

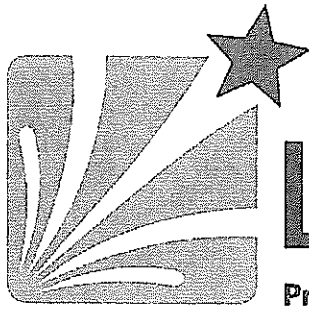
**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**

**FINANCIAL STATEMENTS**

**June 30, 2021**

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Central Rappahannock Regional  
**Library**

INSPIRING LIFELONG LEARNING  
FOR EVERYONE IN OUR COMMUNITY

Proudly serving Fredericksburg, Stafford, Spotsylvania, and Westmoreland

December 2021

Throughout FY2021 Central Rappahannock Regional Library (CRRL) continued to fulfill the mission of “inspiring lifelong learning for everyone in the community” despite the continued impact of the COVID-19 pandemic and a budget reduction of \$850,000. Each participating jurisdiction was tremendously helpful with our pandemic response. They assisted CRRL by providing enhanced cleaning and safety equipment including installing plexiglass shields for all public service desks and providing hand sanitizing stations. Stafford County also installed needlepoint bipolar ionization units in the HVAC systems at both the Howell and Porter branches. CRRL also received CARES funds from Stafford, Westmoreland, and the City of Fredericksburg to offset internal costs for COVID-related expenses.

The FY21 budget cuts necessitated eliminating all Sunday hours, closing one night a week at all branches, temporarily reducing salaries for administrative staff, and completely reworking the previous staffing model. The continued impact of the pandemic, especially on staffing, resulted in hours and services gradually being reinstated throughout the year, and by early FY22 branches were open for all budgeted hours. Thanks to additional funding from the two jurisdictions, one evening per week was reinstated at all Stafford locations and in the City of Fredericksburg in January 2022.

Many of the service adjustments that were made when the pandemic began in FY20 are now CRRL best practices and will continue long after the pandemic has ended. Curbside pickup provides materials to customers who never have to leave their cars, whether they are unable to enter the building due to mobility concerns, a sleeping child in a car seat, or concerns about possible COVID exposure. Demand for eBooks, eAudios and eVideos is still great and CRRL continues to dedicate more funds in those areas than ever before. The electronic platform that manages curbside pickup now allows customers to make their own meeting and study room reservations and even to make a notary appointment in advance.

CRRL continues to be a leader in library innovation. Thanks to funding from the City of Fredericksburg, the Fredericksburg Cable Commission, and donors and grants, in December 2020 CRRL opened IdeaSpace, a one-of-a-kind maker lab with a professional quality recording studio. Customers are able to reserve equipment such as laser cutters, sewing machines, or the soundbooth to create their own projects or for their small business. Customers can also check out equipment from IdeaSpace, such as GoPro cameras, a DJ controller and a variety of specialized microphones, to work on projects at home.



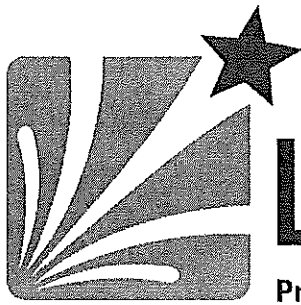
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The Fredericksburg Branch renovation project is complete! Thanks to a bequest, CRRL was able to purchase new bookstore-style wooden shelving for the children's and teen areas. This attractive new shelving will make browsing easier, particularly for younger customers, and allow more natural light. As part of the project a Youth Programming Room has also been created, freeing up the newly improved theater for community productions and events.

Stafford County repainted the parking lot at the Howell Branch and the large entry area at Porter, Westmoreland County assisted with landscaping and lighting, and the Town of Colonial Beach sealed and painted the concrete office floor. Additional building maintenance is already underway for FY22 including flooring updates in the Spotsylvania and Westmoreland branches. CRRL will also expend grant funds to purchase a new vehicle which will bring the Library on the Go program to Westmoreland County and begin circulating an exciting new collection, a Library of Things. This unique collection takes lifelong learning in an innovative direction and will provide customer access to a variety of objects such as outdoor games, tools and energy saving devices.

CRRL staff are very much looking forward to a return to normalcy as the world emerges from the COVID-19 pandemic.



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## MANAGEMENT'S DISCUSSION & ANALYSIS

The Management Discussion & Analysis (MD&A) offers the readers of the Central Rappahannock Regional Library's financial statements a narrative overview and analysis of the financial activities of Central Rappahannock Regional Library (CRRL) for the fiscal years ended June 30, 2021 and June 30, 2020.

### FINANCIAL HIGHLIGHTS

#### June 30, 2021

\*CRRL's assets exceeded its liabilities at the close of the fiscal year by \$1,202,432.

\*CRRL's total net position decreased this fiscal year by \$1,318,628 primarily due to an increase in the net pension liability.

\*CRRL's capital assets (net accumulated depreciation) increased this fiscal year by \$73,404 to end the year with a value of \$3,394,940. This increase in value occurred because of a slight increase in physical materials for the library collection and an increase in computer and other equipment.

\*At the close of FY 2021, CRRL's governmental funds reported combined ending fund balances of \$2,385,800, an increase of \$152,793 in comparison with the prior year.

\*At the end of FY 2021, unassigned fund balance for the General Fund was \$1,755,469 or 14.4% of total General Fund expenditure for the fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to CRRL's basic financial statements. CRRL's basic financial statements are comprised of three components: 1) Government (library)-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. CRRL's financial statements present two kinds of statements, each with a different snapshot of CRRL's finances. The focus is on both CRRL as a whole (library-wide) and the fund financial statements (General Fund). The Library-wide statements provide both short-term and long-term information about CRRL's overall financial status. The fund financial statements focus on individual parts of CRRL, reporting CRRL's operations in more detail than the library-wide statements. Both perspectives (library-wide and fund) along with supplemental information will enhance the reader's understanding of the financial condition of CRRL.



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## BASIC FINANCIAL STATEMENTS

### GOVERNMENT (LIBRARY)-WIDE FINANCIAL STATEMENT

Library-wide financial statements report information about CRRL as a whole. The governmental funds for CRRL include the General Fund, the Information Access Fund, and the other governmental funds. One of the most important questions asked about CRRL's finances is "Is the library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are library-wide statements, report information about library finances as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities prepared using the economic resources measurement focus and the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations. CRRL's total assets at the close of the fiscal year were \$6,623,137. Of this amount, \$3,394,940 was investments in capital assets. CRRL's total liabilities were \$5,420,705. Of this amount, \$745,959 was compensated absences, \$3,430,536 was net pension liability, and \$401,813 was net Other Post-Employment Benefits liability. The investments in capital assets were \$3,394,940. There were no permanently restricted assets. Unrestricted assets were a deficit of \$2,192,508. CRRL experienced a decrease in net position of \$1,318,628 compared to FY 2020 and CRRL closed the fiscal year with a net position of \$1,202,432. Program revenues totaling \$12,413,527 were received from the City of Fredericksburg (\$1,393,444) and the Counties of Spotsylvania (\$4,339,883) Stafford (\$5,346,461 ) and Westmoreland (\$469,288), from the Commonwealth of Virginia (\$766,746) grants-in-aid to public libraries, and from various donations and grants (\$97,705.). Revenues received from fines, investments and other contributions totaled \$24,726. Total governmental revenues for FY 2021 were \$12,438,253. Total governmental expenditures were \$13,756,881. This was a change in net position of \$1,318,628 resulting in a total net position of \$1,202,432.

### FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide a more detailed look at CRRL's most significant activities. All of CRRL's basic services are accounted for in the General Fund. The General Fund focus is on 1) cash and other financial resources that can be readily converted to cash flow in and out, and 2) balances left at year-end that are available for spending. The General Fund statements provide a view of CRRL'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. CRRL adopts an annual budget for its General Fund. These appropriations are requested by CRRL according to a formula specified in the contract between the participating jurisdictions (Fredericksburg, Spotsylvania, Stafford, and Westmoreland). The revenues received from these jurisdictions for FY 2021 totaled \$11,472,318. Additionally, CRRL received a grant-in-aid from the Commonwealth of Virginia totaling \$766,746 and \$112,663 from contributions, investments, and miscellaneous income. Total revenues were \$12,351,727. General Fund FY 2021 expenses totaled \$12,184,619. This was an excess of revenues over expenses of \$167,108. After a transfer of \$30,000 to the Vehicle Fund, the ending fund balance in the General Fund was \$2,047,557, of which \$1,755,469 is unassigned.

### NOTES

The notes provide additional information that helps with the understanding of the data provided in the government-wide and fund financial statements. The notes to the CRRL's financial statements show that CRRL is in compliance with accounting principles generally accepted in the United States. The notes are presented in compliance with the GASB 34 model. The audit includes the MD&A, library-wide financial statement, statement of net position, and statement of activities focusing on CRRL's function.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**STATEMENT OF NET POSITION** The following table reflects condensed information on CRRL's net position:

### SUMMARY OF STATEMENT OF NET POSITION

	2020 <u>Governmental Activities</u>	2021 <u>Governmental Activities</u>		
Current and other assets	\$ 2,867,576	\$ 3,228,197		
Capital assets	<u>3,321,536</u>	<u>3,394,940</u>		
<b>Total assets</b>	<b>\$ <u>6,189,112</u></b>	<b>\$ <u>6,623,137</u></b>		
Current and other liabilities	\$ 1,144,611	\$ 842,397		
Long-term liabilities	<u>2,523,441</u>	<u>4,578,308</u>		
<b>Total liabilities</b>	<b>\$ <u>3,668,052</u></b>	<b>\$ <u>5,420,705</u></b>		
Investments in capital assets	\$ 3,321,536	\$ 3,394,940		
Restricted net position	0	0		
Unrestricted net position	<u>(800,476)</u>	<u>(2,192,508)</u>		
<b>Total net position</b>	<b>\$ <u>2,521,060</u></b>	<b>\$ <u>1,202,432</u></b>		

### SUMMARY OF STATEMENT OF ACTIVITIES

	2020 <u>Governmental Activities</u>	2021 <u>Governmental Activities</u>		
<b>Revenues</b>				
Local governments, State Aid, and other	\$ 13,100,449	\$ 12,438,253		
<b>Total revenues</b>	<b>\$ <u>13,100,449</u></b>	<b>\$ <u>12,438,253</u></b>		
<b>Expenditures</b>				
Education, cultural, and recreation	\$ 13,978,390	\$ 13,756,881		
<b>Total expenditures</b>	<b>\$ <u>13,978,390</u></b>	<b>\$ <u>13,756,881</u></b>		
Increase (decrease) in net position	\$ (877,941)	\$ (1,318,628)		
Net position, beginning of year	\$ 3,399,001	\$ 2,521,060		
<b>Net position, end of year</b>	<b>\$ <u>2,521,060</u></b>	<b>\$ <u>1,202,432</u></b>		

## GENERAL FUND BUDGET

For the year ended June 30, 2021, total revenue for the General Fund was \$12,351,727 compared with the year ended June 30, 2020 revenue, which was \$12,943,092. Operating contributions are the largest component of revenue. Local government contributions are the largest single source of operating contributions, \$11,472,318 for the year ended June 30, 2021 (approximately 92.9% of the total program revenues), and \$11,977,596 for the year ended June 30, 2020 (approximately 92.5% of the total program revenues). For the year ended June 30, 2021, the remaining contribution was \$766,746 (6.2%) for state aid and \$112,663 (.9%) for other contributions. Total expenditure for the General Fund for the year ended June 30, 2021, was \$12,184,619 representing an excess of revenues over expenditures of \$167,108 as compared to total expenditures for the year ended June 30, 2020, which was \$13,614,287 representing an excess of expenditures over revenues of \$671,195.

CRRL's net position reflects its investments in capital assets (vehicles, furniture, fixtures, equipment, and materials). CRRL uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Personnel-related expenses of \$9,250,960 for the year ended June 30, 2021, and \$10,681,250 for the year ended June 30, 2020, were the largest expenses for library services. For the fiscal year ended June 30, 2021, the second largest expense for library services was books, periodicals, and other related materials, \$1,117,492 as compared to \$1,052,681 for the year ended June 30, 2020. Other operating expenditures for the delivery of library services totaled \$1,816,167 for the fiscal year ended June 30, 2021, as compared to \$1,880,356 for the fiscal year ended June 30, 2020.

The total fund balance in the General Fund at year end June 30, 2021, was \$2,047,557 (17% of total expenditures), compared with \$1,910,449 (14% of total expenditures) at year end June 30, 2020. The budget for the General Fund for the year ended June 30, 2021 was amended to reflect an increase in State Aid of \$42,485 added to the Materials budget, and a transfer of \$250,000 from Benefits and \$70,000 from Supplies to Furniture and Equipment in the amount of \$295,000 and to Admin Center in the amount of \$25,000.

## INFORMATION ACCESS FUND

The fund balance for the Information Access Fund at the beginning of FY 2021 was \$2,482. Total revenue for FY 2021 was \$9,717 as compared to \$57,724 for FY 2020. Expenditures for FY 2021 were \$3,875 as compared with \$62,380 for FY 2020. The fund balance for this fund was \$8,324 as of June 30, 2021 as compared to \$2,482 for the year ended June 30, 2020.

## OTHER GOVERNMENTAL

At year end June 30, 2021, CRRL had revenues of \$76,809 for all other funds, including Law and Vehicle, as compared to \$99,633 for the year ended June 30, 2020. Total expenditures for the year ended June 30, 2021, were \$96,966 as compared to \$108,466 for the year ended June 30, 2020; and there was an excess of expenditures over revenues of \$20,157 for the year ended June 30, 2021, as compared to a revenue excess of \$8,833 for the year ended June 30, 2020. The beginning fund balance for FY 2021 was \$320,076, as compared with \$328,909 for FY 2020. After a \$30,000 transfer from the General Fund to the Vehicle Fund, the ending fund balance for the year ended June 30, 2021 was \$329,919, as compared to the ending fund balance of \$320,076 for the year ended June 30, 2020.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

CRRL investments in capital assets as of June 30, 2021, total \$3,394,940 as compared with \$3,321,536 for the year ended June 30, 2020. The primary components of the assets are the collections, computers, furniture, and vehicles.

### CAPITAL ASSETS As of June 30, 2021

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets being depreciated:				
Collections	\$ 7,680,034	\$ 582,352	\$ 1,624,147	\$ 6,638,239
Computers	637,532	195,790	74,149	759,173
Furniture	309,615	0	0	309,615
Vehicles	262,195	0	0	262,195
Leasehold Improvements	\$ 102,752	0	0	\$ 102,752
<b>Total capital assets, being depreciated</b>	<b>\$ 8,992,128</b>	<b>\$ 778,142</b>	<b>\$ 1,698,296</b>	<b>\$ 8,071,974</b>
Less accumulated depreciation for:				
Collections	\$4,950,945	\$ 569,308	\$ 1,624,147	\$ 3,896,106
Computers	426,663	83,260	73,650	436,273
Furniture and other equipment	84,552	24,915	0	109,467
Vehicles	204,489	23,331	0	227,820
Leasehold Improvements	\$ 3,943	3,425	0	\$ 7,368
<b>Total accumulated depreciation</b>	<b>\$ 5,670,592</b>	<b>\$ 704,239</b>	<b>\$ 1,697,797</b>	<b>\$ 4,677,034</b>
<b>Total capital assets, net government activities</b>	<b>\$ 3,321,536</b>	<b>\$ 73,903</b>	<b>\$ 499</b>	<b>\$ 3,394,940</b>

## LONG-TERM DEBT

CRRL's long-term debt includes compensated absences. The total for the year ended June 30, 2021, was \$745,959. This compares with a total of \$699,717 for the year ended June 30, 2020.

## LONG-TERM DEBT

### As of June 30, 2021

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due within one year
Compensated absences	\$699,717	\$541,942	\$495,700	\$745,959	\$565,750

Also, CRRL's net pension liability (NPL) and net Other Post-Employment Benefits (OPEB) liability are considered long-term debt. As required by the Governmental Accounting Standards Board (GASB) Statement 68 and Statement 75 respectively, the NPL in the amount of \$3,430,536 and the OPEB in the amount of \$401,813 were reflected in the Statement of Net Position as non-current liabilities. The NPL and OPEB are calculated based upon actuarial information as of June 30, 2019, the measurement date.

### **Budget highlights for the fiscal year ending June 30, 2022**

The CRRL's fiscal year 2022 budget is \$12,294,620. This is an increase in local funding of 1.06% and a decrease in state aid of 0.42%.

### **Economic factors in 2021-22 budget**

This year's budget request reflects a slow return to more normal operations amid the ongoing pandemic. Many previous Covid-19 restrictions have been lifted, however, periodic surges in local transmission and infection rates continue to affect many business, schools and government services in our area including CRRL. The original budget request for FY 2022 was a 2.85% increase over FY 2021; however, final approved funding for FY 2022 ended up being a .97% increase. Stafford County, City of Fredericksburg, and Westmoreland County funded CRRL's full FY 2022 request; Spotsylvania County appropriated funding level to FY 2021 and state aid was down slightly from the previous year.

State funding is often hard to predict. Local support, number of jurisdictions served, population, and the number of square miles encompassed by the service region comprise the state aid funding formula. State aid to public libraries is contingent on the Library's local funding levels remaining at or above the current year's level. We were awarded slightly less in FY 2022 than in FY 2021. We are hoping for a slight increase in state aid funding in FY 2023. CRRL receives the largest state aid grant awarded in the Commonwealth.

The goal for this year is to continue to increase services to library customers and expand operations. In January 2022, we were able to restore evening hours in Stafford and Fredericksburg and hope FY23 funding will allow us to do the same in Spotsylvania. While most of our branch hours have resumed, we continue to operate a reduced staffing model in order to mitigate risk of Covid-19 transmission and have needed to pivot back to curbside pickup only during surges. However, we are now able to offer a mix of virtual and in-person classes and events and most of our in-library services have resumed. Based on demand, e-materials continue to be a collection priority as they offer customers maximum flexibility and can be accessed or streamed on a smartphone, home computer or smart television. Despite continued limitations due to the ongoing pandemic, we are continually striving to engage our customers and create meaningful learning opportunities for all.

**FINANCIAL SECTION**

Robert T. Bishop, CPA  
Elaine F. Farmer, CPA

Harry B. F. Franklin, Jr., CPA  
Harry D. Dickinson, Ph.D., CPA



Members <sup>9</sup>  
American Institute of  
Certified Public Accountants

## REPORT OF INDEPENDENT AUDITORS

Members of the Board of Trustees  
Central Rappahannock Regional Library  
Fredericksburg, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Rappahannock Regional Library, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Central Rappahannock Regional 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 opinion.

**Opinion**

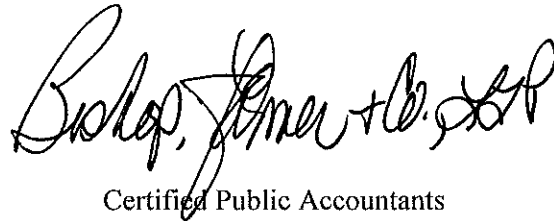
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Rappahannock Regional Library, as of June 30, 2021, and the respective changes in financial position, for the year then ended in conformity 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 the required supplementary information schedules 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2022, on our consideration of the Central Rappahannock Regional Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Rappahannock Regional Library's internal control over financial reporting and compliance.



Certified Public Accountants

Fredericksburg, Virginia  
February 17, 2022

## CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

## STATEMENT OF NET POSITION

June 30, 2021

*Exhibit I***ASSETS**

Pooled cash and investments	\$ 2,967,839
Receivables	20,205
Prepaid expenses	240,153
Capital assets (net of accumulated depreciation)	<u>3,394,940</u>
<b>Total Assets</b>	<b>\$ <u>6,623,137</u></b>

**LIABILITIES**

Accounts payable and accrued expenditures	\$ 840,897
Deferred revenue	1,500
Noncurrent liabilities	
Compensated absences	745,959
Net pension liability	3,430,536
Net OPEB liability	<u>401,813</u>
<b>Total Liabilities</b>	<b>\$ <u>5,420,705</u></b>

**NET POSITION**

Net investment in capital assets	\$ 3,394,940
Unrestricted (Deficit)	<u>(2,192,508)</u>
<b>Total Net Position</b>	<b>\$ <u>1,202,432</u></b>

See Notes to Financial Statements.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2021**

*Exhibit II*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue &amp; Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
Education, culture, and recreation	\$ 13,756,881	\$	\$ 12,413,527	\$	\$ (1,343,354)
<b>Total</b>	<b>\$ 13,756,881</b>	<b>\$</b>	<b>\$ 12,413,527</b>	<b>\$</b>	<b>\$ (1,343,354)</b>
General revenues:					
Fees and charges					\$ 9,717
Interest and investment earnings					7,559
Other					<u>7,450</u>
Total general revenues					\$ <u>24,726</u>
Change in net position					\$ (1,318,628)
Net Position, beginning					<u>2,521,060</u>
Net Position, ending					\$ <u>1,202,432</u>

See Notes to Financial Statements.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS**

**June 30, 2021**

*Exhibit III*

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Pooled cash and investments	\$ 2,634,978	\$ 8,280	\$ 324,581	\$ 2,967,839
Receivables	10,956	44	9,205	20,205
Prepaid expenses	<u>240,153</u>	<u>          </u>	<u>          </u>	<u>240,153</u>
<b>Total Assets</b>	<b>\$ <u>2,886,087</u></b>	<b>\$ <u>8,324</u></b>	<b>\$ <u>333,786</u></b>	<b>\$ <u>3,228,197</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenditures	\$ 837,030	\$	\$ 3,867	\$ 840,897
Deferred revenue	<u>1,500</u>	<u>          </u>	<u>          </u>	<u>1,500</u>
<b>Total Liabilities</b>	<b>\$ <u>838,530</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>3,867</u></b>	<b>\$ <u>842,397</u></b>
Fund Balances:				
Nonspendable:				
Prepays	\$ 240,153	\$	\$	\$ 240,153
Restricted:				
Law library			258,608	258,608
Committed			71,311	71,311
Assigned	51,935			51,935
Unassigned	<u>1,755,469</u>	<u>8,324</u>	<u>          </u>	<u>1,763,793</u>
<b>Total Fund Balances</b>	<b>\$ <u>2,047,557</u></b>	<b>\$ <u>8,324</u></b>	<b>\$ <u>329,919</u></b>	<b>\$ <u>2,385,800</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>2,886,087</u></b>	<b>\$ <u>8,324</u></b>	<b>\$ <u>333,786</u></b>	<b>\$ <u>3,228,197</u></b>

*Adjustments for Statement of Net Assets*

Total fund balances, above	\$ 2,385,800
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	3,394,940
Compensated absences not reported as fund liabilities	(745,959)
Net pension liability not reported as fund liabilities	(3,430,536)
Net OPEB liability not reported as fund liabilities	<u>(401,813)</u>
Net position of governmental activities	<b>\$ <u>1,202,432</u></b>

See Notes to Financial Statements.



**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS**

**Year Ended June 30, 2021**

*Exhibit IV*

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local governments	\$ 11,472,318	\$	\$ 76,758	\$ 11,549,076
Contributions	97,705			97,705
Fees and charges		9,717		9,717
Investment income	7,508		51	7,559
Other	7,450			7,450
Intergovernmental	<u>766,746</u>			<u>766,746</u>
<b>Total Revenues</b>	<b>\$ <u>12,351,727</u></b>	<b>\$ <u>9,717</u></b>	<b>\$ <u>76,809</u></b>	<b>\$ <u>12,438,253</u></b>
<b>EXPENDITURES</b>				
Current:				
Education, culture, and recreation	\$	\$ 3,875	\$ 96,966	\$
Capital outlay				
<b>Total Expenditures</b>	<b>\$ <u>12,184,619</u></b>	<b>\$ <u>3,875</u></b>	<b>\$ <u>96,966</u></b>	<b>\$ <u>12,285,460</u></b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ <u>167,108</u></b>	<b>\$ <u>5,842</u></b>	<b>\$ <u>(20,157)</u></b>	<b>\$ <u>152,793</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$		\$ 30,000	\$ 30,000
Transfers out	<u>(30,000)</u>			<u>(30,000)</u>
<b>Total Other Financing Sources and Uses</b>	<b>\$ <u>(30,000)</u></b>	<b>\$</b>	<b>\$ <u>30,000</u></b>	<b>\$</b>
<b>Net Change in Fund Balances</b>	<b>\$ 137,108</b>	<b>\$ 5,842</b>	<b>\$ 9,843</b>	<b>\$ 152,793</b>
Fund Balances (Deficit), beginning	<u>1,910,449</u>	<u>2,482</u>	<u>320,076</u>	<u>2,233,007</u>
Fund Balances (Deficit), ending	<b>\$ <u>2,047,557</u></b>	<b>\$ <u>8,324</u></b>	<b>\$ <u>329,919</u></b>	<b>\$ <u>2,385,800</u></b>

*Adjustments for statement of activities*

Net change in fund balances	\$ 152,793
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	73,404
Accrued leave reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds until paid	(46,242)
The change in the net pension liability and OPEB liability is determined by an actuarial valuation and does not require the use of current financial resources and, therefore, is not reported in the governmental funds until paid	<u>(1,498,583)</u>
Change in net position of governmental activities	<b>\$ <u>(1,318,628)</u></b>

See Notes to Financial Statements.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY****NOTES TO FINANCIAL STATEMENTS****Note 1. Summary of Organization and Significant Accounting Policies****Organization**

Central Rappahannock Regional Library is supported by the Counties of Stafford, Spotsylvania, Westmoreland and the City of Fredericksburg, Virginia. The Library operates ten main branches throughout these supported regions including the Barbara J. Fried Center, a joint use branch, in partnership with Germanna Community College. In addition, IdeaSpace: Making and Media Lab offering a digital media lab and various technology to borrow is located in downtown Fredericksburg and two satellite locations provide library service to rural Spotsylvania communities. The Library offers additional services including Library-On-The-Go outreach and the Central Rappahannock Regional Public Law Library located at the Fredericksburg branch with digital access available at other locations..

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

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

**Basis of Accounting and Accounting Presentation*****A. Reporting Identity***

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Library is able to exercise oversight responsibilities. Based upon the application of these criteria, the Library has no component units.

***B. Government-Wide Financial Statements***

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Library only has nonfiduciary governmental activities.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**Page 2**

**Note 1. Summary of Organization and Significant Accounting Policies (Continued):**

**Statement of Net Position** – The Statement of Net Position is designed to display the financial position of the primary government. Governments report all capital assets, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

**Statement of Activities** – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

**C. Fund Financial Statements**

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

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The Library reports the following major governmental funds:

The *general fund* is the Library’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *information access fund* is used to account for financial resources to be used for information systems.

Other governmental funds are comprised of the following:

Law fund is used to operate and purchase circulation materials for the Law Library. Vehicle fund is used to purchase replacement vehicles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY****NOTES TO FINANCIAL STATEMENTS****Page 3****Note 1. Summary of Organization and Significant Accounting Policies (Continued):*****D. Financial Presentation***

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. Contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general purpose grants are recognized during the period to which the grants apply.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts, which are recorded as compensated absences, and are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when paid.

***E. Budgets and Budgetary Accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the adopted budgets as amended.

***F. Equity in Pooled Cash and Investments***

Cash resources of the individual funds are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements and obligations of the Federal Government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required.

All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

Investments for the government are reported at fair value. The Local Government's Investment Pool operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments are also held in brokerage accounts with financial institutions. These investments are primarily held in certificates of deposit.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Organization and Significant Accounting Policies (Continued):**

***G. Prepaid Items***

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

***H. Capital Assets***

Capital assets, which include property 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 in excess of two years. Bulk purchases are considered for capitalization for groups of related assets purchased in bulk exceeding an aggregate of \$20,000. Renovations and building improvements are considered for capitalization for amounts exceeding \$15,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Due to capitalization policy criteria, capital assets reported in the Government-Wide Financial Statements will vary from capital expenditures reported in the Governmental Funds Financial Statements.

The Library has no infrastructure assets except for leasehold improvements.

Property and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Collections	10
Vehicles	4-10
Furniture	5-20
Computer equipment	3-10
Leasehold improvements	5-20

***I. Accrued Compensated Absences***

The Library employees accrue compensated absences (paid time off) when vested. The cost of accrued leave is recorded in the government-wide financial statements.

***J. Governmental Fund Balances***

In the governmental fund financial statements, fund balances are classified as follows:

**Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**Page 5**

**Note 1. Summary of Organization and Significant Accounting Policies (Continued):**

**Committed** – Amounts that can be used only for specific purposes determined by a formal action by the Board of Trustees.

**Assigned** – Amounts that are designated by the Library Director for a particular purpose.

**Unassigned** – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Library's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Library's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

***K. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$	778,142
Depreciation expense		(704,239)
Loss on asset disposal		<u>(499)</u>
<b>Total</b>	<b>\$</b>	<b><u>73,404</u></b>

Non-current liabilities are reported in the government-wide financial statements for pension, OPEB and compensated leave. The expenses related to these liabilities are reported in the governmental funds in the combined statement of revenues, expenditures and changes in fund balance as an expense when paid. The amount of non-current liabilities total \$4,578,308.

***L. Contributed Facilities***

The Library occupies without charge certain premises located in government-owned buildings. The estimated fair rental value of the premises is not available. Therefore, the estimated fair rental value has not been reported as revenue and expense in these financial statements.

***M. Employee Benefit Summary***

The Library provides the following employee benefit programs:

- Virginia Retirement System as described in Note 8.
- Other Post-Retirement Employee Benefits as described in Note 10.
- Health and dental insurance for full-time and part-time employees with some portion of employee cost sharing based upon plan selected and full-time/part-time status.
- Deferred compensation (457) plan; employee funded with limited employer match.
- Other Post-Employment Health Benefits as described in Note 9.

## CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

## NOTES TO FINANCIAL STATEMENTS

## Page 6

**Note 1. Summary of Organization and Significant Accounting Policies (Continued):**

The Library provides various other employee benefits as described in the employee handbook including flexible spending accounts (FSA) as payroll deductions.

***N. Use of Estimates***

Management of the Library has made various estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenditures and disclosures to the financial statements in order to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

***O. Impact of COVID-19 Pandemic***

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The Library experienced partial operations at the Library's facilities, staffing shortages and decreased funding during FY21. To compensate for a reduction of services to the public due to the pandemic, curbside pick-up of materials was offered. In addition, increased demand for e-materials has allowed the Library to provide materials to the public as an alternative to in-person visits to the Library's facilities.

The continued affect of the pandemic on operations cannot be predicted and will depend on certain developments, including the duration and spread of the outbreak.

In October 2021, the Library entered into a Memorandum of Agreement with the Library of Virginia for a grant award pertaining to the American Rescue Plan Act in the amount of \$96,251. The award period ends September 30, 2022.

**Note 2. Deposits and Investments**

***Deposits:*** All cash, including sweep accounts, of the Library is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

***Investments:*** Statutes authorize the Library to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, the State Treasurer's Local Government Investment Pool (LGIP) and various other "prime quality" investments at authorized institutions.

At year end, the Library's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
LGIP	\$ 1,116,929

***Interest Rate Risk.*** Through its investment policy, the Library manages its exposure to fair value losses arising from interest rate risk to limiting the maturities of investments. All of the portfolio is in investments maturing overnight.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Deposits and Investments (Continued):**

*Credit Risk.* The primary investment objectives are safety, liquidity and return on investment. The Library limits investments in corporate bonds to AAA and higher. In addition, certificates of deposit are held in brokerage at various times during the year.

*Note:* Standard & Poor's has assigned an "AAAf/S1" rating to the Local Government Investment Pool (LGIP).

**Note 3. Changes in Capital Assets**

A summary of changes in capital assets follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
Building and leasehold improvements	\$ 102,752	\$	\$	\$ 102,752
Collections	7,680,034	582,352	1,624,147	6,638,239
Computers	637,532	195,790	74,149	759,173
Furniture	309,615			309,615
Vehicles	<u>262,195</u>	<u>                    </u>	<u>                    </u>	<u>262,195</u>
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ <u>8,992,128</u></b>	<b>\$ <u>778,142</u></b>	<b>\$ <u>1,698,296</u></b>	<b>\$ <u>8,071,974</u></b>
Less accumulated depreciation for:				
Building and leasehold improvements	\$ 3,943	\$ 3,425	\$	\$ 7,368
Collections	4,950,945	569,308	1,624,147	3,896,106
Computers	426,663	83,260	73,650	436,273
Furniture	84,552	24,915		109,467
Vehicles	<u>204,489</u>	<u>23,331</u>	<u>                    </u>	<u>227,820</u>
<b>Total Accumulated Depreciation</b>	<b>\$ <u>5,670,592</u></b>	<b>\$ <u>704,239</u></b>	<b>\$ <u>1,697,797</u></b>	<b>\$ <u>4,677,034</u></b>
<b>Total Capital Assets, Net Governmental Activities</b>	<b>\$ <u>3,321,536</u></b>	<b>\$ <u>73,903</u></b>	<b>\$ <u>499</u></b>	<b>\$ <u>3,394,940</u></b>

Depreciation was charged to the education, culture and recreation function.

**Note 4. Receivables**

At June 30, 2021, the amount of \$10,903 was due from Central Friends of the Library.

**Note 5. Donated Services**

No amounts have been reflected in the financial statements for donated services. The Library pays for most services required to operate the facility. However, many individuals volunteer their time and perform a variety of tasks that assist the Library with specific needs. During FY21, the Library received no volunteer assistance due to COVID-19 restrictions.



**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**Page 8**

**Note 6. Facility Leases**

**Library Administration Center:**

In April 2017, the lease for the Library Administration Center (LAC) with approximately 27,300 square feet, located at 125 Olde Greenwich Drive within the City of Fredericksburg commenced with an initial lease term of fifteen years ending March 31, 2032. The lease provides for three extension terms of five years each with rent to be negotiated at the time of the extension. The initial monthly lease charge was \$18,029.50 with scheduled annual three percent increases each year. The space functions for administrative offices and the warehouse. The total commitment over the fifteen-year lease term is \$4,023,949. The Library is not charged for additional common area maintenance during the term of the initial lease for this location.

Beginning in January 2018, the Library entered into a lease addendum for the LAC for additional space for Suites 150 and 155. The monthly rent for this space is currently \$4,670.22 and is scheduled to increase on July 1, 2021 to \$4,810.33. The additional space is subject to the same terms and conditions as the original lease which was effective July 1, 2017. The CAM charges for Suites 150 and 155 are \$374.89 per month and increases during the term of the lease. The total CAM charges scheduled for the initial fifteen-year term is \$74,512. The total base rent charges over the fifteen-year term are \$897,137.

The Landlord pays all real estate taxes and insurance on the demised premises and is also responsible for payment for water, sewer, trash, snow removal, landscaping and common area lighting.

The Friends of the Library agreed to provide funding for one-third of the cost of the lease addendum for Suites 150 and 155. During FY21, due to COVID-19 restrictions, the bookstore was closed. The Library agreed to pay the full rent for Units 150 and 155 due to the closures.

**Idea Space – Making and Media:**

The Library entered into a lease for a building located at 1616 Princess Anne Street in Fredericksburg on May 13, 2019. The purpose of the lease is to provide a makers lab. COVID restrictions have limited operations in FY2021. The initial lease term is three years with an initial annual lease of \$23,040. The rent increases each annual period by four percent of the preceding annual rent amount. The lease provides for one renewal period of two years. The initial year of the renewal period commences with an annual rent of \$25,916.87 with continued rent escalation of four percent each succeeding year. The Library is responsible for payment of utilities and insurance and is also responsible for payment of additional rent to cover charges for real estate taxes and other fees. A security deposit was paid in the amount of \$1,639.40. The total base rent charges for over the initial period of the lease will be \$71,921.65.

Future minimum lease payments are as follows:

2022	\$	328,274
2023		315,669
2024		325,139
2025		332,909
2026		342,896
Thereafter		<u>2,564,622</u>
	\$	<u>4,209,509</u>

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**Page 9**

**Note 6. Facility Leases (Continued)**

Rent expense totaled \$321,590 for FY21.

In August 2018, Spotsylvania County entered into a five-year lease agreement for a Library branch located at Spotsylvania Towne Centre Mall. Carafo Company, owner of the Spotsylvania Towne Centre Mall, is providing the space rent free over the lease term.

**Note 7. Compensated Absences**

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

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Compensated Absences	\$ 699,717	\$ 541,942	\$ 495,700	\$ 745,959

**Note 8. Defined Benefit Pension Plan**

**A. Plan Description**

VRS is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is considered an agent multiple-employer Public Employee Retirement System (PERS) with separate cost-sharing pools for each locality. All full-time, salaried, permanent employees of participating employers are eligible to become members of VRS.

VRS administers three benefit plans for local government employees – Plan 1 and Plan 2 (defined benefit plans) and a Hybrid Plan.

**Plan Summary**

*Eligibility:*

Plan 1 – Members hired prior to July 1, 2010, and who were vested as of January 1, 2013.

Plan 2 – Members hired on or after July 1, 2010 but prior to January 1, 2014 or members hired prior to July 1, 2010 and who were not vested as of January 1, 2013.

Hybrid – Members hired on or after January 1, 2014 or by member election.

*Employee Contributions:*

Defined Benefit – Active members in Plan 1 and Plan 2 contribute five percent of their creditable compensation per year. Active members in the Hybrid Plan contribute four percent of their creditable compensation per year.

Defined Contribution – Active members in the Hybrid Plan are required to contribute one percent of their creditable compensation per year to the defined contribution component of the Hybrid Plan. Active members can make voluntary contributions of up to four percent of their creditable compensation.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

*Service:*

Employees receive credit of one month of service for each month a contribution is made on their behalf to VRS. A member may also purchase credit for certain periods, such as time spent in the military, by paying a purchase rate established by the VRS Board. Special rules govern and limit the purchase of additional service.

*Payment Options:*

Payment options include survivor options, leveling option and partial lump sum option. Cost of living increases are based upon the Consumer Price Index.

*Disability Retirement:*

Plan 1 and Plan 2 members are eligible from the first day of employment with benefits reduced by Worker's Compensation, if any.

Hybrid members are covered by the Virginia Local Disability Program (VLDP). Under VLDP, these members receive a deferred benefit payable at normal retirement from the Plan. The deferred benefit is computed like a normal retirement benefit. If a member dies while disabled and before normal retirement, a death benefit will be determined as though the employee were an active member.

*Normal Retirement Provisions:*

Under the provision of Plan 1, a member is eligible to retire upon Normal Retirement on or after age 65 with credit for five years of service. Under the provision of Plan 2 and the Hybrid Plan, a member is eligible to retire upon Normal Retirement after reaching Social Security normal retirement age plus five years of service.

The annual benefit under Plan 1 is 1.70 percent of average final compensation (AFC) times years of service. The annual benefit under Plan 2 is 1.70 percent of AFC times years of service up to January 1, 2013 plus 1.65 percent of AFC times years of service from January 1, 2013. The annual benefit under the Hybrid Plan is one percent of AFC times years of service.

Benefits are paid as a monthly life annuity, with a guarantee that if the payments do not exceed the member's contributions plus interest, determined as of the date at retirement, the balance will be paid in a lump sum to the member's beneficiary.

*Death Benefit:*

Members are eligible for a death benefit if death occurred while an active or inactive, non-retired member. Qualifying survivor benefits are provided for work-related deaths.

*Deferred Termination Benefit and Withdrawal (Refund) Benefit:*

A member with at least five years of service who does not withdraw their contribution from the fund is eligible for a deferred termination benefit. All members leaving covered employment with less than five years of service are eligible to receive a lump sum payment of their employee contributions, plus the interest credited on these contributions. Interest is credited at four percent.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**Note 8. Defined Benefit Pension Plan (Continued):**

*Cost-of-Living Adjustment (COLA):*

Under the provision of Plan 1, retirees qualify for an annual cost of living adjustment (COLA) effective on July 1 of the second calendar year after retirement. Automatic cost of living increases, are calculated as the first three percent of the Consumer Price Index increase plus half of each percentage increase from three percent to seven percent. Cost of living increases for Plan 2 and Hybrid Plan retirees are calculated as the first two percent increase of the Consumer Price Index plus half of each percent from two percent to four percent with the maximum cost of living increase of three percent. For all Plans, the COLA is deferred for one full calendar year after the retiree reaches unreduced retirement age. The deferred COLA does not apply to employees within five years of eligibility for unreduced retirement as of January 1, 2013 and to retirees who retire with twenty or more years of service.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute a percentage of their compensation toward their retirement. The required contribution percentages are described above under the Plan Summary. The Library is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Library’s contribution rate for the fiscal year ended June 30, 2021 was 8.64 percent of the annual covered payroll.

**C. Annual Pension Cost**

For the fiscal year ended June 30, 2021, the Library’s annual pension cost of \$416,139 for VRS was equal to the required and actual contributions.

**Three-Year Trend Information for the Library**

<b>Fiscal Year Ending</b>	<b>Annual Pension (APC)</b>	<b>Percentage of APC Contributed</b>
June 30, 2021	\$ 416,139	100%
June 30, 2020	\$ 350,360	100%
June 30, 2019	\$ 329,858	100%

**D. Employer Contribution Rates**

The FY 2021 employer contribution rate was set by the June 30, 2019 valuation and is effective for fiscal years ending 2021 and 2022. Rates for subsequent fiscal years will be determined by future actuarial valuations. The rate established for FY2022 is 8.64 percent.

The recommended employer contribution rate consists of five parts:

**Employer Normal Cost Rate** – The ongoing annual cost of active employees accruing benefits under the Plan. This rate is net of the member contribution rate. The normal cost is developed using the entry age normal cost method, which develops normal costs for active members which stay level during their career if benefit provisions are unchanged and assumptions are realized.

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued):**

**Amortization Charge** – The amortization of, or payment towards, the unfunded actuarial accrued liability (UAAL) for the year. The UAAL is the amount by which the actuarial value of assets falls short of, or exceeds, the actuarial accrued liability for this plan. Under the funding arrangement adopted by the Board, the UAAL is being amortized as individual layered bases. The legacy unfunded actuarial accrued liability, the unfunded actuarial accrued liability as of June 30, 2013, is amortized over a closed 30-year period beginning June 30, 2013. The amortization period of the legacy unfunded will decrease by one in each subsequent valuation until reaching zero years. The actuarial gains and losses and other changes in the unfunded due to benefit and actuarial assumption and method changes for each valuation subsequent to the June 30, 2013 valuation will be amortized over a closed 20-year period.

**Administration Expenses** – An estimate of the administrative expenses to be paid out of the trust in the upcoming fiscal year.

**Additional Funding Contribution** – The additional contribution rate needed to allow for the use of the 6.75 percent investment return as the single equivalent investment return assumption for purposes of the GASB 67/68 statements.

**DC Contribution for Hybrid Members** – One percent mandatory employer contribution as well as an estimate of the employer match to the voluntary contributions made to the DC plan by Hybrid Plan members.

***E. Actuarial Assumptions and Methods***

Effective with the June 30, 2017 valuation, the actuarial assumptions were revised to reflect the results of the experience study for the period 2012-2016. The next experience review is expected to be implemented with the June 30, 2021 annual valuation. The VRS Board of Trustees adopted a change in the interest rate from 7.00 percent to 6.75 percent for the June 30, 2019 valuation. The valuation assumes an annual cost-of-living adjustment of 2.50 percent for Plan 1 members and 2.25 percent for Plan 2 and Hybrid members. Salary increases range between 3.50 percent and 5.35 percent depending on the member's service and classification (i.e., members with general employee benefits or with enhanced hazardous duty coverage). Liabilities were determined under the Entry Age Normal actuarial cost method.

***F. Funded Status and Funding Progress***

As of June 30, 2021, the most recent actuarial valuation date, the Plan was 84.28 percent funded. The actuarial accrued liability for benefits was \$22,702,801, and the actuarial value of assets was \$19,134,065, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,568,736. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,660,667, and the ratio of the UAAL to the covered payroll was 76.57 percent.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2020	\$ 19,134,065	\$ 22,702,801	\$ 3,568,736	84.28%	\$ 4,660,667	76.57%
June 30, 2019	\$ 18,513,076	\$ 21,200,196	\$ 2,687,120	87.32%	\$ 4,544,159	59.13%
June 30, 2018	\$ 17,655,017	\$ 19,171,058	\$ 1,516,041	92.09%	\$ 4,394,373	34.50%

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued):**

The VRS recommended employer contribution rate as of the valuation date was 8.64 percent for fiscal years ending 2021 and 2022.

**G. Governmental Accounting Standards Board (GASB) Statement No. 68**

GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014 and applies to both defined benefit and defined contribution plans. As required by GASBS No. 68, the net position balance was restated as of June 30, 2014 to record a pension liability in the amount of \$2,051,776. In accordance with GASB Statement No. 68, the net pension liability (NPL) has been reported as a long-term liability on the statement of net position as of June 30, 2021 in the amount of \$3,430,536. The liability has been computed as the difference between the total pension liability which is the actuarial present value of projected benefit payments attributed to past period of employee service measured per GASBS No. 68 guidelines and the pension plan's net position which is determined using the same valuation methods used by the pension plan to prepare its statement of fiduciary net position. The actuarial measurement date is as of June 30, 2020.

**Changes in the Net Pension Liability**

As of June 30, 2019, measurement date for the year ended June 30, 2020, the total pension liability was reflected as \$20,615,714 with Plan fiduciary net position of \$18,671,861, resulting in a net pension liability of \$1,943,853. As of June 30, 2020, measurement date for the year ended June 30, 2021, the total pension liability was reported in the actuarial valuation in the amount of \$22,008,306 and the Plan fiduciary net position was reported as \$18,577,770, resulting in a net pension liability of \$3,430,536. The change in the net pension liability from June 30, 2019 and June 30, 2020 measurement dates consisted of the following:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2019 – Measurement Date</b>	\$ <u>20,615,714</u>	\$ <u>18,671,861</u>	\$ <u>1,943,853</u>
Changes for the year:			
Service Cost	\$ 403,628	\$	\$ 403,628
Interest	1,358,046		1,358,046
Changes of assumptions			
Difference between expected and actual experience	623,935		623,935
Contributions - employer		299,157	(299,157)
Contributions - employee		258,759	(258,759)
Net investment income		353,668	(353,668)
Benefit payments, including refunds of employee contributions	(993,017)	(993,017)	
Administrative expense		(12,239)	12,239
Other changes		(419)	419
<b>Net Changes</b>	\$ <u>1,392,592</u>	\$ <u>(94,091)</u>	\$ <u>1,486,683</u>
<b>Balances at June 30, 2020 – Measurement Date</b>	\$ <u>22,008,306</u>	\$ <u>18,577,770</u>	\$ <u>3,430,536</u>

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**Note 8. Defined Benefit Pension Plan (Continued):**

**Pension Expense**

The pension expense totaling \$534,190 for the period ending June 30, 2020, measurement date for the year ended June 30, 2021, per the actuarial computation includes service and administrative costs and interest on the pension liability reduced by member contributions, projected earnings on plan investments and adjustment for actual and projected plan earnings.

**Summary of Deferred Inflows and Outflows of Resources**

As of June 30, 2020, measurement date, the actuarial information reported differences between expected and actual experience of \$480,906. In addition, the net difference between projected and actual earnings on plan investments totaled \$559,200 and changes in assumptions totaled \$302,539. Deferred outflows net change difference is \$1,502,129 and deferred inflows net change difference is \$159,484, resulting in a net deferred outflow of resources of \$1,342,645 to be amortized over a four-year period as follows:

2022	256,343
2023	565,279
2024	342,708
2025	<u>178,315</u>
<b>Total</b>	<b>\$1,342,645</b>

**Membership as of the Valuation Date of June 30, 2019 Prepared as of June 30, 2020**

As of the valuation date, the Plan had 159 participants of which 84 are active, 49 are receiving benefits and 26 are inactive participants.

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

The Plan's assumed rate of return was calculated at 6.75 percent which resulted in a net pension liability of \$3,430,536 as of the June 30, 2020 measurement date. *Based upon a decrease of one percent of the discount rate to 5.75 percent, the net pension liability would be \$6,189,403 and an increase of one percent to the discount rate to 7.75 percent would result in a net pension liability of \$1,131,379.*

Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at [www.varetire.org/pdf/publications/2020-annual-report.pdf](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, Henrico, VA, 23218.

**Note 9. Other Post-Employment Health Benefit**

The Library has a post-employment health benefit for all full-time employees. The Library makes monthly contributions equal to two percent of each full-time employee's salary to the Plan administrator, Nationwide Retirement Solutions, Inc. After retirement from the Library or death of the employee, the employee or dependents has the right to be reimbursed for qualifying medical care expenses or health care premiums to the extent of contributions and investment income in the employee's account. There is no additional liability to the Library for this benefit.

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**Note 9. Other Post-Employment Health Benefit (Continued)**

In FY21, the Library funded post-employment health benefits for 83 eligible full-time employees in the amount of \$92,699.

**Note 10. Other Post-Employment Benefits (OPEB)**

The Library participates in the Group Life Insurance Program (GLI) and the Virginia Local Disability Program (VLDP) administered by the Virginia Retirement System (VRS). In accordance with GASB 75, the net OPEB liability is reported as a long-term liability on the statement of net position. Contributions made to the programs are held in trust.

As of June 30, 2021, the net OPEB liability is composed of the following:

Group Life Insurance Program	\$ 397,350
Virginia Local Disability Program	<u>4,463</u>
<b>Total</b>	<b><u>\$ 401,813</u></b>

The annual actuarial valuation used as a basis for a significant portion of the OPEB information was performed as of June 30, 2019 by independent actuaries. The measurement date used for FY21 reporting is June 30, 2020. The VRS Board of Trustees adopted a 6.75 percent investment rate of return which was used to develop the liabilities for the measurement period June 30, 2020. The investment rate at the prior measurement date was 6.75 percent.

The Group Life Insurance Program collectively at the measurement date of June 30, 2020 was 52.64 percent funded. The Library's portion of the program liability and program net position is .02381 percent, resulting in a net OPEB liability of \$397,350.

The Virginia Local Disability Program collectively at the measurement date of June 30, 2020 was 76.88 percent funded. The Library's portion of the program liability and program net position is .44708 percent resulting in a net OPEB liability of \$4,463.

**Group Life Insurance Program**

The Group Life Insurance Program is administered by the Board of Trustees for the Virginia Retirement System (VRS). Premiums for active employees are paid to Securian. Securian pays life insurance proceeds to beneficiaries. Payments for post-employment benefits are made by Securian and reimbursed by the Trust. The VRS Board sets administrative policy and determines the allocation of the assets held for investment.

Eligible employees include all full-time, permanent employees.

Each active member is entitled to a death benefit from this plan equal to two times the member's annual rate of compensation, rounded up to the next higher multiple of \$1,000. This benefit is provided for by the purchase of a group term life insurance contract from an insurance company. Active members may also be covered by Accidental Death and Dismemberment insurance and elect additional amounts of insurance. These elected benefits are excluded from the valuation of the OPEB liability.



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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

Service retirees will be entitled to a death benefit from the plan based upon the amount in effect before termination or retirement with a reduction of the death benefit no less than 25 percent of the amount in effect at the date of termination or retirement. Members who retire with at least 30 years of service have additional computations to derive the benefit. Disabled members, including those receiving disability benefits from VSDP or VLDP are entitled to a death benefit from this plan. The post-employment death benefit is paid for by an addition to the contribution required to provide the active member benefit. The active member portion of the contribution is used to purchase group term life insurance from an insurance company and the post-employment portion of the contribution is held in a trust until required to pay benefits. The post-employment contribution is actuarially determined by the valuation.

**Virginia Local Disability Program**

The VLDP provides disability benefits for VRS Hybrid Plan members that elect to participate. Long-term disability benefits (LTD) provide income replacement for members who become disabled and are unable to work for an extended period of time. While on long-term disability, members continue to accrue service as a VRS-covered member. Members participating in the Hybrid Plan may be eligible to receive a one percent employer contribution to their defined contribution account. To be eligible for the one percent mandatory employer contribution, a Hybrid Plan member must be permanently and totally disabled as defined by the Social Security definition of disability. A member is required to retire who is on LTD and has obtained normal retirement age. Members approved for supplemental disability benefits on or after age 60 will be eligible to receive VLDP LTD benefits, provided the member remains medically eligible. These benefits have specified benefit periods. Members who are able to work at least 20 hours a week are eligible to receive LTD benefits provided the member is unable to perform full duties or work a regular schedule. The benefit is adjusted by income or wages earned.

LTD benefits provide members with an income replacement of 60 percent of a member's pre-disability income, or 80 percent for a catastrophic condition. LTD recipients are eligible for benefits under the Group Life Insurance Program (GLI). The liability associated with GLI for LTD recipients is not included as a VLDP liability since that liability is considered under the GLI program.

The LTC benefit has a lifetime maximum benefit of \$70,080 based upon a two-year maximum coverage period. At VRS' discretion, the \$96 daily benefit amount (DBA) may be increased for inflation every five years in the amount of five percent compounded annually since the previous increase. Inflation increases are not assumed to be pre-funded.

Upon termination of employment, a member has the option to port the amount of coverage current for the actively employed group by paying a premium based upon the member's age and entry into VLDP.

**Actuarial Assumptions and Methods**

The assumptions and methods used in the valuations were based on the actuarial experience study prepared for the period from July 1, 2012 through June 30, 2016 as well as investment rate of return of 6.75% adopted in 2019.

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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

**Assumptions and Methods which apply to all OPEB Plans**

<b>Investment Return Rate:</b>	6.75 percent per annum, compounded annually, net of investment expenses.
<b>Inflation Assumption:</b>	2.50 percent per year.
<b>Actuarial Cost Method:</b>	Entry age normal cost method, allocated as a level percent of payroll, from first funding age to last age before terminal retirement age. Actuarial gains and losses, as they occur, are reflected in the unfunded actuarial accrued liability.
<b>Funding Period:</b>	<p>The amortization period of the legacy UAAL began at 30 years on June 30, 2013 and this amortization period is to decrease by one year on each subsequent valuation date until the legacy UAAL is fully amortized (amortization period of zero years). With each subsequent valuation, a new amortization base will be used to amortize that portion of the UAAL not covered by the current balances of the previously established amortization bases. Here, each valuation's newly allocated share of the UAAL will be amortized over a closed 20-year period.</p> <p>The amortization payment includes an adjustment of 1.018041 to account for the passage of time from the valuation date to the date the contribution is made.</p>
<b>Payroll Growth Rate:</b>	3.00 percent per annum.
<b>Administrative Expenses:</b>	The employer contribution rates include a rate for anticipated non-investment expenses based on actual prior year experience.

There have been no significant changes to the actuarial assumptions from the prior measurement date except a change of the investment return rate.

**Assumptions and Methods Applicable to the Group Life Insurance Program**

<b>Asset Valuation Method:</b>	<p>For the purposes of GASB 74/75, the value of assets is equal to the market value of assets.</p> <p>To calculate the actuarially determined contributions, the method of valuing assets is intended to recognize a "smoothed" market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a five-year period. The resulting actuarial value of asset value cannot be less than 80 percent or more than 120 percent of the market value of assets.</p>
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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

<b>Minimum Benefit:</b>	Beginning with the fiscal year ending June 30, 2016, in no event will the death benefit be less than \$8,000 for members who retire with at least 30 years of creditable service. Between June 30, 2016 and the current valuation date, this minimum is indexed at the same rate as the post-retirement supplement for retirees hired on or after July 1, 2010. Beginning on the valuation date, this minimum is assumed to increase annually, effective July 1, by 2.25 percent (the same assumed annual increase percentage for any annual post-retirement supplement for retirees, as calculated for employees hired on or after July 1, 2010).
<b>“Life Insurance Only” Retirees:</b>	Results include an estimate of retiree liability for those groups not providing retiree census data. A liability equaling ten percent of the active employee liability times the average retiree to active liability ratio is assumed.

**Assumptions and Methods Applicable to the Virginia Local Disability Program  
Long-Term Disability Benefits and Long-Term Care Benefits**

<b>Asset Valuation Method:</b>	For the purpose of GASB 74/75, the value of assets is equal to the market value of assets. The method of valuing assets is intended to recognize a “smoothed” market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a five-year period. The resulting actuarial value of asset value cannot be less than 80 percent or more than 120 percent of the market value of assets.
<b>Health Insurance Credit and Group Life Insurance Benefits:</b>	Health Insurance Credit (if applicable) and Group Life Insurance benefits provided under VLDP are valued under the respective plans.
<b>Disability:</b>	Applicable members covered under the Hybrid Plan are eligible from the first day of employment for work-related VLDP disability benefits, but must have a minimum of one year of service to be eligible for non-work related VLDP disability benefits.
<b>Cost of Living Increase:</b>	0.00 percent per year, compounded annually.
<b>Liability Assumed for Disabled Members in Waiting Period:</b>	The liability associated for those disabled and not yet eligible to receive benefits was based upon the expected number of long-term disabilities incurred during the period of January 1, 2016 and June 30, 2016.

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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

<b>Income Replacement for Future Disabled Members:</b>	61 percent of a member's pre-disability income
<b>Percentage of Members with Social Security Offsets:</b>	70.5 percent of members are assumed to meet the Social Security definition of Disability, and are thus eligible for an additional one percent of Income Replacement.
<b>Offsets for Disabled Members:</b>	It is assumed that the offset amounts reported by the administrator will continue to apply to each member's benefit until the benefit expires. For members with less than six years of disability and no current benefit offsets, benefit amounts are adjusted to reflect future offsets.
<b>Offsets for Active Members:</b>	Benefit adjustments are assumed for the expected future monthly benefits to be paid to future disabled members. The benefit adjustments are consistent with recent experience.
<b>Rates of Termination of Benefits Due to Death or Recovery:</b>	2012 Group Long Term Disability Valuation Table (2012 GLDT) as proposed by the Society of Actuaries' Group Disability Experience Committee for use by the National Association of Insurance Commissioners. Used as a basis those rates applicable to plans with a six-month elimination period, "Own Occupation" definition of disability, initial maximum guaranteed benefit of \$1,900, "No Diagnosis" cause of disability, 15 percent margin for recovery, 28 percent margin for deaths, and adjusted for prior five years of VRS experience.
<b>Disabled Life Reserve:</b>	The liability associated for those participants assumed to be in a current benefit period was based upon the development method in which prior experience was applied to the current claim duration and prior payments made for each individual.
<b>Incurred But Not Reported Reserve:</b>	The liability associated for those participants with claims that have been incurred but not reported (IBNR) as of the valuation date to the administrator was based upon the development method in which prior experience for claim incidence and expected benefits payments was applied to the covered population.
<b>Morbidity:</b>	As experience develops the morbidity rates will need to be reviewed and adjusted accordingly.

**Group Life Insurance Program – Summary of Collective Amounts**

The schedule reports the collective amounts of all employers participating in the program. The Library's portion is derived by comparing the Library's program contributions totaling \$25,480 total required contribution, to total contributions to the program to arrive at the Library's calculated percentage of .02381 percent. Of the collective net OPEB liability, the Library's portion is \$397,350 for the reporting date of June 30, 2021.

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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

The schedule also reports the changes in the net OPEB liability including investment income, contributions, benefit payments, expenses and other adjustments.

**GROUP LIFE INSURANCE PROGRAM**  
**COLLECTIVE AMOUNTS AND DATA**

**Library's  
Percentage  
.02381**

<b>Valuation Date (VD):</b>	July 1, 2019
<b>Prior Measurement Date:</b>	June 30, 2019
<b>Measurement Date (MD):</b>	June 30, 2020
<b>Reporting Date (RD):</b>	June 30, 2021
<b>Single Equivalent Interest Rate (SEIR):</b>	
Long-Term Expected Rate of Return	6.75%
Municipal Bond Index Rate at Prior Measurement Date	3.50%
Municipal Bond Index Rate at Measurement Date	2.21%
Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Prior Measurement Date	6.75%
Single Equivalent Interest Rate at Measurement Date	6.75%
<b>Net OPEB Liability:</b>	
Total OPEB Liability (TOL)	\$ 3,523,938,338
Fiduciary Net Position (FNP)	<u>1,855,102,041</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 1,668,836,297
FNP as a percentage of TOL	52.64%
<b>OPEB Expense (OE)</b>	<b>\$ 65,382,103</b>
<b>Deferred Outflow of Resources</b>	<b>\$ 240,631,870</b>
<b>Deferred Inflow of Resources</b>	<b>\$ 49,835,346</b>

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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

**GROUP LIFE INSURANCE PROGRAM**  
**COLLECTIVE AMOUNTS AND DATA**

<b>Changes in the Net OPEB Liability Group Life Insurance Program</b>	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>	<b>Library's Percentage .02381</b>
<b>Balances at June 30, 2019</b>	<u>\$3,390,238,391</u>	<u>\$1,762,972,244</u>	<u>\$1,627,266,147</u>	
Changes for the year:				
Service Cost	\$ 98,367,260	\$	\$ 98,367,260	
Interest	221,684,071		221,684,071	
Benefit Changes				
Difference between expected and actual experience	25,708,476		25,708,476	
Changes in assumptions				
Contributions - employer		107,251,088	(107,251,088)	
Contributions - employee		162,924,980	(162,924,980)	
Net investment income		36,276,266	(36,276,266)	
Benefit payments	(212,059,860)	(212,059,860)		
Administrative expense		(823,943)	823,943	
Other changes		(1,438,734)	1,438,734	
<b>Net Changes</b>	<u>\$ 133,699,947</u>	<u>\$ 92,129,797</u>	<u>\$ 41,570,150</u>	
<b>Balances at June 30, 2020</b>	<u>\$3,523,938,338</u>	<u>\$1,855,102,041</u>	<u>\$1,668,836,297</u>	
<b>TOL Roll Forward Group Life Insurance Program</b>	<b>Actual</b>	<b>Actual Before Assumption Changes</b>	<b>Expected</b>	
(a) TOL as of June 30, 2019	\$3,414,321,273	\$3,414,321,273	\$3,390,238,391	
(b) Entry Age normal Cost for period June 30, 2019 – June 30, 2020	\$ 92,147,316	\$ 92,147,316	\$ 92,147,316	
(c) Actual Benefit Payments	\$ 212,059,860	\$ 212,059,860	\$ 212,059,860	
(d) TOL as of June 30, 2020	\$3,523,938,338	\$3,523,938,338	\$3,498,229,862	
(e) Changes in Assumptions				
(f) Difference between expected and actual experience			\$ 25,708,476	

Funding status and progress noted at 52.64 percent funded for GL Program.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

**Virginia Local Disability Program – Summary of Collective Amounts**

The schedule reports the collective amounts of all employers participating in the program. The Library's portion is derived by comparing the Library's program contributions totaling \$11,995, total required contribution, to total contributions to the program to arrive at the Library's calculated percentage of .44708 percent. Of the collective net OPEB liability, the Library's portion is \$4,463 for the reporting date of June 30, 2021.

The schedule also reports the changes in net OPEB liability including investment income, contributions, benefit payments, expense and other adjustments.

**VIRGINIA LOCAL DISABILITY PROGRAM**  
**POLITICAL SUBDIVISIONS**  
**COLLECTIVE AMOUNTS AND DATA**

	<b>Library's Percentage - .44708</b>
<b>Valuation Date (VD)</b>	July 1, 2019
<b>Prior Measurement Date:</b>	June 30, 2019
<b>Measurement Date (MD):</b>	June 30, 2020
<b>Reporting Date (RD):</b>	June 30, 2021
<b>Single Equivalent Interest Rate (SEIR):</b>	
Long-Term Expected Rate of Return	6.75%
Municipal Bond Index Rate at Prior Measurement Date	3.50%
Municipal Bond Index Rate at Measurement Date	2.21%
Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Prior Measurement Date	6.75%
Single Equivalent Interest Rate at Measurement Date	6.75%
<b>Net OPEB Liability:</b>	
Total OPEB Liability (TOL)	\$ 4,316,776
Fiduciary Net Position (FNP)	<u>3,318,528</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 998,248
FNP as a percentage of TOL	76.88%
<b>OPEB Expense (OE)</b>	\$ 2,875,321
<b>Deferred Outflow of Resources</b>	\$ 960,970
<b>Deferred Inflow of Resources</b>	\$ 1,238,471

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

**VIRGINIA LOCAL DISABILITY PROGRAM – POLITICAL SUBDIVISIONS**  
**COLLECTIVE AMOUNTS AND DATA**

Changes in the Net OPEB Liability Virginia Local Disability Program Political Subdivisions	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	Library's Percentage .44708
<b>Balances at June 30, 2019</b>	\$ 3,988,563	\$ 1,962,744	\$ 2,025,819	
Changes for the year:				
Service Cost	\$ 1,553,602	\$	\$ 1,553,602	
Interest	261,270		261,270	
Benefit Changes				
Difference between expected and actual experience	(1,250,879)		(1,250,879)	
Changes in assumptions				
Contributions - employer		2,684,118	(2,684,118)	
Contributions - employee				
Net investment income		49,041	(49,041)	
Benefit payments	(235,780)	(235,780)		
Administrative expense		(1,141,595)	1,141,595	
Other changes				
<b>Net Changes</b>	\$ 328,213	\$ 1,355,784	\$ (1,027,571)	
<b>Balances at June 30, 2020</b>	\$ 4,316,776	\$ 3,318,528	\$ 998,248	
<b>TOL Roll Forward</b>		<b>Actual Before</b>		<b>Library's</b>
<b>Virginia Local Disability Program</b>		<b>Assumption</b>		<b>Percentage</b>
<b>Political Subdivisions</b>	<b>Actual</b>	<b>Changes</b>	<b>Expected</b>	<b>.44708</b>
(a) TOL as of June 30, 2019	\$ 2,816,779	\$ 2,816,779	\$ 3,988,563	
(b) Entry Age normal Cost for period June 30, 2019 – June 30, 2020	\$ 1,455,365	\$ 1,455,365	\$ 1,455,365	
(c) Actual Benefit Payments	\$ 235,780	\$ 235,780	\$ 235,780	
(d) TOL as of June 30, 2020	\$ 4,316,776	\$ 4,316,776	\$ 5,567,655	
(e) Changes in Assumptions				
(f) Difference between expected and actual experience			\$ (1,250,879)	

Funding status and progress noted at 76.88 percent funded for VLD Program.



**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

**Deferred Inflows, Outflows and OPEB Expense**

Deferred inflows and outflows result primarily from changes in assumptions and changes between expected and actual experience. These amounts are amortized in future periods.

**Group Life Program:**

Total Deferred Inflows	\$ 16,821
Total Deferred Outflows	\$ 75,024
Total Employee OPEB Expense	\$ 17,957
Deferred amounts to be recognized in fiscal years following the reporting date:	
Year 1	\$ 8,790
Year 2	\$ 12,161
Year 3	\$ 16,347
Year 4	\$ 16,016
Year 5	\$ 4,475
Thereafter	\$ 414

**VLDP Program:**

Total Deferred Inflows	\$ 5,538
Total Deferred Outflows	\$ 4,892
Total Employee OPEB Expense	\$ 12,933
Deferred amounts to be recognized in fiscal years following the reporting date:	
Year 1	\$ 505
Year 2	\$ 496
Year 3	\$ 504
Year 4	\$ 465
Year 5	\$ (551)
Thereafter	\$ (2,065)

**Sensitivity of the Net OPEB Liability Changes in the Discount Rate**

The OPEB assumed rate of return was calculated at 6.75 percent which resulted in a net OPEB liability of \$401,813 as of the June 30, 2020 measurement date. The information provided below indicates the collective program liabilities and the Library's allocated share at the discount rate ranges 5.75 through 7.75 percent. *A discount rate of 5.75 percent results in a net OPEB liability of \$528,333; a rate of 6.75 percent results in a net OPEB liability of \$401,813 and at 7.75 percent the liability is \$298,977.*

	<u>Net OPEB Liability</u>	<u>Discount Rate</u>
<b>Group Life Program:</b>		
Net OPEB liability	\$ 522,347	5.75%
	\$ 397,350	6.75%
	\$ 295,840	7.75%
<b>VLDP Program:</b>		
Net OPEB liability	\$ 5,986	5.75%
	\$ 4,463	6.75%
	\$ 3,137	7.75%

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Other Post-Employment Benefits (OPEB) (Continued):**

Detailed information about VRS OPEB programs may be obtained from the VRS website at [www.varetire.org/pdf/Publications/2020-annual-report.pdf](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, Henrico, VA 23218.

**Note 11. Long-Term Obligations**

The Library's long-term obligations as reported on the statement of net position as of June 30, 2021 are as follows:

Compensated absences	\$ 745,959
Net pension liability	3,430,536
Net OPEB liability	<u>401,813</u>
<b>Total</b>	<b>\$ <u>4,578,308</u></b>
Amount of compensated absences estimated due within one year:	\$ <u>565,750</u>

**Note 12. Net Position**

The government-wide statement of activities reports the net position as follows:

Net position, beginning of fiscal year	\$ <u>2,521,060</u>
GASB-68 change in pension liability	\$ (1,486,683)
GASB-75 change in OPEB liability	(11,900)
Net change in capital assets	73,404
Net change in compensated absences	(46,242)
Net change in governmental funds balance	<u>152,793</u>
Net position, end of fiscal year	<b>\$ <u>1,202,432</u></b>

**Note 13. Risk Management**

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has obtained coverage from commercial insurance companies to cover all significant losses. For insured programs, there have been no significant reductions in insurance coverage for the current year of the three prior years.

The Library's worker's compensation coverage is under a retrospectively rated policy where the initial premium may be adjusted based upon actual experience during the period of coverage. The Library's management believes the risk of material claims is unlikely.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 14. Library Projects and Expansion**

**Fredericksburg Branch Renovation**

The third floor of the Fredericksburg branch has been renovated to transform the former administrative area to a public area. The project began in FY19 and continued into FY21. Construction delays and COVID closures extended the project's completion into FY21. The estimated project cost is approximately \$227,477 including new shelves for the second floor and updating the first floor Computer Lab.

**Assignment of Fund Balance**

The amount of \$51,935 has been included on the balance sheet, Exhibit III, as part of the assigned fund balance. The assignment is for various projects expected to be completed in FY22.

**Note 15. Significant Accounting Standards**

The Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance Due to the COVID-19 Pandemic*. Statement No. 95 included the delay of implementation of Statement No. 87, which addresses financial reporting for leases. Implementation of Statement No. 87 is expected to have significant impact for the Library's financial reporting for leases. Statement No. 87 is effective for FY22. Management of the Library has not determined the effects of the new GASB statement on prospective financial statements.

**Note 16. Subsequent Events**

**Capital Projects**

Various capital projects are scheduled for FY22 including the following:

- Upgraded public access computers
- WIFI upgrades
- Technology upgrades for study and meeting rooms
- Building painting projects at the various branches

**Library of Virginia Grant**

The Library has been awarded a grant in the amount of \$96,251 by the Library of Virginia pertaining to the American Rescue Plan Act. All grant funds must be obligated for the purposes designated by the grant agreement by September 30, 2022 with grant reporting due by October 31, 2022.

The Library's management has evaluated subsequent events through February 17, 2022, the date which the financial statements were available for issue.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

June 30, 2021

*Exhibit V*

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
<b>REVENUES:</b>			
Local governments	\$ 11,409,820	\$ 11,472,318	\$ 62,498
Contributions		97,705	97,705
Investment income		7,508	7,508
Other		7,450	7,450
State funds	<u>766,588</u>	<u>766,746</u>	<u>158</u>
<b>Total Revenues</b>	<b>\$ <u>12,176,408</u></b>	<b>\$ <u>12,351,727</u></b>	<b>\$ <u>175,319</u></b>
<b>EXPENDITURES:</b>			
Current:			
Personnel	\$ 9,338,579	\$ 9,250,960	\$ 87,619
Professional and temporary services	75,000	62,025	12,975
Repairs and maintenance	53,800	23,607	30,193
Insurance	35,250	29,696	5,554
Publicity/programs	140,000	101,474	38,526
Training	30,000	26,177	3,823
Memberships and professional dues	15,000	17,930	(2,930)
Vehicle expenses	30,000	9,171	20,829
Utilities	30,000	44,643	(14,643)
Supplies	181,627	165,466	16,161
Library service center	315,000	335,391	(20,391)
Miscellaneous	5,000	3,741	1,259
Computer services	485,287	443,219	42,068
Capital outlay:			
Collection	1,057,405	1,117,492	(60,087)
Furniture and equipment	384,460	506,387	(121,927)
Building and grounds	<u>                    </u>	<u>47,240</u>	<u>(47,240)</u>
<b>Total Expenditures</b>	<b>\$ <u>12,176,408</u></b>	<b>\$ <u>12,184,619</u></b>	<b>\$ <u>(8,211)</u></b>
<b>Excess of Revenues Over Expenditures (Deficit)</b>	<b>\$</b>	<b>\$ 167,108</b>	<b>\$ 167,108</b>
<b>Fund Balance, beginning</b>	<b>\$ _____</b>	<b>\$ <u>1,910,449</u></b>	<b>\$ <u>1,910,449</u></b>
<b>Transfer to Vehicle Fund</b>	<b>\$ _____</b>	<b>\$ <u>(30,000)</u></b>	<b>\$ <u>(30,000)</u></b>
<b>Fund Balance, ending</b>	<b>\$ _____</b>	<b>\$ <u>2,047,557</u></b>	<b>\$ <u>2,047,557</u></b>

Capital outlay includes expenditures not capitalized and not reflected in the Statement of Net Position based upon the Library's capitalization policies.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Schedule of changes in the Library's net pension liability and related ratios:							
Total pension liability:							
Service cost	\$ 403,628	\$ 377,289	\$ 408,316	\$ 432,098	\$ 431,283	\$ 468,716	\$ 467,227
Interest	1,358,046	1,289,975	1,255,634	1,239,414	1,187,687	1,101,717	1,028,040
Differences between expected and actual experience	623,935	342,619	(369,092)	(695,015)	(230,244)	237,828	
Changes of assumptions		600,255		(66,422)			
Benefit payments, including refunds of employee contributions	(993,017)	(845,277)	(763,255)	(593,468)	(706,091)	(454,137)	(431,325)
Refunds of Contributions							
Other							
<b>Net change in total pension liability</b>	\$ 1,392,592	\$ 1,764,861	\$ 531,603	\$ 316,607	\$ 682,635	\$ 1,354,124	\$ 1,063,942
Total pension liability - beginning	20,615,714	18,850,853	18,319,250	18,002,643	17,320,008	15,965,884	14,901,942
Total pension liability -- ending (a)	\$ 22,008,306	\$ 20,615,714	\$ 18,850,853	\$ 18,319,250	\$ 18,002,643	\$ 17,320,008	\$ 15,985,884
Plan fiduciary net position:							
Contributions - employer	\$ 299,157	\$ 288,998	\$ 355,496	\$ 345,019	\$ 417,287	\$ 433,213	\$ 453,646
Contributions - employee	258,759	257,924	232,805	267,426	204,087	216,816	229,292
Net investment income	353,668	1,183,051	1,237,197	1,828,046	260,812	645,851	1,886,015
Benefit payments, including refunds of employee contributions	(993,017)	(845,277)	(763,255)	(593,468)	(706,091)	(454,137)	(431,325)
Administrative expense	(12,239)	(11,692)	(10,612)	(10,331)	(9,151)	(8,526)	(9,856)
Refunds of contributions							
Other	(419)	(745)	(1,105)	(1,637)	(110)	(138)	99
<b>Net change in plan fiduciary net position</b>	\$ (94,091)	\$ 872,259	\$ 1,050,526	\$ 1,835,055	\$ 166,834	\$ 833,079	\$ 2,127,871
Plan fiduciary net position -- beginning	18,671,861	17,799,602	16,749,076	14,914,021	14,747,187	13,914,108	11,786,237
Plan fiduciary net position -- ending (b)	\$ 18,577,770	\$ 18,671,861	\$ 17,799,602	\$ 16,749,076	\$ 14,914,021	\$ 14,747,187	\$ 13,914,108
Library's net pension liability -- ending (a)-(b)	\$ 3,430,536	\$ 1,943,853	\$ 1,051,251	\$ 1,570,174	\$ 3,088,622	\$ 2,572,821	\$ 2,051,776

See accompanying report of independent auditor and notes to the required supplementary information.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

June 30, 2021

(Continued)

	2021	2020	2019	2018	2017	2016	2015
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	84.41	90.57	94.42	91.42	82.84	85.14	87.03
Covered payroll (c)	\$ 4,660,667	\$ 4,544,159	\$ 4,394,373	\$ 4,237,399	\$ 4,036,095	\$ 4,174,809	\$ 4,223,794
Library's net pension liability as a percentage of covered payroll [(a)-(b)]/(c)	73.61	42.78	23.92	37.05	76.52	61.63	48.58

Net pension liabilities are reported using VRS measurement date.

See accompanying report of independent auditor and notes to the required supplementary information.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**SCHEDULE OF PENSION CONTRIBUTIONS (Unaudited)**

**June 30, 2021**

	<b>Actuarially determined contribution</b>	<b>Contributions in relation to actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2021	\$ 299,157	\$ 299,157	\$	\$ 4,660,667	6.42
2020	288,998	288,998		4,544,159	6.36
2019	355,496	355,496		4,394,373	8.09
2018	345,019	345,019		4,237,399	8.14
2017	417,287	417,287		4,036,095	10.34
2016	433,213	433,213		4,174,809	10.38
2015	453,646	453,646		4,223,794	10.74

Data reported using VRS measurement date.

See accompanying report of independent auditor and notes to the required supplementary information.



**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**SCHEDULE OF LIBRARY'S SHARE OF NET OPEB LIABILITY (Unaudited)**

**Year Ended June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>GLI Plan:</b>				
Proportion of the net GLI OPEB liability	0.02381	0.02347	0.02293	0.02242
Proportionate share of net GLI OPEB liability	\$ 397,350	\$ 381,919	\$ 348,246	\$ 330,968
Employer's covered payroll	\$ 4,660,667	\$ 4,544,159	\$ 4,394,373	\$ 4,237,399
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.52	8.40	7.92	7.81
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64	52.00	51.22	50.23
<b>VLDP Plan:</b>				
Proportion of the Net VLDP OPEB liability	0.44708	0.39457	0.3811	0.38007
Proportionate share of net VLDP OPEB liability	\$ 4,463	\$ 7,994	\$ 2,942	\$ 2,032
Employer's covered payroll	\$ 4,660,667	\$ 4,544,159	\$ 4,394,373	\$ 4,237,399
Employer's proportionate share of net VLDP OPEB liability as a percentage of its covered payroll	.095	.178	.067	.048
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	76.88	49.20	51.38	51.10

Data reported using VRS measurement date.

See accompanying report of independent auditor and notes to the required supplementary information.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**SCHEDULE OF OPEB CONTRIBUTIONS (Unaudited)**

**Year Ended June 30, 2021**

<u>Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
GLI Plan:					
2021	\$ 25,480	\$ 25,480	\$	\$ 4,660,667	.55
VLDP Plan:					
2021	\$ 11,995	\$ 11,995		\$ 4,660,667	.26
GLI Plan:					
2020	\$ 23,920	\$ 23,920		\$ 4,544,159	.53
VLDP Plan:					
2020	\$ 8,779	\$ 8,779		\$ 4,544,159	.19
GLI Plan:					
2019	\$ 21,171	\$ 21,171		\$ 4,394,373	.48
VLDP Plan:					
2019	\$ 5,552	\$ 5,552		\$ 4,394,373	.13
GLI Plan:					
2018	\$ 19,611	\$ 19,611		\$ 4,237,399	.46
VLDP Plan:					
2018	\$ 2,021	\$ 2,021		\$ 4,237,399	.05

Data reported using VRS measurement date.

See accompanying report of independent auditor and notes to the required supplementary information.

**CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**  
**June 30, 2021**

**Note 1. Changes of Benefit Terms**

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

**Note 2. Changes of Assumptions**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action includes decreased discount rate from 7 percent to 6.75 percent.

**Note 3. Years Presented in Schedules**

Supplementary data has been obtained from reports distributed by VRS containing actuarial information.

GASB 67 and 68 which applies to defined benefit and defined contribution retirement plans became effective for fiscal year 2015. Supplementary data is presented starting with fiscal year 2015.

GASB 74 and 75 which applies to other post-employment benefits (OPEB) became effective for fiscal year 2018. Supplementary data is presented starting with fiscal year 2018.

**COMPLIANCE SECTION**  
**REPORT ON INTERNAL CONTROL AND COMPLIANCE**  
**UNDER GOVERNMENTAL AUDITING STANDARDS**

**REPORT OF INDEPENDENT AUDITORS 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 Members of the Board of Trustees  
Central Rappahannock Regional Library  
Fredericksburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Central Rappahannock Regional Library, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Central Rappahannock Regional Library's basic financial statements, and have issued our report thereon dated February 17, 2022

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Central Rappahannock 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 the Central Rappahannock Regional Library's internal control. Accordingly, we do not express an opinion of the effectiveness of the Central Rappahannock 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 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.

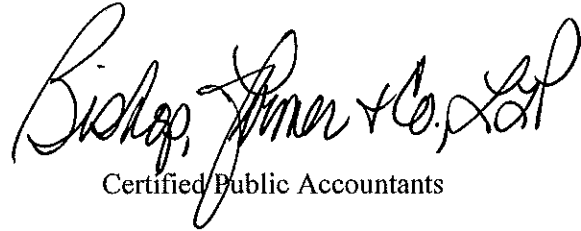
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Central Rappahannock Regional Library's financial statements are free of material misstatement, we performed tests of 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 on 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.



Certified Public Accountants

Fredericksburg, Virginia  
February 17, 2022