books and collections	3,954,876	100,648	-	4,055,524
Vehicles	64,319	-	-	64,319
Total capital assets being depreciated	5,064,715	129,448	-	5,194,163
Less accumulated depreciation for:				
Furniture and equipment	719,634	13,425	-	733,059
Computer equipment and software	282,035	2,493	-	284,528
Books and collections	3,578,747	102,113	-	3,680,860
Vehicles	64,319	-	-	64,319
Total accumulated depreciation	4,644,735	\$ 118,031	\$ -	4,762,766
Total capital assets being depreciated, net	419,980			431,397
Governmental activity capital assets, net	\$ 419,980			\$ 431,397

Depreciation expense was charged to functions/programs of the primary government as follows:

Cultural and recreational	\$ 118,031
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B. Liabilities

I. Pension Plan Obligation

a. Local Government Employees' Retirement System

Plan Description. Appalachian Regional Library is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members -- nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Library employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Library's contractually required contribution rate for the year ended June 30, 2022, was 11.35% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Library were \$157,755 for the year ended June 30, 2022.

Refunds of Contributions – Library employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2022, the Library reported a liability of \$263,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers,

actuarially determined. At June 30, 2021 (measurement date), the Library's proportion was 0.01716%, which was an increase of 0.00085% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Library recognized pension expense of \$137,624. At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 83,722	\$ -
Changes of assumptions	165,335	-
Net difference between projected and actual earnings on pension plan investments	-	375,984
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,466	-
Employer contributions subsequent to the measurement date	157,755	-
Total	<u>\$ 460,278</u>	<u>\$ 375,984</u>

\$157,755 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 47,272
2024	13,748
2025	(19,427)
2026	(115,054)
Thereafter	-
	<u>\$ (73,461)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures.

The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Library's proportionate share of the net pension asset to changes in the discount rate. The following presents the Library's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Library's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Library's proportionate share of the net pension liability (asset)	1,021,585	263,165	(360,970)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Other Post-Employment Benefits

The Library also provides the Supplemental Retirement Income Plan of North Carolina (State 401K Plan) to eligible employees. All employees who are members of the regular State retirement system are eligible to participate in the supplemental plan. Participation is voluntary on the part of the employee. For the year ended June 30, 2022, there were 13 employees covered by the plan, and they made contributions of \$50,052 during the year. The plan permits employees to defer a portion of their salaries to future years.

2. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance coverage for such risks of loss. Through this coverage, the Library obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Library does not carry flood insurance on any of the properties it operates.

In accordance with G.S. 159-29, the Library's employees that have access to \$100 or more at any given time of the Library's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

3. Long-term Obligation

a. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning 6/30/2021	Increases	Decreases	Ending 6/30/2022	Current Portion of balance
Compensated absences	\$ 123,313	\$ 5,888	\$ 6,333	\$ 122,868	\$ 15,668
Net pension liability (LGERS)	582,826	-	319,661	263,165	-
	<u>\$ 706,139</u>	<u>\$ 5,888</u>	<u>\$ 325,994</u>	<u>\$ 386,033</u>	<u>\$ 15,668</u>

C. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 1,115,695
Less:	
Stablization by State Statute	44,188
Ashe libraries	19,755
Watauga libraries	7,766
Wilkes libraries	2,969
Subsequent year's expenditures	<u>201,193</u>
Remaining fund balance	<u><u>839,824</u></u>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Library has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

V. Significant Effects of Subsequent Events

Management has evaluated subsequent events through August 5, 2022– the date the financial statements were available to be issued.

Required Supplementary Financial Data

Appalachian Regional Library's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Library's proportion of the net pension liability (asset) (%)	0.01716%	0.01631%	0.01553%	0.01635%	0.01723%	0.01726%	0.01766%	(.0184%)	0.0171%
Library's proportion of the net pension liability (asset) (\$)	\$ 263,165	\$ 582,826	\$ 424,112	\$ 387,878	\$ 263,227	\$ 366,315	\$ 79,257	\$ (108,749)	\$ 206,121
Library's covered-employee payroll	\$ 1,416,643	\$ 1,439,589	\$ 1,336,542	\$ 1,245,245	\$ 1,180,256	\$ 1,151,855	\$ 1,098,710	\$ 1,109,803	\$ 1,082,355
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	18.58%	40.49%	31.73%	31.15%	22.30%	31.80%	7.21%	-9.80%	19.04%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Local Government Employees' Retirement System

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Appalachian Regional Library's Contributions
Required Supplementary Information
Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 157,755	\$ 143,789	\$ 128,843	\$ 103,582	\$ 93,394	\$ 85,569	\$ 73,283	\$ 78,463	\$ 78,464
Contributions in relation to the contractually required contribution	157,755	143,789	128,843	103,582	93,394	85,569	73,283	78,463	78,464
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library's covered employee payroll	\$ 1,389,911	\$ 1,416,643	\$ 1,439,589	\$ 1,336,542	\$ 1,245,245	\$ 1,180,256	\$ 1,151,855	\$ 1,098,710	\$ 1,109,803
Contributions as a percentage of covered-employee payroll	11.35%	10.15%	8.95%	7.75%	7.50%	7.25%	6.36%	7.14%	7.07%

Individual Fund Statements and Schedules

APPALACHIAN REGIONAL LIBRARY
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	2022						2021		
	Budget	State	Federal LSTA Grants	Watauga County	Ashe County	Wilkes County	Total	Variance Favorable (Unfavorable)	Actual
REVENUE:									
Unrestricted:									
Intergovernmental:									
City Government	\$ 6,483	\$ -	\$ -	\$ -	\$ -	\$ 6,483	\$ 6,483	\$ -	\$ 5,000
County Government	1,911,985	-	-	699,960	518,500	693,525	1,911,985	-	1,765,126
Total	1,918,468	-	-	699,960	518,500	700,008	1,918,468	-	1,770,126
Restricted									
Intergovernmental:									
Federal grant	88,156	-	73,118	-	-	-	73,118	(15,038)	43,672
State grant	369,449	369,449	-	-	-	-	369,449	-	378,293
Total	457,605	369,449	73,118	-	-	-	442,567	(15,038)	421,965
Investment earnings									
Miscellaneous:									
Gifts and donations	170,512	-	-	70,240	24,562	75,727	170,529	-	130,039
Other grants	37,385	-	-	15,703	15,500	6,703	37,905	-	49,152
Fines and fees	40,199	-	-	20,784	15,062	17,512	53,357	-	34,259
E-rate discount revenue	45,280	45,280	-	-	-	-	45,280	-	61,740
Miscellaneous revenues	2,000	2,000	-	-	-	-	2,000	-	-
Total	295,376	47,280	-	106,726	55,124	99,942	309,072	13,696	275,190
Total revenues	2,671,449	416,729	73,118	807,218	574,920	800,285	2,672,270	821	2,470,876
EXPENDITURES:									
Cultural and recreational:									
Personnel:									
Salaries	-	186,226	-	538,304	374,555	453,634	1,552,719	-	1,509,976
Retirement, social security and other employee benefits	-	56,494	-	176,339	119,227	157,248	509,308	-	459,594
Total personnel costs	2,130,360	242,720	-	714,643	493,782	610,882	2,062,027	68,333	1,969,570
Library materials:									
Books and audio visuals	-	31,669	-	35,275	30,826	46,537	144,307	-	133,638
Periodicals and literacy materials	-	-	-	2,340	2,775	3,057	8,173	-	17,062
Total library materials costs	185,121	31,669	-	37,615	33,601	49,594	152,480	32,641	150,700
Other Costs:									
Telecommunications and postage	-	63,682	-	-	84	-	63,766	-	83,133
Printing	-	-	-	-	-	277	277	-	361

APPALACHIAN REGIONAL LIBRARY
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	2022						2021		
	Budget	State	Federal I-STA Grants	Watauga County	Ashe County	Wilkes County	Total	Variance Favorable (Unfavorable)	Actual
Software	-	16,636	-	-	-	-	16,636	-	11,949
Utilities	-	-	-	-	2,140	-	30,379	-	29,859
Travel	-	5,471	4,291	-	38	-	9,800	-	4,964
Maintenance and repairs: Equipment/Building	-	21,155	39,210	2,393	5,191	6,226	74,174	-	46,561
Vehicles	-	540	-	-	-	-	540	-	1,234
Advertising and recruiting	-	-	-	-	933	-	933	-	235
Auto supplies	-	3,124	-	-	-	-	3,124	-	1,893
Supplies	-	25,208	-	19,904	30,243	10,322	85,678	-	87,534
Contract and professional services	-	20,005	236	10,394	9,081	32,015	71,732	-	94,381
Conferences and workshops	-	-	4,322	529	70	1,963	6,884	-	1,554
Dues and subscriptions	-	6,099	-	4,617	3,235	4,009	17,960	-	16,613
Insurance and bonds	-	-	-	3,932	3,767	3,535	11,234	-	11,489
Rent	-	-	-	-	-	8,400	8,400	-	7,800
Inter library loan fees	-	659	-	-	-	-	659	-	646
Miscellaneous expenses	-	736	-	1,851	1,319	970	4,876	-	3,187
Total other costs	542,221	163,317	48,059	43,619	56,101	95,957	407,052	135,169	403,191
Capital Outlay									
Equipment	45,191	-	24,972	12,200	-	7,577	44,749	442	-
Total capital outlay	45,191	-	24,972	12,200	-	7,577	44,749	442	-
Total cultural and recreational expenditures	2,902,893	437,705	73,030	808,078	583,484	764,010	2,666,308	236,585	2,523,460
Revenues over (under) expenditures	(231,444)	(20,977)	87	(860)	(8,564)	36,275	5,962	237,406	(52,584)
Other financing sources (uses):									
Sale of assets	-	-	-	-	-	-	-	-	-
Local matching funds	-	-	-	-	-	-	-	-	-
Appropriated fund balance Contingency	231,444	-	-	-	-	-	-	(231,444)	-
Total other financing sources (uses)	231,444	-	-	-	-	-	-	(231,444)	-
Excess (deficiency) of revenues and other sources over (under) expenditures	\$ -	(20,977)	87	(860)	(8,564)	36,275	5,962	\$ 5,962	(52,584)
Fund Balances:									
Beginning of year, July 1		37,006	(7,865)	245,082	550,216	285,294	1,109,733		1,162,317
End of year, June 30		\$ 16,030	\$ (7,778)	\$ 244,222	\$ 541,652	\$ 321,569	\$ 1,115,695		\$ 1,109,733

Compliance Section

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

To the Board of Trustees
Appalachian Regional Library
West Jefferson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Appalachian Regional Library, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Appalachian Regional Library's basic financial statements, and have issued our report thereon dated August 5, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Appalachian Regional Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, NC

August 5, 2022