

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

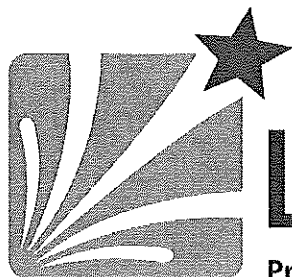
FINANCIAL STATEMENTS

June 30, 2022

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INTRODUCTORY SECTION



Central Rappahannock Regional
Library

INSPIRING LIFELONG LEARNING
FOR EVERYONE IN OUR COMMUNITY

Proudly serving Fredericksburg, Stafford, Spotsylvania, and Westmoreland

December 2022

Fiscal year 2022 was in many ways a return to normalcy. In January 2022, operating hours were expanded at all Stafford locations and in the City of Fredericksburg and CRRL hopes to restore operating hours in Spotsylvania in the near future. In-person programming returned in full force for all age levels and our communities have enthusiastically responded. Attendance at children's Grow a Reader classes (storytimes), that for ideal learning conditions would have attendance no higher than 30, at some locations now see over 100 attendees. Library on the Go service to assisted living facilities and senior apartments restarted, bringing browsing materials and requested items to customers where they live.

CRRL continues as a leader in innovation throughout libraries in the Commonwealth. The Library of Things collection was unveiled this fiscal year. This unique collection takes our mission of providing lifelong learning to everyone in our community in an exciting new direction and provides customers access to a variety of objects such as outdoor games and energy-saving devices. CRRL partnered with the Virginia Department of Health and became one of the first libraries to distribute at-home COVID test kits, distributing over 12,000 kits in a matter of weeks. CRRL received grants for a vehicle to provide library service to more rural areas of Westmoreland County and to provide smartboards in study and meeting rooms, providing customers using those spaces increased opportunities for collaboration. The popularity and use of IdeaSpace: Making+Media in the City's Canal Quarter District has increased dramatically and, while a few additional operating hours were added at the beginning of FY23, the hope is to increase staffing and expand hours in the near future.

Fredericksburg City painted the outside doors and installed new laminate flooring in the Grow a Reader Learn and Play and programming rooms. Stafford County replaced flooring in the MakerLab and teen lounge and updated furniture in the adult area at Howell Branch and at Porter branch, updated lighting, and made major repairs to the HVAC system. Spotsylvania County provided new vinyl flooring in the teen lounge of the Salem Church branch.

Westmoreland County residents are enjoying many library building improvements. This year the county installed new bathroom fixtures and flooring throughout the Montross Branch and the Newton Branch, and the library purchased new smaller desks for these locations, creating a more open and inviting space. Cooper Branch projects were completed in FY23. Thanks to a grant for rural libraries from the Library of Virginia and IMLS, privacy pods were purchased for Westmoreland branches providing a private space for teleconferencing, telehealth appointments, online interviews and more. These were installed in FY23.

While CRRL has made great strides in filling vacant positions, offering competitive salaries continues to be a challenge, as does increasing our collections budget in order to meet customer demand. The five-year plan was updated in FY23 and provides a structure for recommended additional projects and initiatives which will also require additional funding. Library Administration will continue efforts to work with the jurisdictions to increase funding to better serve our shared communities.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

DIRECTORY OF OFFICIALS

JUNE 30, 2022

BOARD OF TRUSTEES

Diana Risavi, Chair
Westmoreland

Xavier Richardson, Vice Chair
Spotsylvania

Lori Hayes
Spotsylvania

Meg Bohmke
Stafford

Kimberly Young
Stafford

Kerry Devin
Fredericksburg

Cheryl Miller
Fredericksburg

Library Director – Martha Hutzel

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Rappahannock Regional Library (the "Library"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Rappahannock Regional Library, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 6 to the financial statements, the Library implemented GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

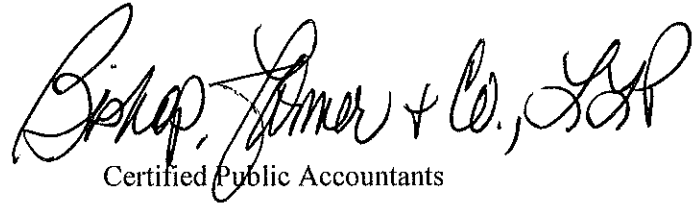
- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

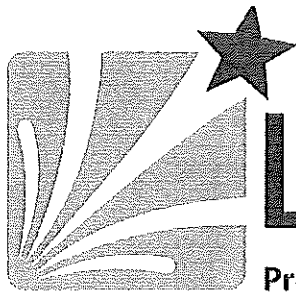
Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of 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 6, 2023, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.


Certified Public Accountants

Fredericksburg, Virginia
February 6, 2023



Central Rappahannock Regional
Library

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MANAGEMENT'S DISCUSSION & ANALYSIS

The Management Discussion & Analysis (MD&A) offers the readers of the Central Rappahannock Regional Library's financial statements a narrative overview and analysis of the financial activities of Central Rappahannock Regional Library (CRRL) for the fiscal years ended June 30, 2022 and June 30, 2021.

FINANCIAL HIGHLIGHTS

June 30, 2022

*CRRL's assets exceeded its liabilities at the close of the fiscal year by \$2,182,109.

*CRRL's total net position increased this fiscal year by \$979,677. The Statement of Net Position includes several new items this year which affect the total net position. They are the right to use leased assets, lease liability, deferred outflows of resources and deferred inflows of resources.

*CRRL's capital assets increased this fiscal year by \$2,788,814 to end the year with a value of \$6,183,754. This increase in value occurred because of the inclusion of the Right to use leased assets, net and are a result of the new GASB Statement 87 requirements.

*CRRL's depreciable assets (net accumulated depreciation) decreased this fiscal year by \$68,331.

*At the close of FY 2022, CRRL's governmental funds reported combined ending fund balances of \$2,370,460, a decrease of \$15,340 in comparison with the prior year.

*At the end of FY 2022, unassigned fund balance for the General Fund was \$1,501,907 or 12.02% of total General Fund expenditure for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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BASIC FINANCIAL STATEMENTS

GOVERNMENT (LIBRARY)-WIDE FINANCIAL STATEMENT

Library-wide financial statements report information about CRRL as a whole. The governmental funds for CRRL include the General Fund, the Information Access Fund, and the other governmental funds. One of the most important questions asked about CRRL's finances is "Is the library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position 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 \$9,016,263. Of this amount, \$6,183,754 was investments in capital assets. CRRL's total deferred outflows of resources were \$1,724,285. CRRL's total liabilities were \$5,930,293. Of this amount, \$772,060 was compensated absences, \$3,197,069 was lease liability, \$1,244,450 was net pension liability, and \$254,665 was net Other Post-Employment Benefits liability. CRRL's total deferred inflows of resources were \$2,628,146. The investments in capital assets were \$2,986,685. There were restricted assets in the amount of \$212,153. Unrestricted assets were a deficit of \$1,016,729. CRRL experienced an increase in net position of \$979,677 compared to FY 2021 and CRRL closed the fiscal year with a net position of \$2,182,109. Program revenues totaling \$12,551,418 were received from the City of Fredericksburg (\$1,384,975) and the Counties of Spotsylvania (\$4,332,232) Stafford (\$5,396,874) and Westmoreland (\$483,493), from the Commonwealth of Virginia (\$763,384) grants-in-aid to public libraries, from the US Government through grants from the American Rescue Plan Act (\$111,250) and from various donations and grants (\$79,210). Revenues received from fines, investments and other contributions totaled \$37,961. Total governmental revenues for FY 2022 were \$12,589,379. Total governmental expenditures were \$11,609,702. This was a change in net position of \$979,677 resulting in a total net position of \$2,182,109.

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 2022 totaled \$11,531,879. Additionally, CRRL received a grant-in-aid from the Commonwealth of Virginia totaling \$763,384, a grant from the American Rescue Plan Act totaling \$111,250 and \$106,013 from contributions, investments, and miscellaneous income. Total revenues were \$12,512,526. General Fund FY 2022 expenses totaled \$12,496,569. This was an excess of revenues over expenses of \$15,957. The ending fund balance in the General Fund was \$2,063,514, of which \$1,501,907 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

	2021 Governmental Activities	2022 Governmental Activities		
Current and other assets	\$ 3,228,197	\$ 2,832,509		
Capital assets	3,394,940	6,183,754		
Total assets	\$ 6,623,137	\$ 9,016,263		
Total deferred outflows of resources	\$ 0	\$ 1,724,285		
Current and other liabilities	\$ 842,397	\$ 462,049		
Long-term liabilities	4,578,308	\$ 5,468,244		
Total liabilities	\$ 5,420,705	\$ 5,930,293		
Total deferred inflows of resources	\$ 0	\$ 2,628,146		
Investments in capital assets	\$ 3,394,940	\$ 2,986,685		
Restricted net position	0	212,153		
Unrestricted net position	(2,192,508)	(1,016,729)		
Total net position	\$ 1,202,432	\$ 2,182,109		

SUMMARY OF STATEMENT OF ACTIVITIES

	2021 Governmental Activities	2022 Governmental Activities		
Revenues				
Local governments, State Aid, and other	\$ 12,438,253	\$ 12,589,379		
Total revenues	\$ 12,438,253	\$ 12,589,379		
Expenditures				
Education, cultural, and recreation	\$ 13,756,881	\$ 11,609,702		
Total expenditures	\$ 13,756,881	\$ 11,609,702		
Increase (decrease) in net position	\$ (1,318,628)	\$ 979,677		
Net position, beginning of year	2,521,060	1,202,432		
Net position, end of year	\$ 1,202,432	\$ 2,182,109		

GENERAL FUND BUDGET

For the year ended June 30, 2022, total revenue for the General Fund was \$12,512,526 compared with the year ended June 30, 2021 revenue, which was \$12,351,727. Operating contributions are the largest component of revenue. Local government contributions are the largest single source of operating contributions, \$11,531,879 for the year ended June 30, 2022 (approximately 92.2% of the total program revenues), and \$11,472,318 for the year ended June 30, 2021 (approximately 92.9% of the total program revenues). For the year ended June 30, 2022, the remaining contribution was \$874,634 (7%) for intergovernmental contributions and \$106,013 (.8%) for other contributions. Total expenditure for the General Fund for the year ended June 30, 2022, was \$12,496,569 representing an excess of revenues over expenditures of \$15,957 as compared to total expenditures for the year ended June 30, 2021, which was \$12,184,619 representing an excess of revenues over expenditures of \$167,108.

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

Personnel-related expenses of \$9,720,054 for the year ended June 30, 2022, and \$9,250,960 for the year ended June 30, 2021, were the largest expenses for library services. For the fiscal year ended June 30, 2022, the second largest expense for library services was books, periodicals, and other related materials, \$1,197,126 as compared to \$1,117,492 for the year ended June 30, 2021. Other operating expenditures for the delivery of library services totaled \$1,579,389 for the fiscal year ended June 30, 2022, as compared to \$1,816,167 for the fiscal year ended June 30, 2021.

The total fund balance in the General Fund at year end June 30, 2022, was \$2,063,514 (16.5% of total expenditures), compared with \$2,047,557 (17% of total expenditures) at year end June 30, 2021. The budget for the General Fund for the year ended June 30, 2022 was amended to reflect a transfer of \$135,000 from Benefits to Salaries and \$50,000 from Supplies to Furniture and Equipment.

INFORMATION ACCESS FUND

The fund balance for the Information Access Fund at the beginning of FY 2022 was \$8,324. Total revenue for FY 2022 was \$11,072 as compared to \$9,717 for FY 2021. Expenditures for FY 2022 were \$0 as compared with \$3,875 for FY 2021. The fund balance for this fund was \$19,396 as of June 30, 2022 as compared to \$8,324 for the year ended June 30, 2021.

OTHER GOVERNMENTAL

At year end June 30, 2022, CRRL had revenues of \$65,781 for all other funds, including Law and Vehicle, as compared to \$76,809 for the year ended June 30, 2021. Total expenditures for the year ended June 30, 2022, were \$108,150 as compared to \$96,966 for the year ended June 30, 2021; and there was an excess of expenditures over revenues of \$42,369 for the year ended June 30, 2022, as compared to an excess of expenditures over revenues of \$20,157 for the year ended June 30, 2021. The beginning fund balance for FY 2022 was \$329,919, as compared with \$320,076 for FY 2021. The ending fund balance for the year ended June 30, 2022 was \$287,550, as compared to the ending fund balance of \$329,919 for the year ended June 30, 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CRRL investments in capital assets as of June 30, 2022, total \$3,326,609 as compared with \$3,394,940 for the year ended June 30, 2021. The primary components of the assets are the collections, computers, furniture, and vehicles.

CAPITAL ASSETS As of June 30, 2022

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets being depreciated:				
Collections	\$ 6,638,239	\$ 522,722	\$ 1,307,957	\$ 5,853,004
Computers	759,173	44,680	88,750	715,103
Furniture	309,615	76,236	0	385,851
Vehicles	262,195	0	0	262,195
Leasehold Improvements	\$ 102,752	\$ 0	\$ 0	\$ 102,752
Total capital assets, being depreciated	\$ 8,071,974	\$ 643,638	\$ 1,396,707	\$ 7,318,905
Less accumulated depreciation for:				
Collections	\$ 3,896,106	\$ 530,911	\$ 1,307,957	\$ 3,119,060
Computers	436,273	134,743	88,750	482,266
Furniture and other equipment	109,467	21,527	0	130,994
Vehicles	227,820	21,364	0	249,184
Leasehold Improvements	\$ 7,368	\$ 3,424	\$ 0	\$ 10,792
Total accumulated depreciation	\$ 4,677,034	\$ 711,969	\$ 1,396,707	\$ 3,992,296
Total capital assets, net government activities	\$ 3,394,940	\$ (68,331)	\$ 0	\$ 3,326,609

LONG-TERM DEBT

CRRL's long-term debt includes compensated absences. The total for the year ended June 30, 2022, was \$772,060. This compares with a total of \$745,959 for the year ended June 30, 2021.

LONG-TERM DEBT

As of June 30, 2022

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due within one year
Compensated absences	\$745,959	\$738,395	\$712,294	\$772,060	\$598,791

Also, CRRL's lease liability, net pension liability (NPL) and net Other Post-Employment Benefits (OPEB) liability are considered long-term debt. As required by the Governmental Accounting Standards Board (GASB) Statement 87, Statement 68 and Statement 75 respectively, the lease liability in the amount of \$3,197,069, the NPL in the amount of \$1,244,450 and the OPEB in the amount of \$254,665 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, 2021, the measurement date.

Budget highlights for the fiscal year ending June 30, 2023

The CRRL's fiscal year 2023 budget is \$12,396,013. This is a decrease in local funding of .1% and an increase in state aid of 14.74%.

Economic factors in 2022-23 budget

Though COVID-19 remains a public health risk, this year's budget request reflects a return to normal operations. Since the previous Covid-19 restrictions have been lifted, CRRL has returned to normal operating hours, and in-person programming has exceeded pre-pandemic levels. The original budget request for FY 2023 was an 8.49% increase over FY 2022; however, final approved funding for FY 2023 ended up being a .82% increase. Westmoreland County funded CRRL's full FY 2023 request; Fredericksburg approved a slight increase, Spotsylvania County appropriated funding level to FY 2022 and FY 2021 and Stafford slightly decreased funding compared to the prior year. State aid was up from the previous year by \$112,494.

State funding is often hard to predict. Local support, number of jurisdictions served, population, and the number of square miles encompassed by the service region comprise the state aid funding formula. State aid to public libraries is contingent on the Library's local funding levels remaining at or above the current year's level. We were awarded more in FY 2023 than in FY 2022 in large part due to focus from the Commonwealth on fully funding the State Aid formula to public libraries. FY 2023 was the first year in a four year plan to phase in this goal. We are hoping for level funding or a small increase in state aid in FY 2024. CRRL receives the largest state aid grant awarded in the Commonwealth.

The goal for this year is to increase services to library customers especially to those in underserved areas of our community. We also hope to expand operations for our maker and media space, IdeaSpace. We hope FY24 funding will allow us to restore evening hours in Spotsylvania. Based on demand and despite costing more, e-materials continue to be a collection priority as they offer customers maximum flexibility and can be accessed or streamed on a smartphone, home computer or smart television. We completed a strategic plan in FY23 and it will inform our collection development, programming, operations, budgeting and growth for the next 5 years. We are continually striving to engage our customers and create meaningful learning opportunities for all.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
STATEMENT OF NET POSITION

June 30, 2022

Exhibit I

ASSETS

Cash and investments	\$ 2,227,296
Receivables	80,631
Prepaid items	524,582
Capital assets net:	
Depreciable assets	3,326,609
Right to use leased assets, net	<u>2,857,145</u>
Total Assets	\$ <u>9,016,263</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	\$ 1,663,591
Deferred OPEB outflows	<u>60,694</u>
Total Deferred Outflows of Resources	\$ <u>1,724,285</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 460,549
Unearned revenue	1,500
Noncurrent liabilities:	
Due within one year - compensated absences	598,791
Due in more than one year – compensated absences	173,269
Due within one year – lease liability	279,524
Due in more than one year – lease liability	2,917,545
Net pension liability	1,244,450
Net OPEB liability	<u>254,665</u>
Total Liabilities	\$ <u>5,930,293</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	\$ 2,496,167
Deferred OPEB inflows	<u>131,979</u>
Total Deferred Inflows of Resources	\$ <u>2,628,146</u>

NET POSITION

Net investment in capital assets	\$ 2,986,685
Restricted for:	
Law Library	212,153
Unrestricted (Deficit)	<u>(1,016,729)</u>
Total Net Position	\$ <u>2,182,109</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Exhibit II

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
Library operations	\$ <u>11,609,702</u>	\$	\$ <u>12,551,418</u>	\$	\$ <u>941,716</u>
Total	\$ <u>11,609,702</u>	\$	\$ <u>12,551,418</u>	\$	\$ <u>941,716</u>
General revenues:					
					\$ 11,072
					5,003
					<u>21,886</u>
					\$ <u>37,961</u>
					\$ 979,677
					<u>1,202,432</u>
					\$ <u>2,182,109</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

June 30, 2022

Exhibit III

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 1,918,285	\$ 19,399	\$ 289,612	\$ 2,227,296
Receivables	80,624	7		80,631
Prepaid expenses	<u>520,582</u>	<u> </u>	<u>4,000</u>	<u>524,582</u>
Total Assets	\$ <u>2,519,491</u>	\$ <u>19,406</u>	\$ <u>293,612</u>	\$ <u>2,832,509</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	\$ 454,477	\$ 10	\$ 6,062	\$ 460,549
Deferred revenue	<u>1,500</u>	<u> </u>	<u> </u>	<u>1,500</u>
Total Liabilities	\$ <u>455,977</u>	\$ <u>10</u>	\$ <u>6,062</u>	\$ <u>462,049</u>
Fund Balances:				
Nonspendable:				
Prepays	\$ 520,582	\$	\$ 4,000	\$ 524,582
Restricted:				
Law library			212,153	212,153
Committed			71,397	71,397
Assigned	41,025			41,025
Unassigned	<u>1,501,907</u>	<u>19,396</u>	<u> </u>	<u>1,521,303</u>
Total Fund Balances	\$ <u>2,063,514</u>	\$ <u>19,396</u>	\$ <u>287,550</u>	\$ <u>2,370,460</u>
Total Liabilities and Fund Balances	\$ <u>2,519,491</u>	\$ <u>19,406</u>	\$ <u>293,612</u>	\$ <u>2,832,509</u>

Adjustments for Statement of Net Assets

Total fund balances, above	\$ 2,370,460
Capital assets and rights to use leased assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	6,183,754
Compensated absences not reported as fund liabilities	(772,060)
Net pension liability and deferred inflows/outflows not reported as fund liabilities	(2,077,026)
Net OPEB liability and deferred inflows/outflows not reported as fund liabilities	(325,950)
Lease liability not reported as fund liabilities	<u>(3,197,069)</u>
Net position of governmental activities	\$ <u>2,182,109</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, 2022

Exhibit IV

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local governments	\$ 11,531,879	\$	\$ 65,695	\$ 11,597,574
Contributions	79,210			79,210
Fees and charges		11,072		11,072
Investment income	4,917		86	5,003
Other	21,886			21,886
Intergovernmental	<u>874,634</u>	<u> </u>	<u> </u>	<u>874,634</u>
Total Revenues	\$ <u>12,512,526</u>	\$ <u>11,072</u>	\$ <u>65,781</u>	\$ <u>12,589,379</u>
EXPENDITURES				
Current:				
Education, culture, and recreation	\$ 11,040,353	\$	\$ 108,150	\$ 11,148,503
Capital outlay	<u>1,456,216</u>	<u> </u>	<u> </u>	<u>1,456,216</u>
Total Expenditures	\$ <u>12,496,569</u>	\$ <u> </u>	\$ <u>108,150</u>	\$ <u>12,604,719</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>15,957</u>	\$ <u>11,072</u>	\$ <u>(42,369)</u>	\$ <u>(15,340)</u>
Net Change in Fund Balances	\$ 15,957	\$ 11,072	\$ (42,369)	\$ (15,340)
Fund Balances, beginning	<u>2,047,557</u>	<u>8,324</u>	<u>329,919</u>	<u>2,385,800</u>
Fund Balances, ending	<u>\$ 2,063,514</u>	<u>\$ 19,396</u>	<u>\$ 287,550</u>	<u>\$ 2,370,460</u>

Adjustments for statement of activities

Net change in fund balances	\$ (15,340)
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.	(68,331)
Governmental funds report right to use leased assets as expenditures. However, in the statement of activities, leased assets are capitalized and amortized over lease terms. Lease liabilities are reported in the statement of activities.	(339,924)
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	(26,101)
The change in the net pension liability and OPEB liability is determined by an actuarial valuation and does not require the use of current financial resources and, therefore, is not reported in the governmental funds until paid	<u>1,429,373</u>
Change in net position of governmental activities	<u>\$ 979,677</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Organization and Significant Accounting Policies

Organization

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

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

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

Basis of Accounting and Accounting Presentation

A. Reporting Identity

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

B. Government-Wide Financial Statements

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

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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

C. Fund Financial Statements

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

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

The Library reports the following major governmental funds:

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

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

Other governmental funds are comprised of the following:

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

E. Budgets and Budgetary Accounting

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

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

F. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will at times report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be considered as an inflow of resource until that time.

G. 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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Page 4

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

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.

H. Prepaid Items

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

I. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Bulk purchases are considered for capitalization for groups of related assets purchased in bulk exceeding an aggregate of \$20,000. Renovations and building improvements are considered for capitalization for amounts exceeding \$15,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The Library has no infrastructure assets except for leasehold improvements and right to use lease assets.

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

Right to use lease assets are amortized over lease terms.

J. GASB 87 – Right to Use Lease Assets and Liabilities

The Library has implemented GASB Statement No. 87, *Leases*. Implementation of this standard resulted in recognition of the fair market value of lease liabilities and lease assets at the commencement of the lease agreements. Due to the implementation of GASB Statement No. 87, the Library’s financial statements were evaluated for the need to restate previously issued financial statements which would be required on a retrospective basis. The evaluation resulted in the decision that restatement was not necessary due to the nominal effect on the financial statements as of June 30, 2022.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Page 5

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

K. Accrued Compensated Absences

The Library employees accrue compensated absences (paid time off) when vested. The cost of paid time off is recorded in the government-wide financial statements and represents a reconciling item between the fund and government-wide statement presentations.

L. 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.

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

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

Capital outlay	\$	643,638
Depreciation expense		<u>711,969</u>
Total	\$	<u>68,331</u>

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**NOTES TO FINANCIAL STATEMENTS****Page 6****Note 1. Summary of Organization and Significant Accounting Policies (Continued):**

Liabilities related to net position and net OPEB liabilities along with other long-term liabilities such as compensated absences are not due and payable in the current period and are reported in the governmental funds as expenditures as payments are made. Pension and OPEB liabilities are based upon actuarial valuation. Lease payments related to right to use lease assets are reported by the governmental funds as expenditures. However, in the Statement of Net Position, the capitalized present values of lease assets are recognized with amortization of the lease assets recognized in the Statement of Activities over the lease term. In the Statement of Net Position, lease liabilities related to the capitalized lease assets are recognized. Interest expense is recognized in the Statement of Activities as lease liabilities are paid.

N. 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.

O. 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.

P. Use of Estimates

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

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:

Investment Type	Fair Value
LGIP	\$ 1,119,826

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.

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 3. Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Building leasehold improvements	\$ 102,752	\$	\$	\$ 102,752
Collections	6,638,239	522,722	1,307,957	5,853,004
Computers	759,173	44,680	88,750	715,103
Furniture	309,615	76,236		385,851
Vehicles	262,195			262,195
Total Capital Assets, Being Depreciated	\$ 8,071,974	\$ 643,638	\$ 1,396,707	\$ 7,318,905
Less accumulated depreciation for:				
Building and leasehold improvements	\$ 7,368	\$ 3,424	\$	\$ 10,792
Collections	3,896,106	530,911	1,307,957	3,119,060
Computers	436,273	134,743	88,750	482,266
Furniture	109,467	21,527		130,994
Vehicles	227,820	21,364		249,184
Total Accumulated Depreciation	\$ 4,677,034	\$ 711,969	\$ 1,396,707	\$ 3,992,296
Total Capital Assets, Net Governmental Activities	\$ 3,394,940	\$ (68,331)	\$ -	\$ 3,326,609

Depreciation was charged to Library operations function.

Note 4. Receivables

At June 30, 2022, the receivables are composed of the following:

Central Friends of the Library	\$ 60,367
Emergency Connectivity Fund Grant	14,999
Other	5,265
Total	\$ 80,631

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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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 FY22, the Library received approximately 4,024 volunteer hours.

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 lease includes scheduled annual three percent increases each year. The space functions for administrative offices and the warehouse. The commitment over the fifteen-year lease term is \$3,950,955. The Library is not charged for additional common area maintenance during the term of the initial lease for this location. In FY22, monthly lease payments totaled \$244,117.

Beginning in January 2018, the Library entered into a lease addendum for the LAC for additional space for Suites 150 and 155. The additional space is subject to the same terms and conditions as the original lease. The CAM charges for Suites 150 and 155 are \$386.14 per month for FY22 and increases over the term of the lease. The base rent over the fifteen-year term is \$974,882. In FY22, monthly lease payments totaled \$62,358, excluding CAM charges.

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.

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. 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 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 lease was renewed during FY22. The base rent over the lease term including the two-year extension period is \$124,792. In FY22, monthly lease payments totaled \$25,003, excluding additional charges.

GASB Statement No. 87 – Leases:

The Library implemented GASB Statement No. 87 which established financial statement reporting standards related to leases. Implementation of this standard resulted in recognizing the fair market value of the asset and liability at the commencement of the lease agreement. The Library maintains two leases applicable to GASB Statement No. 87 as described in this disclosure. The Library has evaluated and determined no changes to the prior year issued financial statements are necessary which would be required on a retrospective basis.

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

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Note 6. Facility Leases (Continued):

Recognition of right to use lease assets, liabilities and expenditures is as follows:

	Library Administration Center	Idea Space	Total
Right to use lease asset at lease commencement	\$ <u>4,223,896</u>	\$ <u>112,582</u>	\$ <u>4,336,478</u>
Right to use lease asset at implementation – FY22	\$ 3,098,786	\$ 64,735	\$ 3,163,521
Amortization for FY22	<u>(283,860)</u>	<u>(22,516)</u>	<u>(306,376)</u>
Right to use lease asset (net)	\$ <u>2,814,926</u>	\$ <u>42,219</u>	\$ <u>2,857,145</u>
Lease liability at June 30, 2022	\$ <u>3,148,350</u>	\$ <u>48,719</u>	\$ <u>3,197,069</u>
Interest expense recognized FY22	\$ <u>65,590</u>	\$ <u>2,442</u>	\$ <u>68,032</u>

Interest rates as determined, range from 2-4 percent. Amortization is reported straight-line over the lease terms.

During implementation of GASB No. 87, the Library decided not to reclassify lease payment amounts out of the governmental funds due to budgetary controls. Therefore, lease amortization, interest expense, lease net assets and liabilities are reported only in the government-wide financial statements due to the insignificance of any impact on the governmental fund balances. Lease payments are reported as expenditures in the governmental fund financial statements. Disclosure is made of the various components and account balances associated with implementing GASB Statement No. 87 as reported by the government-wide financial statements.

Annual Debt Service Requirements for Lease Liabilities

	LAC Principal	LAC Interest	LAC Total	Idea Space Principal	Idea Space Interest	Idea Space Total
FY23	\$ 255,025	\$ 60,644	\$ 315,669	\$ 24,499	\$ 1,504	\$ 26,003
FY24	269,731	55,409	325,140	24,220	478	24,698
FY25	285,021	49,875	334,896			
FY26	300,913	44,029	344,942			
FY27	317,430	37,860	355,290			
Thereafter	<u>1,720,230</u>	<u>84,871</u>	<u>1,805,101</u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>3,148,350</u>	\$ <u>332,688</u>	\$ <u>3,481,038</u>	\$ <u>48,719</u>	\$ <u>1,982</u>	\$ <u>50,701</u>

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 6. Facility Leases (Continued):

Summary All Leases

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
LAC	\$ 3,148,350	\$ 332,688	\$ 3,481,038
Idea Space	<u>48,719</u>	<u>1,982</u>	<u>50,701</u>
Total	<u>\$ 3,197,069</u>	<u>\$ 334,670</u>	<u>\$ 3,531,739</u>

In August 2018, Spotsylvania County entered into a five-year lease agreement for a Library branch located at Spotsylvania Towne Centre Mall. The County is providing the space to the Library without cost.

The Friends of the Library agreed to provide funding for one-third of the rent for Suites 150 and 155. However, due to COVID shut-down periods and restrictions, the Library paid rent without funding assistance from the Friends. The right to use assets and liabilities have not been adjusted for any assistance from the Friends since the Library is responsible for the lease payments.

In FY22, the Library entered into a sublease for a portion of the office space at the Library Administration Center. The lease term runs from April 2022 to April 2023. The Library receives base rent of \$300 per month. After the expiration of the lease and upon mutual agreement, a month-to-month tenancy will be created between the parties of the original lease subject to the terms and conditions of the original lease. The month-to-month lease arrangement can be terminated by either party with one month's notice.

Note 7. Compensated Absences

Compensated absences are reported in the Statement of Net Position as a liability based upon the library's leave policy. The following is a summary of changes in compensated absences for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Compensated Absences	\$ 745,959	\$ 738,395	\$ 712,294	\$ 772,060

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 - Unreduced Retirement – Normal retirement age under VRS Plan 1 is age 65. Participants become eligible for an unreduced benefit at age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit. Applicable for members hired prior to July 1, 2010, and who were vested as of January 1, 2013.

Plan 2 – Unreduced – Normal retirement age under VRS Plan 2 is participant's normal Social Security retirement age. Participants become eligible for an unreduced benefit when reaching normal Social Security retirement age and with at least five years of service credit or when age and service credit equal 90. Applicable for 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 – Unreduced Retirement – Participants become eligible for an unreduced retirement benefit under the defined benefit component when reaching normal Social Security retirement age and with at least five years of service credit or when age and service equal 90 (Rule of 90) and obtained at least five years of service credit. Applicable for 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 established by the VRS Board. Special rules govern and limit the purchase of additional service.

Payment Options:

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

Disability Retirement:

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

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

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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, 2022 was 8.64 percent of the annual covered payroll.

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Note 8. Defined Benefit Pension Plan (Continued):

C. Annual Pension Cost

For the fiscal year ended June 30, 2022, the Library’s annual pension cost of \$450,940 for VRS was equal to the required and actual contributions.

Three-Year Trend Information for the Library

Fiscal Year Ending	Annual Pension Cost
June 30, 2022	\$ 450,940
June 30, 2021	\$ 416,139
June 30, 2020	\$ 350,360

D. Employer Contribution Rates

The FY 2022 employer contribution rate was set by the June 30, 2019 valuation and is effective for fiscal years ending 2021 and 2022. The rate established for FY 2022 is 8.64 percent. The contribution rate for FY 2023 and 2024 is 9.93 percent as set by the June 30, 2021 valuation.

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 6.75 percent investment return as the single equivalent investment return assumption for purposes of the GASB 67/68 statements.

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

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Note 8. Defined Benefit Pension Plan (Continued):

E. Actuarial Assumptions and Methods

Effective with the June 30, 2021 valuation, the actuarial assumptions were revised to reflect the results of the experience study for the period 2016-2020. The next experience review is expected to be implemented with the June 30, 2025 annual valuation. The VRS Board of Trustees adopted a change in the interest rate from 7.00 percent to 6.75 percent for the June 30, 2019 valuation. The valuation assumes an annual cost-of-living adjustment of 2.50 percent for Plan 1 members and 2.25 percent for Plan 2 and Hybrid members. Salary increases range between 3.50 percent and 5.35 percent depending on the member's service and classification (i.e., members with general employee benefits or with enhanced hazardous duty coverage). Liabilities were determined under the Entry Age Normal actuarial cost method.

F. Funded Status and Funding Progress

As of June 30, 2021, the most recent actuarial valuation date, the Plan was 85.12 percent funded. The actuarial accrued liability for benefits was \$24,117,757, and the actuarial value of assets was \$20,529,889, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,587,868. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,783,498, and the ratio of the UAAL to the covered payroll was 75.00 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, 2021	\$ 20,529,889	\$ 24,117,757	\$ 3,587,868	85.12%	\$ 4,783,498	75.00%
June 30, 2020	\$ 19,134,065	\$ 22,702,801	\$ 3,568,736	84.28%	\$ 4,660,667	76.57%
June 30, 2019	\$ 18,513,076	\$ 21,200,196	\$ 2,687,120	87.32%	\$ 4,544,159	59.13%

G. Net Pension Liability and Changes in Net Pension Liability

The net pension liability (NPL) has been reported as a liability on the statement of net position as of June 30, 2022 in the amount of \$1,244,450. 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 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, 2021.

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Note 8. Defined Benefit Pension Plan (Continued):

The change in the net pension liability from June 30, 2020 and June 30, 2021 measurement dates consisted of the following:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020 – Measurement Date	\$ <u>22,008,306</u>	\$ <u>18,577,770</u>	\$ <u>3,430,536</u>
Changes for the year:			
Service Cost	\$ 382,859	\$	\$ 382,859
Interest	1,447,205		1,447,205
Changes of assumptions	819,814		819,814
Difference between expected and actual experience	741,373		741,373
Contributions - employer		348,470	(348,470)
Contributions - employee		214,373	(214,373)
Net investment income		5,026,740	(5,026,740)
Benefit payments, including refunds of employee contributions	(1,136,460)	(1,136,460)	
Administrative expense		(12,718)	12,718
Other changes		472	(472)
Net Changes	\$ <u>2,254,791</u>	\$ <u>4,440,877</u>	\$ <u>(2,186,086)</u>
Balances at June 30, 2021 – Measurement Date	\$ <u>24,263,097</u>	\$ <u>23,018,647</u>	\$ <u>1,244,450</u>

H. Pension Expense

Pension expense based upon the June 30, 2021 measurement date is as follows:

Service cost	\$ 382,859
Interest on the total pension liability	1,447,205
Expensed portion of current-period difference between expected and actual experience in the total pension liability	211,821
Expensed portion of current-period changes of assumptions	234,233
Member contributions	(214,373)
Projected earnings on plan investments	(1,234,226)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(758,503)
Administrative expense	12,718
Other	(472)
Recognition of beginning deferred outflows of resources as pension expense	583,194
Recognition of beginning deferred inflows of resources as pension expense	<u>(326,851)</u>
Pension Expense	\$ <u>337,605</u>

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Note 8. Defined Benefit Pension Plan (Continued):

I. Summary of Deferred Inflows and Outflows of Resources

The Library reported deferred outflows and deferred inflows of resources based upon the measurement date, June 30, 2021 as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 915,896	\$ 3,656
Changes of assumptions	747,695	
Net difference between projected and actual earnings on plan plan investments	<u> </u>	<u>2,492,511</u>
Total	\$ <u>1,663,591</u>	\$ <u>2,496,167</u>

Schedule of Amortization of Deferred (Inflows) and Outflows of Resources

2023	\$ 252,830
2024	30,259
2025	(357,163)
2026	<u>(758,502)</u>
Total	\$ <u>(832,576)</u>

J. Membership as of the Valuation Date of June 30, 2020 Prepared as of June 30, 2021

As of the valuation date, the Plan had 173 participants of which 83 are active, 61 are receiving benefits and 29 are inactive participants.

K. 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 \$1,244,450 as of the June 30, 2021 measurement date. *Based upon a decrease of one percent of the discount rate to 5.75 percent, the net pension liability would be \$4,402,316 and an increase of one percent to the discount rate to 7.75 percent would result in a net pension liability (excess) of \$(1,359,223).*

Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at www.varetire.org/pdf/publications/2021-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Henrico, VA, 23218.

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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 FY22, the Library funded post-employment health benefits for 89 eligible full-time employees in the amount of \$52,342.

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 liability on the statement of net position. Contributions made to the programs are held in trust.

As of June 30, 2022, the net OPEB liability is composed of the following:

Group Life Insurance Program	\$ 259,283
Virginia Local Disability Program	<u>(4,618)</u>
Total	<u>\$ 254,665</u>

The annual actuarial valuation used as a basis for a significant portion of the OPEB information was performed as of June 30, 2020 by independent actuaries. The measurement date used for FY22 reporting is June 30, 2021. 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, 2021.

The Group Life Insurance Program collectively at the measurement date of June 30, 2021 was 67.45 percent funded. The Library's portion of the program liability and program net position is .02227 percent, resulting in a net OPEB liability of \$259,283.

The Virginia Local Disability Program collectively at the measurement date of June 30, 2021 was 119.64 percent funded. The Library's portion of the program liability and program net position is .45621 percent resulting in a net OPEB liability (asset) of \$(4,618).

Group Life Insurance Program

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

Eligible employees include all full-time, permanent employees.

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

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.

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.

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

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, 2016 through June 30, 2020 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.
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.

Assumptions and Methods Applicable to the Group Life Insurance Program

Asset Valuation Method:	For the purposes of GASB 74/75, 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.
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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

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).
“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 74/75, the value of assets is equal to the market value of assets. The method of valuing assets is intended to recognize a “smoothed” market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a five-year period. The resulting actuarial value of asset value cannot be less than 80 percent or more than 120 percent of the market value of assets.
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.
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.

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

Income Replacement for Future Disabled Members:	62 percent of a member's pre-disability income
Percentage of Members with Social Security Offsets:	65 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.
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 \$24,831 total required contribution, to total contributions to the program to arrive at the Library's calculated percentage of .02227 percent. Of the collective net OPEB liability, the Library's portion is \$259,283 for the reporting date of June 30, 2022.

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

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

GROUP LIFE INSURANCE PROGRAM
COLLECTIVE AMOUNTS AND DATA
Library's Percentage: .02227

Valuation Date (VD):	June 30, 2020
Measurement Date (MD):	June 30, 2021
Reporting Date (RD):	June 30, 2022
Single Equivalent Interest Rate (SEIR):	
Long-Term Expected Rate of Return	6.75%
Municipal Bond Index Rate at Prior Measurement Date	2.21%
Municipal Bond Index Rate at Measurement Date	2.16%
Single Equivalent Interest Rate at Prior Measurement Date	6.75%
Single Equivalent Interest Rate at Measurement Date	6.75%
Net OPEB Liability:	
Total OPEB Liability (TOL)	\$ 3,577,345,268
Fiduciary Net Position (FNP)	<u>2,413,073,915</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 1,164,271,353
FNP as a percentage of TOL	67.45%
OPEB Expense (OE)	\$ 47,108,275
Deferred Outflow of Resources	\$ 196,975,207
Deferred Inflow of Resources	\$ 446,054,819

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

GROUP LIFE INSURANCE PROGRAM
COLLECTIVE AMOUNTS AND DATA
Library's Percentage: .02227

Changes in the Net OPEB Liability Group Life Insurance Program	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020 Measurement Date	<u>\$3,523,938,338</u>	<u>\$1,855,102,041</u>	<u>\$1,668,836,297</u>
Changes for the year:			
Service Cost	\$ 96,893,569	\$	\$ 96,893,569
Interest	232,051,956		232,051,956
Benefit Changes			
Difference between expected and actual experience	63,188,745		63,188,745
Changes in assumptions	(166,464,185)		(166,464,185)
Contributions - employer		111,797,083	(111,797,083)
Contributions - employee		86,509,533	(86,509,533)
Net investment income		534,708,581	(534,708,581)
Benefit payments	(172,263,155)	(172,263,155)	
Administrative expense		(861,921)	861,921
Other changes		<u>(1,918,247)</u>	<u>1,918,247</u>
Net Changes	<u>\$ 53,406,930</u>	<u>\$ 557,971,874</u>	<u>\$ (504,564,944)</u>
Balances at June 30, 2021 Measurement Date	<u>\$3,577,345,268</u>	<u>\$2,413,073,915</u>	<u>\$1,164,271,353</u>
TOL Roll Forward Group Life Insurance Program	Actual	Actual Before Assumption Changes	Expected
(a) TOL as of June 30, 2020	\$3,441,376,724	\$3,583,131,542	\$3,523,938,338
(b) Entry Age normal Cost for period June 30, 2020 – June 30, 2021	\$ 76,583,280	\$ 90,766,809	\$ 90,766,809
(c) Actual Benefit Payments	\$ 172,263,155	\$ 172,263,155	\$ 172,263,155
(d) TOL as of June 30, 2021	\$3,577,345,268	\$3,743,809,453	\$3,680,620,708
(e) Changes in Assumptions		\$ (166,464,185)	
(f) Difference between expected and actual experience			\$ 63,188,745

Funding status and progress noted at 6.75 percent funded for GL Program.

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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 \$15,211, total required contribution, to total contributions to the program to arrive at the Library's calculated percentage of .45621 percent. Of the collective net OPEB liability (asset), the Library's portion is \$(4,618) for the reporting date of June 30, 2022.

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

VIRGINIA LOCAL DISABILITY PROGRAM
POLITICAL SUBDIVISIONS
COLLECTIVE AMOUNTS AND DATA
Library's Percentage - .45621

Valuation Date (VD)	June 30, 2020
Measurement Date (MD):	June 30, 2021
Reporting Date (RD):	June 30, 2022
Single Equivalent Interest Rate (SEIR):	
Long-Term Expected Rate of Return	6.75%
Municipal Bond Index Rate at Prior Measurement Date	2.21%
Municipal Bond Index Rate at Measurement Date	2.16%
Single Equivalent Interest Rate at Prior Measurement Date	6.75%
Single Equivalent Interest Rate at Measurement Date	6.75%
Net OPEB Liability:	
Total OPEB Liability (TOL)	\$ 5,155,327
Fiduciary Net Position (FNP)	<u>6,167,598</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ (1,012,271)
FNP as a percentage of TOL	119.64%
OPEB Expense (OE)	\$ 2,769,984
Deferred Outflow of Resources	\$ 635,724
Deferred Inflow of Resources	\$ 2,355,900

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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

VIRGINIA LOCAL DISABILITY PROGRAM – POLITICAL SUBDIVISIONS
COLLECTIVE AMOUNTS AND DATA
Library's Percentage - .45621

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)
Balances at June 30, 2020	\$ 4,316,776	\$ 3,318,528	\$ 998,248
Changes for the year:			
Service Cost	\$ 1,820,201	\$	\$ 1,820,201
Interest	278,378		278,378
Benefit Changes			
Difference between expected and actual experience	(603,261)		(603,261)
Changes in assumptions	(271,438)		(271,438)
Contributions - employer		3,337,828	(3,337,828)
Contributions - employee			
Net investment income		1,086,463	(1,086,463)
Benefit payments	(385,329)	(385,329)	
Administrative expense		(1,189,892)	1,189,892
Other changes			
Net Changes	<u>\$ 838,551</u>	<u>\$ 2,849,070</u>	<u>\$ (2,010,519)</u>
Balances at June 30, 2021	<u>\$ 5,155,327</u>	<u>\$ 6,167,598</u>	<u>\$ (1,012,271)</u>
TOL Roll Forward		Actual Before	
Virginia Local Disability Program		Assumption	
Political Subdivisions	Actual	Changes	Expected
(a) TOL as of June 30, 2020	\$ 3,402,450	\$ 3,751,661	\$ 4,316,776
(b) Entry Age normal Cost for period June 30, 2020 – June 30, 2021	\$ 1,800,043	\$ 1,705,106	\$ 1,705,106
(c) Actual Benefit Payments	\$ 385,329	\$ 385,329	\$ 385,329
(d) TOL as of June 30, 2021	\$ 5,155,327	\$ 5,426,765	\$ 6,030,026
(e) Changes in Assumptions		\$ (271,438)	
(f) Difference between expected and actual experience			\$ (603,261)

Funding status and progress noted at 6.75 percent funded for VLD Program.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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

Deferred Inflows, Outflows and OPEB Expense

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

Group Life Program:

Total Deferred Inflows	\$ 121,231
Total Deferred Outflows	\$ 57,184
Total Employee OPEB Expense	\$ 9,081
Deferred amounts to be recognized in fiscal years following the reporting date:	
Year 1	\$ 14,315
Year 2	\$ 10,327
Year 3	\$ 10,667
Year 4	\$ 21,575
Year 5	\$ 7,163
Thereafter	\$ 0

VLDP Program:

Total Deferred Inflows	\$ 10,748
Total Deferred Outflows	\$ 3,510
Total Employee OPEB Expense	\$ 12,738
Deferred amounts to be recognized in fiscal years following the reporting date:	
Year 1	\$ 980
Year 2	\$ 971
Year 3	\$ 1,011
Year 4	\$ 2,048
Year 5	\$ 679
Thereafter	\$ 1,549

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 \$254,665 as of the June 30, 2021 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 \$376,348; a rate of 6.75 percent results in a net OPEB liability of \$254,665 and at 7.75 percent the liability is \$156,272.*

	<u>Net OPEB Liability</u>	<u>Discount Rate</u>
Group Life Program:		
Net OPEB liability	\$ 378,822	5.75%
	\$ 259,283	6.75%
	\$ 162,750	7.75%
VLDP Program:		
Net OPEB liability (asset)	\$ (2,474)	5.75%
	\$ (4,618)	6.75%
	\$ (6,478)	7.75%

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 27

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

Detailed information about VRS OPEB programs may be obtained from the VRS website at www.varetire.org/pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Henrico, VA 23218.

Note 11. Deferred Compensation Plan

The Library offers its qualified employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the Plan is optional to qualified employees. The Plan allows employees to pay into a retirement program with pre-tax dollars. The Library provides a match of 50 percent of the qualified employee's contribution up to \$30 per pay period. The Plan is administered by a third-party provider. The Library is not responsible for investment administration or risk.

Note 12. Long-Term Obligations

The Library's non-current obligations as reported on the statement of net position as of June 30, 2022 are as follows:

Compensated absences	\$ 772,060
Net pension liability	1,244,450
Net OPEB liability	254,665
Right to use lease liability	<u>3,197,069</u>
Total	\$ <u>5,468,244</u>
Amount of liabilities estimated due within one year:	\$ <u>452,793</u>

Note 13. Net Position

The Statement of Net Position reflects the following components of net position as of June 30, 2022:

Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 3,326,609
Right to use leased assets, net	2,857,145
Less right to use lease liability	<u>(3,197,069)</u>
	\$ 2,986,685
Restricted net position	212,153
Unrestricted net position (deficit)	<u>(1,016,729)</u>
Total	\$ <u>2,182,109</u>

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 13. Net Position (Continued):

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

Net position, beginning of fiscal year	\$ 1,202,432
GASB-87 change in right to use lease asset and liability	(339,924)
GASB-68 change in pension liability	2,186,086
GASB-75 change in OPEB liability	147,148
Net change in capital assets	(68,331)
Net change in compensated absences	(26,101)
Net change in deferred inflows/outflows	(903,861)
Net change in governmental funds balance	<u>(15,340)</u>
Net position, end of fiscal year	\$ <u>2,182,109</u>

Note 14. Grants

The Library was awarded a grant by the Library of Virginia in the amount of \$96,251. Funding for the grant was provided by the American Rescue Plan Act. The funds were required to be used to help communities respond directly and immediately to the pandemic including equitable approaches in digital inclusion and library services. The Library has used the funds for these specific purposes.

In addition, a grant from the Emergency Connectivity Fund was approved in the amount of \$14,999 which was funded by the American Rescue Plan Act. These funds are to be used to increase internet access to communities. A receivable was recorded in FY22 for the approved grant funds which were received in FY23. The Library has purchased hotspots in community areas in need with these grant funds.

Note 15. 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 or the prior three 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 16. Significant Accounting Standards

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The standard defines a SBITA including guidance on how to record and disclose subscription-based transactions. Statement No. 96 will be effective for fiscal years beginning after June 15, 2022. The Library will implement Statement No. 96 in FY 2023.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 16. Significant Accounting Standards (Continued):

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more relevant and consistent information. The Library will implement Statement No. 100 in FY 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model. The Library will implement Statement No. 101 in FY 2025.

Note 17. Subsequent Events

Strategic Plan 2022-2027

In December 2022, the Library completed its five-year strategic plan. The purpose of the plan is defined as “to guide CRRL in creating accessible and relevant resources, materials, and services for its diverse community now and during the next five years.” The Strategic Plan can be found on the Library’s website.

Library Administration Center and Cooper Library Branch -Water Damage

Both facilities suffered damage from burst pipes in December 2022. The damage to the Cooper Branch was minimal. Repairs at the Library Administration Center are ongoing. The Library expects repairs at both locations to be covered by insurance.

Satellite Locations

Plans are in process to re-open two satellite locations which have been closed since the beginning of the COVID pandemic.

The Library’s management has evaluated subsequent events through February 6, 2023, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

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

June 30, 2022

Exhibit V

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES:			
Local governments	\$ 11,531,236	\$ 11,531,879	\$ 643
Contributions		79,210	79,210
Investment income		4,917	4,917
Other		21,886	21,886
State funds	763,384	763,384	
Federal funds	<u> </u>	<u>111,250</u>	<u>111,250</u>
Total Revenues	\$ <u>12,294,620</u>	\$ <u>12,512,526</u>	\$ <u>217,906</u>
EXPENDITURES:			
Current:			
Personnel	\$ 9,691,429	\$ 9,720,054	\$ (28,625)
Professional and temporary services	75,000	79,362	(4,362)
System upkeep	30,400	98,454	(68,054)
Insurance	35,250	29,832	5,418
Publicity/programs	100,000	67,672	32,328
Training	30,000	35,254	(5,254)
Memberships and professional dues	15,000	13,111	1,889
Vehicle expenses	30,000	27,001	2,999
Telephone and equipment contracts	53,400	48,843	4,557
Supplies	133,657	148,373	(14,716)
Library service center	363,000	331,671	31,329
Miscellaneous	5,000	1,110	3,890
Computer services	485,287	509,482	(24,195)
Capital outlay:			
Collection	1,057,405	1,197,126	(139,721)
Furniture and equipment	<u>189,792</u>	<u>189,224</u>	<u>568</u>
Total Expenditures	\$ <u>12,294,620</u>	\$ <u>12,496,569</u>	\$ <u>(201,949)</u>
Excess of Revenues Over Expenditures	\$	\$ 15,957	\$ 15,957
Fund Balance, beginning	\$ _____	\$ <u>2,047,557</u>	\$ <u>2,047,557</u>
Fund Balance, ending	\$ <u>-</u>	\$ <u>2,063,514</u>	\$ <u>2,063,514</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
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015
June 30, 2022								
Schedule of changes in the Library's net pension liability and related ratios:								
Total pension liability:								
Service cost	\$ 382,859	\$ 403,628	\$ 377,289	\$ 408,316	\$ 432,098	\$ 431,283	\$ 468,716	\$ 467,227
Interest	1,447,205	1,358,046	1,289,975	1,255,634	1,239,414	1,187,687	1,101,717	1,028,040
Differences between expected and actual experience	741,373	623,935	342,619	(369,092)	(695,015)	(230,244)	237,828	
Changes of assumptions	819,814		600,255		(66,422)			
Benefit payments, including refunds of employee contributions	(1,136,460)	(993,017)	(845,277)	(763,255)	(593,468)	(706,091)	(454,137)	(431,325)
Refunds of Contributions								
Other								
Net change in total pension liability	\$ 2,254,791	\$ 1,392,592	\$ 1,764,861	\$ 531,603	\$ 316,607	\$ 682,635	\$ 1,354,124	\$ 1,063,942
Total pension liability - beginning	<u>22,008,306</u>	<u>20,615,714</u>	<u>18,850,853</u>	<u>18,319,250</u>	<u>18,002,643</u>	<u>17,320,008</u>	<u>15,965,884</u>	<u>14,901,942</u>
Total pension liability - ending (a)	<u>\$24,263,097</u>	<u>\$22,008,306</u>	<u>\$20,615,714</u>	<u>\$18,850,853</u>	<u>\$18,319,250</u>	<u>\$18,002,643</u>	<u>\$17,320,008</u>	<u>\$15,965,884</u>
Plan fiduciary net position:								
Contributions - employer	\$ 348,470	\$ 299,157	\$ 288,998	\$ 355,496	\$ 345,019	\$ 417,287	\$ 433,213	\$ 453,646
Contributions - employee	214,373	258,759	257,924	232,805	267,426	204,087	216,816	229,292
Net investment income	5,026,740	353,668	1,183,051	1,237,197	1,828,046	260,812	645,851	1,886,015
Benefit payments, including refunds of employee contributions	(1,136,460)	(993,017)	(845,277)	(763,255)	(593,468)	(706,091)	(454,137)	(431,325)
Administrative expense	(12,718)	(12,239)	(11,692)	(10,612)	(10,331)	(9,151)	(8,526)	(9,856)
Refunds of contributions								
Other	472	(419)	(745)	(1,105)	(1,637)	(110)	(138)	99
Net change in plan fiduciary net position	\$ 4,440,877	\$ (94,091)	\$ 872,259	\$ 1,050,526	\$ 1,835,055	\$ 166,834	\$ 833,079	\$ 2,127,871
Plan fiduciary net position - beginning	<u>18,577,770</u>	<u>18,671,861</u>	<u>17,799,602</u>	<u>16,749,076</u>	<u>14,914,021</u>	<u>14,747,187</u>	<u>13,914,108</u>	<u>11,786,237</u>
Plan fiduciary net position - ending (b)	<u>\$23,018,647</u>	<u>\$18,577,770</u>	<u>\$18,671,861</u>	<u>\$17,799,602</u>	<u>\$16,749,076</u>	<u>\$14,914,021</u>	<u>\$14,747,187</u>	<u>\$13,914,108</u>
Library's net pension liability - ending (a)-(b)	<u>\$ 1,244,450</u>	<u>\$ 3,430,536</u>	<u>\$ 1,943,853</u>	<u>\$ 1,051,251</u>	<u>\$ 1,570,174</u>	<u>\$ 3,088,622</u>	<u>\$ 2,572,821</u>	<u>\$ 2,051,776</u>

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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

June 30, 2022

(Continued)

	2022	2021	2020	2019	2018	2017	2016	2015
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	94.87	84.41	90.57	94.42	91.42	82.84	85.14	87.03
Covered payroll (c)	\$4,783,498	\$4,660,667	\$4,544,159	\$4,394,373	\$4,237,399	\$4,036,095	\$4,174,809	\$4,223,794
Library's net pension liability as a percentage of covered payroll [(a)-(b)]/(c)	26.01	73.61	42.78	23.92	37.05	76.52	61.63	48.58

Net pension liabilities are reported using VRS measurement date.

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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

**SCHEDULE OF PENSION CONTRIBUTIONS
(Unaudited)**

June 30, 2022

	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2022	\$ 348,470	\$ 348,470		\$ 4,783,498	7.28
2021	\$ 299,157	\$ 299,157		\$ 4,660,667	6.42
2020	\$ 288,998	\$ 288,998		\$ 4,544,159	6.36
2019	\$ 355,496	\$ 355,496		\$ 4,394,373	8.09
2018	\$ 345,019	\$ 345,019		\$ 4,237,399	8.14
2017	\$ 417,287	\$ 417,287		\$ 4,036,095	10.34
2016	\$ 433,213	\$ 433,213		\$ 4,174,809	10.38
2015	\$ 453,646	\$ 453,646		\$ 4,223,794	10.74

Data reported using VRS measurement date.

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

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

Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GLI Plan:					
Proportion of the net GLI OPEB liability	0.02227	0.02381	0.02347	0.02293	0.02242
Proportionate share of net GLI OPE liability	\$ 259,283	\$ 397,350	\$ 381,919	\$ 348,246	\$ 330,968
Employer's covered payroll	\$4,783,498	\$4,660,667	\$4,544,159	\$4,394,373	\$4,237,399
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.42	8.52	8.40	7.92	7.81
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45	52.64	52.00	51.22	50.23
VLDP Plan:					
Proportion of the Net VLDP OPEB liability	.45621	0.44708	0.39457	0.3811	0.38007
Proportionate share of net VLDP OPEB liability (asset)	\$ (4,618)	\$ 4,463	\$ 7,994	\$ 2,942	\$ 2,032
Employer's covered payroll	\$4,783,498	\$4,660,667	\$4,544,159	\$4,394,373	\$4,237,399
Employer's proportionate share of net VLDP OPEB liability (asset) as a percentage of its covered payroll	.096	.095	.178	.067	.048
Plan fiduciary net position as a percentage of the total VLDP OPEB liability (asset)	119.64	76.88	49.20	51.38	51.10

Data reported using VRS measurement date.

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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

**SCHEDULE OF OPEB CONTRIBUTIONS
(Unaudited)**

Year Ended June 30, 2022

<u>Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
GLI Plan:					
2022	\$ 24,831	\$ 24,831		\$ 4,783,498	.52
VLDP Plan:					
2022	\$ 15,211	\$ 15,211		\$ 4,783,498	.32
GLI Plan:					
2021	\$ 25,480	\$ 25,480		\$ 4,660,667	.55
VLDP Plan:					
2021	\$ 11,995	\$ 11,995		\$ 4,660,667	.26
GLI Plan:					
2020	\$ 23,920	\$ 23,920		\$ 4,544,159	.53
VLDP Plan:					
2020	\$ 8,779	\$ 8,779		\$ 4,544,159	.19
GLI Plan:					
2019	\$ 21,171	\$ 21,171		\$ 4,394,373	.48
VLDP Plan:					
2019	\$ 5,552	\$ 5,552		\$ 4,394,373	.13
GLI Plan:					
2018	\$ 19,611	\$ 19,611		\$ 4,237,399	.46
VLDP Plan:					
2018	\$ 2,021	\$ 2,021		\$ 4,237,399	.05

Data reported using VRS measurement date.

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

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2022

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action includes decreased discount rate from 7 percent to 6.75 percent.

Note 3. Years Presented in Schedules

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

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

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

COMPLIANCE SECTION

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

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

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



Members 53
American Institute of
Certified Public Accountants

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

To the 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, 2022, 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 6, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

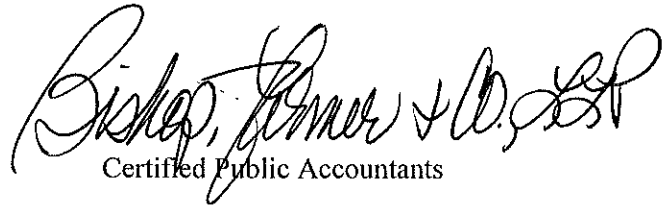
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 6, 2023