

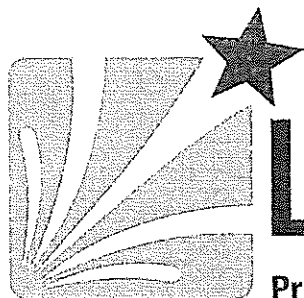
CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

FINANCIAL STATEMENTS

June 30, 2020

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Central Rappahannock Regional
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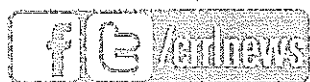
December 2020

Central Rappahannock Regional Library (CRRL) accomplished a great many projects in FY20 despite the COVID-19 pandemic shutting down the Commonwealth for several months. During this temporary closure, Library staff never stopped working to fulfill the library's mission and provide services to our customers. Remaining collection funds were shifted to eBooks, eAudios and digital movies. Customers submitted their questions entirely online and in-house programs were replaced by virtual ones. Grants were applied for and received to provide circulating Chromebooks and hotspots for library customers, and CRRL never stopped issuing library cards while the buildings were closed. This last component was key for community members who were now in lockdown and realized that the library had a wealth of online resources available to assist them during this period.

While library service temporarily transitioned to online only, the Library also faced a \$200,000 reversion of local funds which impacted the organization at all levels. The last day of FY20 marked the end of the Library's previous retirement payout system and 39 employees opted to take the higher payout and retire, 26 of whom had separation dates in the last two months of the fiscal year. The FY21 budget cuts required the elimination of Sunday hours plus one night a week at all branches, and a complete reworking of CRRL's staffing model. The difficult decision was made to eliminate an entire job classification and affected staff were given the option to retrain for another position at the same grade. The budget cuts also necessitated the adoption of a limited staffing model which meant eliminating part-time shifts and converting those hours into positions. The end results were completely new schedules for every department in every branch, and the need for massive retraining for almost every employee. Some staff opted to resign due to the changes or because they did not want to return to the office during a pandemic; by the end of the fiscal year CRRL's employee numbers had dropped by 15% percent.

Staff returned to the buildings as soon as permitted to begin pulling customer requests and preparing for another new initiative during the pandemic—no-contact, materials pickup via curbside. The Library had already planned to upgrade to a new online platform that allowed customers to ask questions via mobile device or computer, but in light of the pandemic, a texting feature was quickly added. This option helps make curbside pickup faster and more efficient and the majority of customers utilize the texting option over calling. Curbside pickup is new to CRRL, but will remain a core service for the future.

Even more was accomplished in the first eight months of the fiscal year as Library staff partnered with the jurisdictions to oversee and manage multiple building projects.



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The City of Fredericksburg completed a major renovation of the Fredericksburg Branch theater. They knocked down walls to expand the theater to increase capacity to two hundred and fifty and the library purchased additional chairs for the added audience. A sound booth was created at the back of the theater and the stage was refinished, readying the space for a variety of theatrical performances. Two meeting rooms were created from former office spaces on the Lower Level, and each will accommodate more people than in their original location.

The 3rd floor of the library was completely renovated. The entire floor was dedicated to office space until 2018, making this the first time the floor is accessible to the public. Some office walls were knocked down, opening up the floor for new shelving and public work spaces. An additional meeting room was created and, for the first time at this location, four study rooms are available for same-day reservation. Thanks to a generous memorial donation in honor of local artist and poet Farzin Sadeghi, a quiet, reflective room has been created and features several of the artist's works. The Library also expended the remainder of the bequest from local resident Janet Burhans on new wooden, bookstore-style shelving for the entire Fredericksburg Branch collection. The shelving was installed on the 1st and 3rd floors for adult materials, and shelving for the children's and teen collections will be installed in FY21 on the now, youth-only, 2nd floor.

Stafford County purchased wooden, bookstore-style shelving for the Porter Branch children's collection which provides easier accessibility and greater visibility for our youngest customers. The Library repurposed donated furniture to convert two public rooms into a new Meeting Room and the branch's first Study Room! Spotsylvania County refinished the stage at the Salem Church Branch.

The Library also embarked on a new, one-of-a-kind project this year! Funding to create IdeaSpace: Making + Media was received from the Fredericksburg Economic Development Authority. This innovative space is an extension of library MakerLabs and supports education and workforce development. Customers will use technology to create projects such as a podcast, a sign for their business, or a work of art. The opening was delayed due to the pandemic, but the space was opened in December 2020.

Our second satellite location at the Partlow Ruritan Club is a success and our Library on the Go initiative is poised to expand post-pandemic. In the winter of 2020, the Library put the finishing touches on a vehicle devoted to youth services, which will bring educational activities, early literacy lessons, STEM learning, computers, and printing out into underserved neighborhoods throughout our area. This project was made possible due to the Duff McDuff Green, Jr. Fund of The Community Foundation and local resident Midge Vittoria. All library vehicles are now branded with CRRL's logo, mission statement, and website address ensuring that everywhere we go in the community customers are reminded about their public library.

CRRL is looking forward to an end to the pandemic and a return to increased hours, in-person programming and regular library service in the near future.

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

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



Members
American Institute of¹
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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, 2020, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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, 2020, 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.

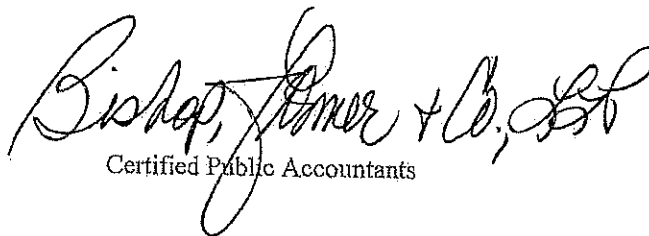
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 42 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 9, 2021, 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 or 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 9, 2021



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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 CRRL for the fiscal years ended June 30, 2020 and June 30, 2019.

FINANCIAL HIGHLIGHTS

June 30, 2020

*The CRRL's assets exceeded its liabilities at the close of the fiscal year by \$2,521,060.

*The CRRL's total net position decreased this fiscal year by \$877,941 primarily due to an increase in the net pension liability.

*The CRRL's capital assets (net accumulated depreciation) increased this fiscal year by \$148,075 to end the year with a value of \$3,321,536. This increase in value occurred because of an increase in leasehold improvements and purchases of maker lab and other equipment.

*At the close of FY 2020, the CRRL's governmental funds reported combined ending fund balances of \$2,233,007, a decrease of \$684,684 in comparison with the prior year.

*At the end of FY 2020, the unassigned fund balance for the General Fund was \$1,626,265 or 11.9% 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 the 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 \$6,189,112. Of this amount, \$3,321,536 was investments in capital assets. CRRL's total liabilities were \$3,668,052. Of this amount, \$510,042 was due in less than one year, \$189,675 was long-term debt, \$1,943,853 was net pension liability, and \$329,913 was net Other Post-Employment Benefits liability. The investments in capital assets were \$3,321,536. There were no permanently restricted assets. Unrestricted assets totaled (\$800,476). CRRL experienced a decrease in net position of \$877,941 compared to FY 2019 and the CRRL closed the fiscal year with a net position of \$2,521,060. Program revenues totaling \$12,977,303 were received from the City of Fredericksburg (\$1,473,170) and the Counties of Spotsylvania (\$4,576,876) Stafford (\$5,559,392) and Westmoreland (\$459,258), from the Commonwealth of Virginia (\$693,937) grants-in-aid to public libraries, and from various donations and grants (\$214,670). Revenues received from fines, investments and other contributions totaled \$123,146. Total governmental revenues for FY 2020 were \$13,100,449. Total governmental expenditures were \$13,978,390. This was a change in net position of \$877,941 resulting in a total net position of \$2,521,060.

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 2020 totaled \$11,977,596. Additionally, CRRL received a grant-in-aid from the Commonwealth of Virginia totaling \$693,937 and \$271,559 from contributions, investments, and miscellaneous income. Total revenues were \$12,943,092. General Fund FY 2020 expenses totaled \$13,614,287. This was an excess of expenses over revenues of \$671,195, resulting in an ending fund balance in the amount of \$1,910,449, of which \$1,626,265 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

	2019 <u>Governmental Activities</u>	2020 <u>Governmental Activities</u>
Current and other assets	\$ 3,388,173	\$ 2,867,576
Capital assets	<u>3,173,461</u>	<u>3,321,536</u>
Total assets	\$ <u>6,561,634</u>	\$ <u>6,189,112</u>
Current and other liabilities	\$ 1,418,152	\$ 1,144,611
Long-term liabilities	<u>1,744,481</u>	<u>2,523,441</u>
Total liabilities	\$ <u>3,162,633</u>	\$ <u>3,668,052</u>
Investments in capital assets	\$ 3,173,461	\$ 3,321,536
Restricted net position	0	0
Unrestricted net position	<u>225,540</u>	<u>(800,476)</u>
Total net position	\$ <u>3,399,001</u>	\$ <u>2,521,060</u>

SUMMARY OF STATEMENT OF ACTIVITIES

	2019 <u>Governmental Activities</u>	2020 <u>Governmental Activities</u>
Revenues		
Local governments, State Aid, and other	\$ <u>13,038,955</u>	\$ <u>13,100,449</u>
Total revenues	\$ <u>13,038,955</u>	\$ <u>13,100,449</u>
Expenditures		
Education, cultural, and recreation	\$ <u>12,663,119</u>	\$ <u>13,978,390</u>
Total expenditures	\$ <u>12,663,119</u>	\$ <u>13,978,390</u>
Increase (decrease) in net position	\$ 375,836	\$ (877,941)
Net position, beginning of year	<u>3,023,165</u>	<u>3,399,001</u>
Net position, end of year	\$ <u>3,399,001</u>	\$ <u>2,521,060</u>

GENERAL FUND BUDGET

For the year ended June 30, 2020, total revenue for the General Fund was \$12,943,092 compared with the year ended June 30, 2019 revenue, which was \$12,806,557. Operating contributions are the largest component of revenue. Local government contributions are the largest single source of operating contributions, \$11,977,596 for the year ended June 30, 2020 (approximately 92.5% of the total program revenues), and \$11,822,935 for the year ended June 30, 2019 (approximately 92.3% of the total program revenues). For the year ended June 30, 2020, the remaining contribution was \$693,937 (5.4%) for state aid and \$271,559 (2.1%) for other contributions. Total expenditure for the General Fund for the year ended June 30, 2020, was \$13,614,287 representing an excess of expenditures over revenues of \$671,195 as compared to total expenditures for the year ended June 30, 2019, which was \$12,805,006 representing an excess of revenues over expenditures of \$1,551.

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 \$10,681,250 for the year ended June 30, 2020, and \$10,067,822 for the year ended June 30, 2019, were the largest expense for library services. For the fiscal year ended June 30, 2020, the second largest expense for library services was books, periodicals, and other related materials, \$1,052,681 as compared to \$989,832 for the year ended June 30, 2019. Other operating expenditures for the delivery of library services totaled \$1,880,356 for the fiscal year ended June 30, 2020, as compared to \$1,747,352 for the fiscal year ended June 30, 2019.

The total fund balance in the General Fund at year end June 30, 2020, was \$1,910,449 (14% of total expenditures), compared with \$2,598,065 (20% of total expenditures) at year end June 30, 2019. The budget for the General Fund for the year ended June 30, 2020 was amended to reflect a budget transfer from Equipment Contracts in the amount of \$35,000 to Furniture and Equipment (\$30,000) and Memberships (\$5,000).

INFORMATION ACCESS FUND

Fund balance for the Information Access Fund at the beginning of FY 2020 was (\$9,283). Total revenue for FY 2020 was \$57,724, as compared to \$84,873 for FY 2019. Expenditures for FY 2020 were \$62,380 as compared with \$221,931 for FY 2019. The fund balance for this fund was \$2,482 as of June 30, 2020, as compared to (\$9,283) for the year ended June 30, 2019.

OTHER GOVERNMENTAL

At year end June 30, 2020, the CRRL had revenues of \$99,633 for all other funds, including law and vehicle, as compared to \$147,525 for the year ended June 30, 2019. Total expenditures for the year ended June 30, 2020, were \$108,466, as compared to \$99,328 for the year ended June 30, 2019; and there was an excess of expenditures over revenues of \$8,833 for the year ended June 30, 2020, as compared to a revenue excess of \$48,197 for the year ended June 30, 2019. The beginning fund balance for FY 2020 was \$328,909, as compared with \$280,712 for FY 2019. The ending fund balance for the year ended June 30, 2020 was \$320,076, as compared to the ending fund balance of \$328,909 for the year ended June 30, 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CRRL investments in capital assets as of June 30, 2020, total \$3,321,536, as compared with \$3,173,461 for the year ended June 30, 2019. The primary components of the assets are the collections, computers, furniture, and vehicles.

CAPITAL ASSETS As of June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets being depreciated:				
Collections	\$ 7,798,895	\$ 548,592	\$ 667,453	\$ 7,680,034
Computers	544,199	99,452	6,119	637,532
Furniture	90,106	219,509	0	309,615
Vehicles	248,943	13,252	0	262,195
Leasehold Improvements	<u>66,912</u>	<u>35,840</u>	<u>0</u>	<u>\$ 102,752</u>
Total capital assets, being depreciated	<u>\$ 8,749,055</u>	<u>\$ 916,645</u>	<u>\$ 673,572</u>	<u>\$ 8,992,128</u>
Less accumulated depreciation for:				
Collections	\$ 4,959,031	\$ 659,367	\$ 667,453	\$4,950,945
Computers	368,874	63,908	6,119	426,663
Furniture and other equipment	66,623	17,929	0	84,552
Vehicles	179,951	24,538	0	204,489
Leasehold Improvements	<u>1,115</u>	<u>2,828</u>	<u>0</u>	<u>\$ 3,943</u>
Total accumulated depreciation	<u>\$ 5,575,594</u>	<u>\$ 768,570</u>	<u>\$ 673,572</u>	<u>\$ 5,670,592</u>
Total capital assets, net government activities	<u>\$ 3,173,461</u>	<u>\$ 148,075</u>	<u>\$ 0</u>	<u>\$ 3,321,536</u>

LONG-TERM DEBT

CRRL's long-term debt includes compensated absences. The total for the year ended June 30, 2020, was \$699,717 of which \$510,042 was due within one year. This compares with a total of \$1,289,712, for the year ended June 30, 2019, of which \$947,670 was due within one year.

LONG-TERM DEBT As of June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due within one year
Compensated absences	<u>\$1,289,712</u>	<u>\$379,822</u>	<u>\$969,817</u>	<u>\$699,717</u>	<u>\$510,042</u>

Also, CRRL's net pension liability (NPL) and net Other Post-Employment Benefits (OPEB) liability are considered long-term debt. This year, as required by the Governmental Accounting Standards Board (GASB) Statement 68 and Statement 75 respectively, the NPL in the amount of \$1,943,853 (an increase of \$892,602 over FY19) and the OPEB in the amount of \$389,913 (an increase of \$38,725 over FY19) 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, 2018, the measurement date.

Budget highlights for the fiscal year ending June 30, 2021

The CRRL's fiscal year 2021 budget is \$12,133,923. This is a decrease in local funding of 5% and an increase in state aid of 4.35%.

Economic factors in 2020-21 budget

This year's budget request reflects the ongoing effects of a global pandemic. Covid-19 restrictions are still affecting many business, schools and government services in our area including CRRL. The jurisdictions that support CRRL have experienced a decrease in revenue since the pandemic began in FY20 and expect it to continue throughout much of FY21. Stafford, Spotsylvania and Fredericksburg cut their FY21 award by 5% compared to FY20.

The goal for this year is to continue to inspire lifelong learning for everyone in our community despite a global pandemic. Because of Covid-19 restrictions we have had to pivot to focus on online services and programs, curbside pickup and Library Express services which allow a limited number of people access to our collection during reduced hours of operation all while keeping staff motivated and safe. We have shifted our collection priority to e-materials that can be accessed or streamed on a smart phone, home computer or smart television. We are continually striving to engage our customers and create meaningful learning opportunities for all.

State funding is often hard to predict. CRRL receives the largest state aid grant awarded in the Commonwealth. Although we were awarded slightly more in FY21 than in FY20, we are anticipating a decrease in state aid funding in subsequent years. 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 expect that the local budget cuts experienced in FY21 will affect our state aid grant in future years.

FINANCIAL STATEMENTS

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

STATEMENT OF NET POSITION

June 30, 2020

*Exhibit I***ASSETS**

Pooled cash and investments	\$ 2,450,081
Receivables	143,429
Prepaid expenses	274,066
Capital assets (net of accumulated depreciation)	<u>3,321,536</u>
Total Assets	\$ <u>6,189,112</u>

LIABILITIES

Accounts payable and accrued expenditures	\$ 628,069
Deferred revenue	6,500
Noncurrent liabilities	
Compensated absences - due in less than one year	510,042
Compensated absences - due in more than one year	189,675
Net pension liability	1,943,853
Net OPEB liability	<u>389,913</u>
Total Liabilities	\$ <u>3,668,052</u>

NET POSITION

Net investment in capital assets	\$ 3,321,536
Unrestricted (Deficit)	<u>(800,476)</u>
Total Net Position	\$ <u>2,521,060</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Exhibit II

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue &</u>
		<u>for</u>	<u>Grants &</u>	<u>Grants &</u>	<u>Changes in</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities					
Education, culture, and recreation	\$ 13,978,390	\$ _____	\$ 12,977,303	\$ _____	\$ (1,001,087)
Total	\$ 13,978,390	\$ -	\$ 12,977,303	\$ -	\$ (1,001,087)
General revenues:					
Fines					\$ 62,169
Interest and investment earnings					47,240
Other					<u>13,737</u>
Total general revenues					\$ <u>123,146</u>
Change in net position					\$ (877,941)
Net Position, beginning					<u>3,399,001</u>
Net Position, ending					\$ <u>2,521,060</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

June 30, 2020

Exhibit III

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Pooled cash and investments	\$ 2,124,287	\$ 2,158	\$ 323,636	\$ 2,450,081
Receivables	133,124	324	9,981	143,429
Prepaid expenses	<u>273,872</u>	<u> </u>	<u>194</u>	<u>274,066</u>
Total Assets	\$ <u>2,531,283</u>	\$ <u>2,482</u>	\$ <u>333,811</u>	\$ <u>2,867,576</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	\$ 614,334	\$	\$ 13,735	\$ 628,069
Deferred revenue	<u>6,500</u>	<u> </u>	<u> </u>	<u>6,500</u>
Total Liabilities	\$ <u>620,834</u>	\$ <u>-</u>	\$ <u>13,735</u>	\$ <u>634,569</u>
Fund Balances:				
Nonspendable:				
Prepays	\$ 273,872	\$	\$ 194	\$ 274,066
Restricted:				
Law library			278,622	278,622
Committed			41,260	41,260
Assigned	10,312			10,312
Unassigned	<u>1,626,265</u>	<u>2,482</u>	<u> </u>	<u>1,628,747</u>
Total Fund Balances	\$ <u>1,910,449</u>	\$ <u>2,482</u>	\$ <u>320,076</u>	\$ <u>2,233,007</u>
Total Liabilities and Fund Balances	\$ <u>2,531,283</u>	\$ <u>2,482</u>	\$ <u>333,811</u>	\$ <u>2,867,576</u>

Adjustments for Statement of Net Assets

Total fund balances, above	\$ 2,233,007
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	3,321,536
Compensated absences not reported as fund liabilities	(699,717)
Net pension liability not reported as fund liabilities	(1,943,853)
Net OPEB liability not reported as fund liabilities	<u>(389,913)</u>
Net position of governmental activities	\$ <u>2,521,060</u>

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, 2020

Exhibit IV

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local governments	\$ 11,977,596	\$	\$ 91,100	\$ 12,068,696
Contributions	214,670			214,670
Fines		54,169	8,000	62,169
Investment income	46,707		533	47,240
Other	10,182	3,555		13,737
Intergovernmental	<u>693,937</u>			<u>693,937</u>
Total Revenues	\$ <u>12,943,092</u>	\$ <u>57,724</u>	\$ <u>99,633</u>	\$ <u>13,100,449</u>
EXPENDITURES				
Current:				
Education, culture, and recreation	\$ 12,745,801	\$ 14,221	\$ 108,466	\$ 12,868,488
Capital outlay	<u>868,486</u>	<u>48,159</u>	<u></u>	<u>916,645</u>
Total Expenditures	\$ <u>13,614,287</u>	\$ <u>62,380</u>	\$ <u>108,466</u>	\$ <u>13,785,133</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(671,195)</u>	\$ <u>(4,656)</u>	\$ <u>(8,833)</u>	\$ <u>(684,684)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$	\$ 16,421	\$	\$ 16,421
Transfers out	<u>(16,421)</u>	<u></u>	<u></u>	<u>(16,421)</u>
Total Other Financing Sources and Uses	\$ <u>(16,421)</u>	\$ <u>16,421</u>	\$ <u>-</u>	\$ <u>-</u>
Net Change in Fund Balances	\$ <u>(687,616)</u>	\$ <u>11,765</u>	\$ <u>(8,833)</u>	\$ <u>(684,684)</u>
Fund Balances (Deficit), beginning	<u>2,598,065</u>	<u>(9,283)</u>	<u>328,909</u>	<u>2,917,691</u>
Fund Balances (Deficit), ending	<u>\$ <u>1,910,449</u></u>	<u>\$ <u>2,482</u></u>	<u>\$ <u>320,076</u></u>	<u>\$ <u>2,233,007</u></u>

Adjustments for statement of activities

Net change in fund balances	\$ (684,684)
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.	148,075
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	589,995
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>(931,327)</u>
Change in net position of governmental activities	<u>\$ <u>(877,941)</u></u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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.

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.

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).

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

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

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.

D. Basis of Accounting and 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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

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

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 and sweep funds.

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 \$50,000. 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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Page 4

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

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.

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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

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

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	\$	916,645
Depreciation expense		<u>(768,570)</u>
Total	\$	<u>148,075</u>

Non-current liabilities are reported in the government-wide financial statements for pension, OPEB and non-current 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 \$2,523,441.

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.

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

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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

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Note 2. Deposits and Investments (Continued):

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

<u>Investment Type</u>	<u>Fair Value</u>
LGIP	<u>\$1,115,218</u>

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.

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 July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Building and leasehold improvements	\$ 66,912	\$ 35,840	\$	\$ 102,752
Collections	7,798,895	548,592	667,453	7,680,034
Computers	544,199	99,452	6,119	637,532
Furniture	90,106	219,509		309,615
Vehicles	<u>248,943</u>	<u>13,252</u>		<u>262,195</u>
Total Capital Assets, Being Depreciated	\$ <u>8,749,055</u>	\$ <u>916,645</u>	\$ <u>673,572</u>	\$ <u>8,992,128</u>
Less accumulated depreciation for:				
Building and leasehold improvements	\$ 1,115	\$ 2,828	\$	\$ 3,943
Collections	4,959,031	659,367	667,453	4,950,945
Computers	368,874	63,908	6,119	426,663
Furniture	66,623	17,929		84,552
Vehicles	<u>179,951</u>	<u>24,538</u>		<u>204,489</u>
Total Accumulated Depreciation	\$ <u>5,575,594</u>	\$ <u>768,570</u>	\$ <u>673,572</u>	\$ <u>5,670,592</u>
Total Capital Assets, Net Governmental Activities	\$ <u>3,173,461</u>	\$ <u>148,075</u>	\$ <u>-</u>	\$ <u>3,321,536</u>

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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 4. Receivables

Receivables at June 30, 2020 consist of the following:

Central Friends	\$ 37,196
Stafford Friends	34,464
Spotsylvania Friends	18,839
Fredericksburg Friends	21,591
Westmoreland Friends	1,210
Law Library Support	9,980
Other	<u>20,149</u>
Net Receivables	\$ <u>143,429</u>

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 FY20, the Library received 10,412 volunteer hours at ten locations.

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 and beginning in year four of the lease increased to \$19,701.32 due to the scheduled annual three percent increase. 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 \$4,534.20 and is scheduled to increase on July 1, 2020 to \$4,670.22. 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 \$353.37 per month and increases during the term of the lease. The CAM charges will increase on July 1, 2020 to \$374.89 per month. 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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 6. Facility Leases (Continued):

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 delayed and limited operations in 2020. 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:

2021	\$ 321,630
2022	328,274
2023	315,669
2024	325,139
2025	332,909
Thereafter	<u>2,585,888</u>
	\$ <u>4,209,509</u>

Rent expense was \$311,999 including CAM charges. The Friends of the Library provided the Library \$19,593 in funds for the LAC lease during FY20.

Note 7. Compensated Absences

The following is a summary of changes in compensated absences for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Amount Due in One Year</u>
Compensated Absences	\$ <u>1,289,712</u>	\$ <u>379,822</u>	\$ <u>969,817</u>	\$ <u>699,717</u>	\$ <u>510,042</u>

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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 8. Defined Benefit Pension Plan (Continued):

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.

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 (five or fifteen percent of the largest of current creditable compensation or final average compensation times the number of years to be purchased). 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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 8. Defined Benefit Pension Plan (Continued):

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.

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, 2020 was 6.98 percent of the annual covered payroll.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 8. Defined Benefit Pension Plan (Continued):

C. Annual Pension Cost

For the fiscal year ended June 30, 2020, the Library's annual pension cost of \$350,360 for VRS was equal to the required and actual contributions.

Three-Year Trend Information for the Library

Fiscal Year Ending	Annual Pension (APC)	Percentage of APC Contributed
June 30, 2020	\$ 350,360	100%
June 30, 2019	\$ 329,858	100%
June 30, 2018	\$ 355,711	100%

D. Employer Contribution Rates

The FY 2020 employer contribution rate was set by the June 30, 2018 valuation and is effective for fiscal years ending 2019 and 2020. Rates for subsequent fiscal years will be determined by future actuarial valuations. The rate established for FY2021 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.

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 seven 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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 8. Defined Benefit Pension Plan (Continued):

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, 2019, the most recent actuarial valuation date, the Plan was 87.32 percent funded. The actuarial accrued liability for benefits was \$21,200,196, and the actuarial value of assets was \$18,513,076, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,687,120. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,544,159, and the ratio of the UAAL to the covered payroll was 59.13 percent.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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%
June 30, 2017	\$ 16,515,351	\$ 17,974,304	\$ 1,458,953	91.88%	\$ 4,237,399	34.43%

The 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, 2020 in the amount of \$1,943,853. 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, 2019.

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Note 8. Defined Benefit Pension Plan (Continued):

Changes in the Net Pension Liability

As of June 30, 2018, measurement date for the year ended June 30, 2019, the total pension liability was reported in the actuarial valuation in the amount of \$18,850,853 and the Plan fiduciary net position was reported as \$17,799,602, resulting in a net pension liability of \$1,051,251. 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. The change in the net pension liability from June 30, 2018 and June 30, 2019 measurement dates consisted of the following:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018 – Measurement Date	\$ 18,850,853	\$ 17,799,602	\$ 1,051,251
Changes for the year:			
Service Cost	\$ 377,289	\$	\$ 377,289
Interest	1,289,975		1,289,975
Changes of assumptions	600,255		600,255
Difference between expected and actual experience	342,619		342,619
Contributions - employer		288,998	(288,998)
Contributions - employee		257,924	(257,924)
Net investment income		1,183,051	(1,183,051)
Benefit payments, including refunds of employee contributions	(845,277)	(845,277)	
Administrative expense		(11,692)	11,692
Other changes		(745)	745
Net Changes	\$ 1,764,861	\$ 872,259	\$ 892,602
Balances at June 30, 2019 – Measurement Date	\$ 20,615,714	\$ 18,671,861	\$ 1,943,853

Pension Expense

The pension expense totaling \$206,063 for the period ending June 30, 2019, measurement date for the year ended June 30, 2020, 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, 2019, measurement date, the actuarial information reported differences between expected and actual experience of \$181,362. In addition, the net difference between projected and actual earnings on plan investments totaled \$161,029 and changes in assumptions totaled \$(433,386). Deferred outflows net change difference is \$713,465 and deferred inflows net change difference is \$622,470, resulting in a net deferred outflow of resources of \$90,995 to be amortized over a four-year period as follows:

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Note 8. Defined Benefit Pension Plan (Continued):

2021	\$ (79,520)
2022	(87,033)
2023	221,903
2024	<u>35,645</u>
Total	\$ <u>90,995</u>

Membership as of the Valuation Date of June 30, 2018 Prepared as of June 30, 2019

As of the valuation date, the Plan had 134 participants of which 78 are active, 35 are receiving benefits and 21 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 \$1,943,853 as of the June 30, 2019 measurement date. *Based upon a decrease of one percent of the discount rate to 5.75 percent, the net pension liability would be \$4,636,622 and an increase of one percent to the discount rate to 7.75 percent would result in a net pension liability of \$(203,611). A discount rate of 7.75 percent results in a surplus.*

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 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 one 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.

In FY20, the Library funded post-employment health benefits for 87 eligible full-time employees in the amount of \$49,251.

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.

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

As of June 30, 2020, the net OPEB liability is composed of the following:

Group Life Insurance Program	\$ 381,919
Virginia Local Disability Program	<u>7,994</u>
Total	<u>\$ 389,913</u>

The annual actuarial valuation used as a basis for a significant portion of the OPEB information was performed as of June 30, 2018 by independent actuaries. The measurement date used for FY20 reporting is June 30, 2019. 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, 2019. The investment rate at the prior measurement date was 7.0 percent.

The Group Life Insurance Program collectively at the measurement date of June 30, 2019 was 52 percent funded. The Library's portion of the program liability and program net position is .02347 percent, resulting in a net OPEB liability of \$381,919.

The Virginia Local Disability Program collectively at the measurement date of June 30, 2019 was 49.2 percent funded. The Library's portion of the program liability and program net position is .39461 percent resulting in a net OPEB liability of \$7,994.

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 Minnesota Life. Minnesota Life pays life insurance proceeds to beneficiaries. Payments for post-employment benefits are made by Minnesota Life 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.

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.

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

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.

Assumptions and Methods which apply to all OPEB Plans

Investment Return Rate:	6.75 percent per annum, compounded annually, net of investment expenses.
Inflation Assumption:	2.50 percent per year.
Actuarial Cost Method:	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.

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

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.

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.

Payroll Growth Rate:

3.00 percent per annum.

Administrative Expenses:

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**Asset Valuation Method:**

For the purposes of GASB 75, the value of assets is equal to the market value of assets.

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.

Minimum Benefit:

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).

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):**“Life Insurance Only” Retirees:**

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

Asset Valuation Method:

For the purpose of GASB 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.

Health Insurance Credit and Group Life Insurance Benefits:

Health Insurance Credit (if applicable) and Group Life Insurance benefits provided under VLDP are valued under the respective plans.

Disability:

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.

Cost of Living Increase:

0.00 percent per year, compounded annually.

Liability Assumed for Disabled Members in Waiting Period:

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.

Income Replacement for Future Disabled Members:

61 percent of a member’s pre-disability income

Percentage of Members with Social Security Offsets:

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.

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

Offsets for Disabled Members:	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.
Offsets for Active Members:	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.
Rates of Termination of Benefits Due to Death or Recovery:	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.
Disabled Life Reserve:	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.
Incurred But Not Reported Reserve:	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.
Morbidity:	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 \$23,920 total required contribution, to total contributions to the program to arrive at the Library's calculated percentage of .02347 percent. Of the collective net OPEB liability, the Library's portion is \$381,919 for the reporting date of June 30, 2020.

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

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

Covered payroll for Plan 1; Plan 2; and VRS Hybrid Plans totaled \$4,544,159 for the actuarial valuation date of June 30, 2019.

The measurement date is June 30, 2019.

GROUP LIFE INSURANCE PROGRAM

**Library's
Portion
.02347%**

Valuation Date (VD): July 1, 2018

Prior Measurement Date: June 30, 2018

Measurement Date (MD): June 30, 2019

Reporting Date (RD): June 30, 2020

Single Equivalent Interest Rate (SEIR):

Long-Term Expected Rate of Return 6.75%

Municipal Bond Index Rate at Prior Measurement Date 3.89%

Municipal Bond Index Rate at Measurement Date 3.50%

Year in which Fiduciary Net Position is Projected to be Depleted N/A

Single Equivalent Interest Rate at Prior Measurement Date 7.00%

Single Equivalent Interest Rate at Measurement Date 6.75%

Net OPEB Liability:

Total OPEB Liability (TOL)	\$ 3,390,238,391	\$ 795,689
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Fiduciary Net Position (FNP)	<u>1,762,972,244</u>	<u>413,770</u>
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Net OPEB Liability (NOL = TOL – FNP)	\$ 1,627,266,147	\$ 381,919
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FNP as a percentage of TOL	52.0%	52.0%
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OPEB Expense (OE)	\$ 37,676,643	\$ 10,403
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Deferred Outflow of Resources	\$ 210,959,017	\$ 66,486
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Deferred Inflow of Resources	\$ 103,601,628	\$ 31,293
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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

GROUP LIFE INSURANCE PROGRAM

Changes in the Net OPEB Liability Group Life Insurance Program	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	Library's Portion
Balances at June 30, 2018	<u>\$3,113,508,000</u>	<u>\$1,594,773,000</u>	<u>\$1,518,735,000</u>	<u>\$ 348,246</u>
Changes for the year:				
Service Cost	\$ 86,911,673	\$	\$ 86,911,673	\$ 20,399
Interest	210,949,798		210,949,798	49,510
Benefit Changes				
Difference between expected and actual experience	56,736,661		56,736,661	13,316
Changes in assumptions	122,011,161		122,011,161	28,636
Contributions - employer		102,174,554	(102,174,554)	(23,981)
Contributions - employee		155,153,372	(155,153,372)	(36,415)
Net investment income		113,439,846	(113,439,846)	(26,625)
Benefit payments	(199,878,902)	(199,878,902)		
Administrative expense		(708,971)	708,971	167
Other changes		(1,980,655)	1,980,655	465
Net Changes	<u>\$ 276,730,391</u>	<u>\$ 168,199,244</u>	<u>\$ 108,531,147</u>	<u>\$ 25,472</u>
Change in Percentage Allocation	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,201</u>
Balances at June 30, 2019	<u>\$3,390,238,391</u>	<u>\$1,762,972,244</u>	<u>\$1,627,266,147</u>	<u>\$ 381,919</u>
TOL Roll Forward Group Life Insurance Program (1)	Actual	Actual Before Assumption Changes	Expected	Library's Portion
(a) TOL as of June 30, 2018	\$3,282,404,461	\$3,166,532,916	\$3,113,508,000	
(b) Entry Age normal Cost for period June 30, 2018 – June 30, 2019	\$87,022,430	\$81,225,863	\$81,225,863	
(c) Actual Benefit Payments	\$199,878,902	\$199,878,902	\$199,878,902	
(d) TOL as of June 30, 2019	\$3,390,238,391	\$3,268,227,230	\$3,211,490,569	
(e) Changes in Assumptions		\$122,011,161		\$28,636
(f) Difference between expected and actual experience			\$56,736,661	\$13,316

Funding status and progress noted at 52.0 percent funded for GL Program.

(1) Actual column reflects interest rate at 6.75 percent. Other two columns reflect interest at the prior rate of 7.00 percent.

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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 \$8,779, total required contribution, to total contributions to the program to arrive at the Library's calculated percentage of .39457 percent. Of the collective net OPEB liability, the Library's portion is \$7,994 for the reporting date of June 30, 2020.

The schedule also reports the changes in net OPEB liability including investment income, contributions, benefit payments, expense and other adjustments. Covered payroll for VLDP totaled \$1,664,622 for 43 participants.

The measurement date is June 30, 2019.

VIRGINIA LOCAL DISABILITY PROGRAM
POLITICAL SUBDIVISIONS

		Library's Portion
Valuation Date (VD)	July 1, 2018	
Prior Measurement Date:	June 30, 2018	
Measurement Date (MD):	June 30, 2019	
Reporting Date (RD):	June 30, 2020	
Single Equivalent Interest Rate (SEIR):		
Long-Term Expected Rate of Return	6.75%	
Municipal Bond Index Rate at Prior Measurement Date	3.89%	
Municipal Bond Index Rate at Measurement Date	3.50%	
Year in which Fiduciary Net Position is Projected to be Depleted	N/A	
Single Equivalent Interest Rate at Prior Measurement Date	7.00%	
Single Equivalent Interest Rate at Measurement Date	6.75%	
Net OPEB Liability:		
Total OPEB Liability (TOL)	\$ 3,988,563	\$ 15,738
Fiduciary Net Position (FNP)	<u>1,962,744</u>	<u>7,744</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 2,025,819	\$ 7,994
FNP as a percentage of TOL	49.21%	49.21%
OPEB Expense (OE)	\$ 2,380,999	\$ 9,416
Deferred Outflow of Resources	\$ 1,081,089	\$ 4,369
Deferred Inflow of Resources	\$ 139,816	\$ 551

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

VIRGINIA LOCAL DISABILITY PROGRAM – POLITICAL SUBDIVISIONS

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 Portion
Balances at June 30, 2018	\$ 1,588,000	\$ 816,000	\$ 772,000	\$ 3,000
Changes for the year:				
Service Cost	\$ 1,191,102	\$	\$ 1,191,102	\$ 4,699
Interest	104,564		104,564	413
Benefit Changes				
Difference between expected and actual experience	1,223,461		1,223,461	4,827
Changes in assumptions	69,905		69,905	276
Contributions - employer		2,225,533	(2,225,533)	(8,781)
Contributions - employee				
Net investment income		93,438	(93,438)	(369)
Benefit payments	(188,469)	(188,469)		
Administrative expense				
Other changes		(983,758)	983,758	3,882
Net Changes	\$ 2,400,563	\$ 1,146,744	\$ 1,253,819	\$ 4,947
Change in Percentage Allocation	\$ -	\$ -	\$ -	\$ 47
Balances at June 30, 2019	\$ 3,988,563	\$ 1,962,744	\$ 2,025,819	\$ 7,994
TOL Roll Forward		Actual Before		
Virginia Local Disability Program		Assumption		
Political Subdivisions (1)	Actual	Changes	Expected	Library's Portion
(a) TOL as of June 30, 2018	\$ 2,776,859	\$ 2,731,422	\$ 1,588,000	
(b) Entry Age normal Cost for period June 30, 2018 – June 30, 2019	\$ 1,142,010	\$ 1,113,179	\$ 1,113,179	
(c) Actual Benefit Payments	\$ 188,469	\$ 188,469	\$ 188,469	
(d) TOL as of June 30, 2019	\$ 3,988,563	\$ 3,918,658	\$ 2,695,197	
(e) Changes in Assumptions		\$ 69,905		\$ 276
(f) Difference between expected and actual experience			\$ 1,223,461	\$ 4,827

Funding status and progress noted at 51.38 percent funded for VLD Program.

(1) Actual column reflects interest rate at 6.75 percent. Other two columns reflect interest at the prior rate of 7.00 percent.

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):**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 \$389,913 as of the June 30, 2019 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 \$510,929; a rate of 6.75 percent results in a net OPEB liability of \$389,913 and at 7.75 percent the liability is \$291,696.*

	Net OPEB Liability	Discount Rate
Group Life Program:		
Net OPEB liability	\$ 501,736	5.75%
	\$ 381,919	6.75%
	\$ 284,751	7.75%
VLDP Program:		
Net OPEB liability	\$ 9,193	5.75%
	\$ 7,994	6.75%
	\$ 6,945	7.75%

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	\$ 31,293
Total Deferred Outflows	\$ 66,486
Total Employee OPEB Expense	\$ 10,403
Deferred amounts to be recognized in fiscal years following the reporting date:	
Year 1	\$ 2,928
Year 2	\$ 2,929
Year 3	\$ 6,251
Year 4	\$ 10,394
Year 5	\$ 10,060
Thereafter	\$ 2,631
VLDP Program:	
Total Deferred Inflows	\$ 551
Total Deferred Outflows	\$ 4,369
Total Employee OPEB Expense	\$ 9,416
Deferred amounts to be recognized in fiscal years following the reporting date:	
Year 1	\$ 793
Year 2	\$ 787
Year 3	\$ 783
Year 4	\$ 792
Year 5	\$ 756
Thereafter	\$ (93)

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 11. Long-Term Obligations

The Library's long-term obligations as reported on the statement of net position as of June 30, 2020 are as follows:

Compensated absences	\$ 699,717
Net pension liability	1,943,853
Net OPEB liability	<u>389,913</u>
Total	<u>\$ 3,033,483</u>
Amount of compensated absences estimated due within one year:	<u>\$ 510,042</u>

Note 12. Net Position

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

Net position, beginning of fiscal year	\$ <u>3,399,001</u>
GASB-68 change in pension liability	\$ (892,602)
GASB-75 change in OPEB liability	(38,725)
Net change in capital assets	148,075
Net change in compensated absences	589,995
Net change in governmental funds balance	<u>(684,684)</u>
Net position, end of fiscal year	<u>\$ 2,521,060</u>

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.

Note 14. Parking Lot Expansion

In February 2018, the Library agreed to convey by Deed of Gift the property at 1208 Sophia Street to the City of Fredericksburg for the purpose of parking lot expansion to benefit the Library. The City had ownership of two parcels involved in the expansion project and accepted the Deed of Gift of 1208 Sophia Street to combine the three parcels for the parking lot project. The Library's original cost in the amount of \$230,000 for the property located at 1208 Sophia Street was removed from the books and records of the Library. This effort has resulted in expanding parking at the Fredericksburg branch.

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

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Note 15. Library Projects and Expansion

Fredericksburg Branch Renovation

The third floor of the Fredericksburg branch is undergoing renovation to transform the former administrative area to a public area. The project began in FY19 and continued into FY20 with completion anticipated in FY21. Construction delays and COVID closures extended the project's completion into FY21. The estimated project cost is approximately \$230,000.

Library-On-The-Go

In FY19, the Library purchased two vans for an outreach initiative targeted toward young children. The vehicles are used to bring interactive games and library materials to community centers and remote locations for children who are unable to visit the Library branches on a regular basis. The retro-fitting of the vans was completed in FY20.

Spotsylvania Towne Centre Branch

In August 2018, the Library opened a branch at the Spotsylvania Towne Centre mall location in Spotsylvania. Spotsylvania County entered into the lease to provide the space for the new branch and is funding the utilities and maintenance costs. The lease is for a five-year term with free rent to the Library.

Barbara J. Fried Center – Joint Use Branch

The Barbara J. Fried Center, a joint use branch located in Stafford County, was opened on August 20, 2018 in partnership with Germanna Community College. Stafford County also assisted in providing support for the joint use branch. The branch provides a small collection, hold pickup service, Chromebooks and classes.

Idea Space – Making and Media

In FY19 the Library entered into a lease for space to open a makers lab located at 1616 Princess Anne Street, in the Canal Quarter Creative Maker District in downtown Fredericksburg. The facility includes a digital media lab, drawing tablets, 3D printers and various technology available to borrow. The Library received support for this project from the Fredericksburg Economic Development Authority, the Community Foundation of the Rappahannock River Region, and the Fredericksburg Cable Commission.

The makers lab will have onsite “Pepper” a humanoid robot. The Library obtained support for the robot from donations and local educational institutions.

The grand opening of the facility was held in December 2020 after delays due to COVID-19.

Other Projects and Assignment of Fund Balance

The amount of \$10,312 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 FY21 including additional equipment for the Idea Space and books added to the collection related to racial healing.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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16. Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued statements which are not yet effective. Statement No.95, *Postponement of the Effective Dates of Certain Authoritative Guidance due to the COVID-19 pandemic* has delayed implementation dates of the various statements. Management of the Library has not determined the effects, if any, of the new GASB statement on prospective financial statements.

17. Subsequent Events

LIBRARY PROJECTS:

In addition to working toward the completion of the third-floor renovation at the Fredericksburg branch, the second floor is being refreshed with new flooring and shelving. The City of Fredericksburg is providing a portion of the support and funding for the second floor refresh project. As described in Note 15, the Idea Space had its opening in December 2020 and is currently available to the public by appointment in accordance with COVID safety policies.

CORONAVIRUS PANDEMIC:

In December 2019, a novel virus of Coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern". The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Library's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Library's funding support, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Library's financial condition or results of operations is unknown.

During FY20, the Library experienced closures and partial operations at the Library's facilities. To compensate for a reduction of services to the public due to the pandemic, curb-side pick-up of materials was offered and continues to be 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 Library's facilities are currently closed to the public as of January 19, 2021 due to an increase of COVID-19 cases in the area. Reopening is scheduled for February 16, 2021 in anticipation of local COVID-19 cases abating. Curb-side pick-up is available during this period to provide uninterrupted check-out of Library materials.

GOVERNMENT SUPPORT:

Due to COVID-19 budget considerations, the Library's FY20 support from local governments was decreased from the approved budget by the amount of \$200,000. In addition, local government support for FY21 is 5.99 percent less than the original approved FY20 budget.

The Library's management has evaluated subsequent events through February 9, 2021, the date which the financial statements were available for issue.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement No. 34, the following information is a required part of the general-purpose statements.

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

June 30, 2020

Exhibit V

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES:			
Local governments	\$ 12,212,457	\$ 11,977,596	\$ (234,861)
Contributions		214,670	214,670
Investment income		46,707	46,707
Other		10,182	10,182
State funds	<u>693,937</u>	<u>693,937</u>	<u> </u>
Total Revenues	\$ <u>12,906,394</u>	\$ <u>12,943,092</u>	\$ <u>36,698</u>
EXPENDITURES:			
Current:			
Personnel	\$ 10,476,223	\$ 10,681,250	\$ (205,027)
Professional and temporary services	67,500	59,378	8,122
Repairs and maintenance	44,100	49,253	(5,153)
Insurance	28,616	28,616	
Publicity/programs	106,000	110,565	(4,565)
Training	45,900	62,609	(16,709)
Memberships and professional dues	15,000	15,599	(599)
Vehicle expenses	21,600	33,912	(12,312)
Utilities	30,000	59,869	(29,869)
Supplies	201,529	210,063	(8,534)
Library service center	290,000	322,532	(32,532)
Miscellaneous	5,000	3,129	1,871
Computer services	404,114	394,356	9,758
Capital outlay:			
Collection	1,014,920	1,052,681	(37,761)
Furniture and equipment	155,892	448,801	(292,909)
Building and grounds	<u> </u>	<u>81,674</u>	<u>(81,674)</u>
Total Expenditures	\$ <u>12,906,394</u>	\$ <u>13,614,287</u>	\$ <u>(707,893)</u>
Excess of Revenues Over Expenditures (Deficit)	\$	\$ (671,195)	\$ (671,195)
Fund Balance, beginning	\$ <u>-</u>	\$ <u>2,598,065</u>	\$ <u>2,598,065</u>
Transfer to Information Access Fund	\$ <u>-</u>	\$ <u>(16,421)</u>	\$ <u>(16,421)</u>
Fund Balance, ending	\$ <u>-</u>	\$ <u>1,910,449</u>	\$ <u>1,910,449</u>

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
REPORT ON INTERNAL CONTROL AND COMPLIANCE
UNDER GOVERNMENTAL AUDITING STANDARDS

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

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



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

To the 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, 2020, 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 9, 2021.

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 9, 2021