

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
FINANCIAL STATEMENTS
June 30, 2023

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INTRODUCTORY SECTION



December 2023

CRRL's five-year Strategic Plan was finalized in FY23 and presented to the Library Board of Trustees in December 2022. This new plan will inform day-to-day operations for the library system in the pursuit of the following key strategic goals:

- Community outreach
- Customer centricity & inclusion
- Staff training & development
- Ingenuity & innovation
- Meaningful partnerships

Customer and staff surveys were conducted as part of the process and results indicated that CRRL is strong in the areas of offering customer service excellence; a welcoming environment; a variety of services, programs, and resources; and in being a hub for the community.

In FY23 CRRL reopened library satellite services in Spotsylvania County at both the Belmont Ruritan Club and the Belmont Club of Women, and the Partlow Ruritan Club. Library on the Go services to area daycares restarted in Spotsylvania, Stafford, and the City of Fredericksburg. CRRL's IdeaSpace location in the City of Fredericksburg's Canal Quarter District expanded their operating hours and continues to be tremendously popular with customers from throughout our service area.

In late December 2022, the Library Administration Center suffered damage to the building as well as some equipment and furniture due to frozen pipes. The property owner quickly made the necessary repairs and the library's insurance company provided necessary replacement costs. Staff worked diligently to continue services throughout the process.

Fredericksburg City completed several projects at the Fredericksburg Branch. A door was installed in the newly created Youth Services Programming Room, located on the same floor as the children and teen collections. Not only does this increase efficiency for staff and customers seeking to participate in a special event and check out materials, but it increases the availability of the theater, where these programs were previously held, for use by customers. Several large bushes were removed from the front of the building to increase visibility and the exterior lighting was updated.

Late in the fiscal year, CRRL moved the computer lab at the Fredericksburg Branch into a new, more centralized location. Not only has this increased customer usage of the computers, but it allowed CRRL to adjust the staffing requirements for the space resulting in salary savings.

Stafford County replaced worn vinyl flooring in several areas of Howell Branch, reupholstered much of the furniture, refinished doors in the public areas and installed a new water heater. New security cameras were installed at the Howell Branch, and both Howell and Porter received new AED units.

CRRL was informed that Germanna Community College will move out of the Fried Center in Stafford into a new building in close proximity to the Porter Branch. As a result, CRRL will not move with Germanna into the new location and moved out of the current Fried Center location early in 2024. Staff who worked at the location will be reassigned to another branch and the collection, equipment and furniture will be reallocated within the system.

Spotsylvania County provided new vinyl flooring in the several staff areas of the Salem Church Branch as well as the public kitchen and public single use restrooms in 2023. The County also installed a new chiller at Salem Church and new dehumidifiers were installed at the Snow Branch.

The town of Colonial Beach provided new carpeting throughout Cooper Branch and Westmoreland County installed a new heater in Newton Branch and updated lighting outside of Montross Branch.

CRRL received a grant from the Library of Virginia and IMLS to provide a quiet, private space for teleconferencing meetings, telehealth appointments, online interviews and more in our rural libraries. Cooper and Newton each have a one-person pod and Montross a four-person pod. The town of Montross has built a park adjacent to the library and CRRL is partnering with them on several projects to enhance the space for the community.

Central Rappahannock Regional Library system is honored to serve Spotsylvania, Stafford, Westmoreland and the City of Fredericksburg. CRRL will continue to work with the jurisdictions on increasing the library budget to serve our communities.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

DIRECTORY OF OFFICIALS

JUNE 30, 2023

BOARD OF TRUSTEES

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Library Director – Martha Hutzell

FINANCIAL SECTION

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

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



Members
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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, 2023, 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, 2023, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2022, the Library adopted new accounting guidance for Subscription-Based Information Technology Arrangements (SBITA). The guidance requires governments to recognize a right-to-use SBITA asset and corresponding SBITA liability for all SBITA with terms greater than twelve months. 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.

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


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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.

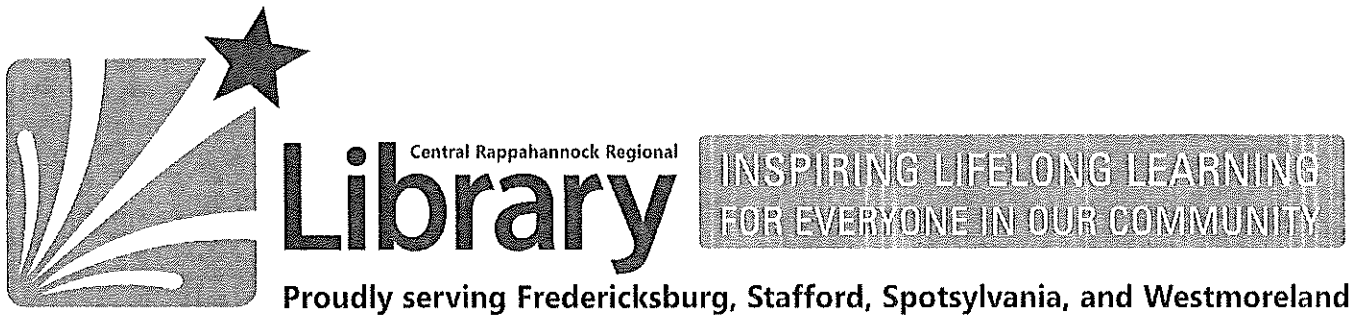
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024, 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.

A handwritten signature in black ink, appearing to read "Bridget Annunzio, CPA". The signature is fluid and cursive, with the letters "CPA" being more distinct at the end.

Certified Public Accountants

Fredericksburg, Virginia
January 29, 2024



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, 2023 and June 30, 2022.

FINANCIAL HIGHLIGHTS

June 30, 2023

*CRRL's assets exceeded its liabilities at the close of the fiscal year by \$2,484,495.

*CRRL's total net position increased this fiscal year by \$302,386. Like last year, the Statement of Net Position includes several new items which affect the total net position. They are the subscription assets and subscription liabilities.

*CRRL's noncurrent assets increased this fiscal year by \$770,946 to end the year with a value of \$6,954,700. This year, noncurrent assets include subscription assets as a result of the new GASB Statement 96 requirements.

*CRRL's depreciable assets (net accumulated depreciation) increased this fiscal year by \$58,492.

*At the close of FY 2023, CRRL's governmental funds reported combined ending fund balances of \$2,273,729, a decrease of \$96,731 in comparison with the prior year.

*At the end of FY 2023, unassigned fund balance for the General Fund was \$1,543,873 or 11.76% 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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT (LIBRARY)-WIDE FINANCIAL STATEMENT

Library-wide financial statements report information about CRRL as a whole. The governmental funds for CRRL include the General Fund, the Information Access Fund, and the other governmental funds. One of the most important questions asked about CRRL's finances is "Is the library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are library-wide statements, report information about library finances as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities prepared using the economic resources measurement focus and the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations. CRRL's total assets at the close of the fiscal year were \$9,398,782. Of this amount, \$3,385,101 was investments in capital assets. CRRL's total deferred outflows of resources was \$1,425,395. CRRL's total liabilities were \$7,514,158. Of this amount, \$776,529 was compensated absences, \$2,917,545 was lease liability, \$748,583 was subscription liability, \$2,560,855 was net pension liability, and \$274,170 was net Other Post-Employment Benefits liability. CRRL's total deferred inflows of resources was \$825,524. The investments in capital assets were \$3,243,677. There were restricted assets in the amount of \$186,922. Unrestricted assets were a deficit of \$946,104. CRRL experienced an increase in net position of \$302,386 compared to FY 2022 and CRRL closed the fiscal year with a net position of \$2,484,495. Program revenues totaling \$12,906,424 were received from the City of Fredericksburg (\$1,425,007) and the Counties of Spotsylvania (\$4,341,880) Stafford (\$5,305,781) and Westmoreland (\$507,096), from the Commonwealth of Virginia (\$875,878) grants-in-aid to public libraries, from the US Government through grants from the American Rescue Plan Act (\$18,000) and from various donations and grants (\$432,782). Revenues received from fines, fees, investments and other contributions totaled \$309,197. Total governmental revenues for FY 2023 were \$13,215,621. Total governmental expenditures were \$12,913,235. This was a change in net position of \$302,386 resulting in a total net position of \$2,484,495.

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). In FY2023, the General Fund revenue totaled \$13,073,826 while the General Fund expense totaled \$13,125,999 creating a deficit of \$52,173. The ending fund balance in the General Fund was \$2,011,341, of which \$1,543,873 is unassigned. The revenue from all Governmental Funds was \$13,215,621. Total Governmental Funds received from the participating jurisdictions was \$11,579,764. Additionally, CRRL received a grant-in-aid from the Commonwealth of Virginia totaling \$875,878, a grant from the American Rescue Plan Act totaling \$18,000, and \$741,979 from fees, contributions, investments, and miscellaneous income. Total Governmental Funds expenses totaled \$13,312,352. The difference results in a deficit where expenses exceed revenues by \$96,731.

NOTES

The notes provide additional information that help 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

	2022 <u>Governmental Activities</u>	2023 <u>Governmental Activities</u>
Current and other assets	\$ 2,832,509	\$ 2,444,082
Noncurrent assets	<u>6,183,754</u>	<u>6,954,700</u>
Total assets	\$ <u>9,016,263</u>	\$ <u>9,398,782</u>
Total deferred outflows of resources	\$ <u>1,724,285</u>	\$ <u>1,425,395</u>
Current and other liabilities	\$ 462,049	\$ 1,320,020
Long-term liabilities	<u>5,468,244</u>	<u>6,194,138</u>
Total liabilities	\$ <u>5,930,293</u>	\$ <u>7,514,158</u>
Total deferred inflows of resources	\$ <u>2,628,146</u>	\$ <u>825,524</u>
Investments in capital assets	\$ 2,986,685	\$ 3,243,677
Restricted net position	212,153	186,922
Unrestricted net position	<u>(1,016,729)</u>	<u>(946,104)</u>
Total net position	\$ <u>2,182,109</u>	\$ <u>2,484,495</u>

SUMMARY OF STATEMENT OF ACTIVITIES

	2022 <u>Governmental Activities</u>	2023 <u>Governmental Activities</u>
Revenues		
Local governments, State Aid, and other	\$ <u>12,589,379</u>	\$ <u>13,215,621</u>
Total revenues	\$ <u>12,589,379</u>	\$ <u>13,215,621</u>
Expenditures		
Education, cultural, and recreation	\$ <u>11,609,702</u>	\$ <u>12,913,235</u>
Total expenditures	\$ <u>11,609,702</u>	\$ <u>12,913,235</u>
Increase (decrease) in net position	\$ 979,677	\$ 302,386
Net position, beginning of year	<u>1,202,432</u>	<u>2,182,109</u>
Net position, end of year	\$ <u>2,182,109</u>	\$ <u>2,484,495</u>

GENERAL FUND

For the year ended June 30, 2023, total revenue for the General Fund was \$13,073,826 compared with the year ended June 30, 2022 revenue, which was \$12,512,526. Operating contributions are the largest component of revenue. Local government contributions are the largest single source of operating contributions, \$11,493,042 for the year ended June 30, 2023 (approximately 87.9% of the total program revenues), and \$11,531,879 for the year ended June 30, 2022 (approximately 92.2% of the total program revenues). For the year ended June 30, 2023, the remaining contribution was \$893,878 (6.8%) for intergovernmental and \$686,906 (5.3%) for other contributions. Total expenditure for the General Fund for the year ended June 30, 2023, was \$13,125,999 representing a deficit of expenditures over revenues of \$52,173 as compared to total expenditures for the year ended June 30, 2022, which was \$12,496,569 representing a surplus of revenues over expenditures of \$15,957.

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

Personnel-related expenses of \$10,271,689 for the year ended June 30, 2023, and \$9,720,054 for the year ended June 30, 2022, were the largest expenses for library services. For the fiscal year ended June 30, 2023, the second largest expense for library services was books, periodicals, and other related materials, \$1,042,491 as compared to \$1,197,126 for the year ended June 30, 2022. Other operating expenditures for the delivery of library services totaled \$1,811,819 for the fiscal year ended June 30, 2023, as compared to \$1,579,389 for the fiscal year ended June 30, 2022.

The total fund balance in the General Fund at year end June 30, 2023, was \$2,011,341 (15.3% of total expenditures), compared with \$2,063,514 (16.5% of total expenditures) at year end June 30, 2022. The budget for the General Fund for the year ended June 30, 2023 was not amended.

INFORMATION ACCESS FUND

The fund balance for the Information Access Fund at the beginning of FY 2023 was \$19,396. Total revenue for FY 2023 was \$3,747 as compared to \$11,072 for FY 2022. Expenditures for FY 2023 were \$17,994 as compared with \$0 for FY 2022. The fund balance for this fund was \$5,149 as of June 30, 2023 as compared to \$19,396 for the year ended June 30, 2022.

OTHER GOVERNMENTAL

At year end June 30, 2023, CRRL had revenues of \$138,048 for all other funds, including Law and Vehicle, as compared to \$65,781 for the year ended June 30, 2022. Total expenditures for the year ended June 30, 2023, were \$168,359 as compared to \$108,150 for the year ended June 30, 2022; and there was a deficit of expenditures over revenues of \$30,311 for the year ended June 30, 2023, as compared to a deficit of \$42,369 for the year ended June 30, 2022. The beginning fund balance for FY 2023 was \$287,550, as compared with \$329,919 for FY 2022. The ending fund balance for the year ended June 30, 2023 was \$257,239, as compared to the ending fund balance of \$287,550 for the year ended June 30, 2022.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CRRL investments in capital assets as of June 30, 2023, total \$3,385,101 as compared with \$3,326,609 for the year ended June 30, 2022. The primary components of the assets are the collections, computers, furniture, and vehicles.

CAPITAL ASSETS
As of June 30, 2023

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets being depreciated:				
Collections	\$ 5,853,004	\$ 473,476	\$ 565,056	\$ 5,761,424
Computers	715,103	21,018	151,814	584,307
Furniture	385,851	56,108	0	441,959
Vehicles	262,195	52,406	41,564	273,037
Leasehold Improvements	<u>\$ 102,752</u>	<u>\$ 148,700</u>	<u>\$ 0</u>	<u>\$ 251,452</u>
Total capital assets, being depreciated	<u>\$ 7,318,905</u>	<u>\$ 751,708</u>	<u>\$ 758,434</u>	<u>\$ 7,312,179</u>
Less accumulated depreciation for:				
Collections	\$ 3,119,060	\$ 528,457	\$ 565,056	\$ 3,082,461
Computers	482,266	120,512	151,814	450,964
Furniture and other equipment	130,994	13,856	0	144,850
Vehicles	249,184	13,538	41,564	221,158
Leasehold Improvements	<u>\$ 10,792</u>	<u>\$ 16,853</u>	<u>\$ 0</u>	<u>\$ 27,645</u>
Total accumulated depreciation	<u>\$ 3,992,296</u>	<u>\$ 693,216</u>	<u>\$ 758,434</u>	<u>\$ 3,927,078</u>
Total capital assets, net government activities	<u>\$ 3,326,609</u>	<u>\$ 58,492</u>	<u>\$ 0</u>	<u>\$ 3,385,101</u>

LONG-TERM DEBT

CRRL's long-term debt includes compensated absences. The total for the year ended June 30, 2023, was \$776,529 of which \$179,578 is noncurrent. This compares with a total of \$772,060 for the year ended June 30, 2022.

As of June 30, 2023

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due within one year
Compensated absences	<u>\$772,060</u>	<u>\$603,260</u>	<u>\$598,791</u>	<u>\$776,529</u>	<u>\$596,951</u>

Also, CRRL's lease liabilities, subscription liabilities, net pension liability (NPL) and net Other Post-Employment Benefits (OPEB) liability have a long-term debt component. As required by the Governmental Accounting Standards Board (GASB) Statements 68, 96 and 75, respectively, the lease liabilities in the amount of \$2,623,594, the subscription liabilities in the amount of \$555,941, the NPL in the amount of \$2,560,855 and the OPEB in the amount of \$274,170 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, 2022, the measurement date.

Budget highlights for the fiscal year ending June 30, 2024

The CRRL's fiscal year 2024 budget is \$13,163,609. This is an increase in local funding of 5.35% and an increase in state aid of 17.3%.

Economic factors in 2023-24 budget and beyond

FY2024's budget request reflects an attempt to increase line items most affected by the higher-than-average inflation of the past several years and to address the disparity in salary increases between the local jurisdictions and CRRL. The larger jurisdictions have been able to give higher salary increases over the past 10 years than CRRL. CRRL employees have averaged an increase of just 1.9% annually over the time period while Spotsylvania has averaged 2.35%, Stafford 2.45% and Fredericksburg 2.35%. The original budget request for FY 2024 was a 9.31% increase over FY 2023; however, final approved funding for FY 2024 ended up being a 6.19% increase. All supporting jurisdictions and state aid increased funding in FY24. However local funding was not enough to offset higher costs and a 5% COLA so \$89,943 was approved to be used from CRRL's operating fund balance to offset the difference.

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 2024 than in FY 2023 as part of the continued 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 optimistic about another increase in state aid funding in FY 2025, year three of the four-year plan to reach full funding. CRRL receives the largest state aid grant awarded in the Commonwealth.

The goals for the FY 2025 budget request were to continue to tackle rising costs due to inflation, increase salaries, and increase services to library customers especially to those in underserved areas of our community, a key component of our strategic plan. The strategic plan (completed in FY23) informs our collection development, programming, operations, budgeting and growth through FY 2028 at least. 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 hope to be able to increase hours at the Salem Church, Snow and Towne Center branches and programming opportunities system-wide. 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, 2023

*Exhibit I***ASSETS**

Current assets:

Cash and investments	\$ 2,150,703
Receivables	162,757
Prepaid items	130,622

Noncurrent assets:

Capital assets, net	3,385,101
Right to use leased assets, net	2,776,121
Subscription assets, net	<u>793,478</u>

Total Assets \$ 9,398,782

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	\$ 1,281,062
Deferred OPEB outflows	<u>144,333</u>

Total Deferred Outflows of Resources \$ 1,425,395

LIABILITIES

Accounts payable and accrued expenses	\$ 236,476
Current portion of compensated absences	596,951
Current portion of lease liabilities	293,951
Current portion of subscription liabilities	192,642

Noncurrent liabilities:

Noncurrent portion of compensated absences	179,578
Noncurrent portion of lease liabilities	2,623,594
Noncurrent portion of subscription liabilities	555,941
Net pension liability	2,560,855
Net OPEB liability	<u>274,170</u>

Total Liabilities \$ 7,514,158

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	\$ 747,077
Deferred OPEB inflows	<u>78,447</u>

Total Deferred Inflows of Resources \$ 825,524

NET POSITION

Net investment in capital assets and leases	\$ 3,243,677
Restricted for:	
Law Library	186,922
Unrestricted (Deficit)	<u>(946,104)</u>

Total Net Position \$ 2,484,495

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Exhibit II

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue &</u>
		<u>for</u>	<u>Grants &</u>	<u>Grants &</u>	<u>Changes in</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities					
Library operations	\$ <u>12,913,235</u>	\$	\$ <u>12,906,424</u>	\$	\$ <u>(6,811)</u>
Total	\$ <u>12,913,235</u>	\$	\$ <u>12,906,424</u>	\$	\$ <u>(6,811)</u>
General revenues:					
Fees and charges				\$	3,747
Interest and investment earnings					48,074
Other					<u>257,376</u>
Total general revenues				\$	<u>309,197</u>
Change in net position				\$	<u>302,386</u>
Net Position, beginning					<u>2,182,109</u>
Net Position, ending				\$	<u>2,484,495</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

June 30, 2023

Exhibit III

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 1,887,084	\$ 5,149	\$ 258,470	\$ 2,150,703
Receivables	162,757			162,757
Prepaid expenses	<u>192,745</u>	<u> </u>	<u>4,000</u>	<u>196,745</u>
Total Assets	\$ <u>2,242,586</u>	\$ <u>5,149</u>	\$ <u>262,470</u>	\$ <u>2,510,205</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	\$ <u>231,245</u>	<u> </u>	\$ <u>5,231</u>	\$ <u>236,476</u>
Total Liabilities	\$ <u>231,245</u>	\$ <u>-</u>	\$ <u>5,231</u>	\$ <u>236,476</u>
Fund Balances:				
Nonspendable:				
Prepays	\$ 192,745	\$	\$	\$ 192,745
Restricted:				
Law library			186,922	186,922
Committed			70,317	70,317
Assigned	274,723			274,723
Unassigned	<u>1,543,873</u>	<u>5,149</u>	<u> </u>	<u>1,549,022</u>
Total Fund Balances	\$ <u>2,011,341</u>	\$ <u>5,149</u>	\$ <u>257,239</u>	\$ <u>2,273,729</u>
Total Liabilities and Fund Balances	\$ <u>2,242,586</u>	\$ <u>5,149</u>	\$ <u>262,470</u>	\$ <u>2,510,205</u>

Adjustments for Statement of Net Assets

Total fund balances, above	\$ 2,273,729
Capital assets and right to use leased assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	6,161,222
Subscription assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	793,478
Prepaid SIBTA payments capitalized as subscription assets	(66,123)
Compensated absences not reported as fund liabilities	(776,529)
Net pension liability and deferred inflows/outflows not reported as fund liabilities	(2,026,870)
Net OPEB liability and deferred inflows/outflows not reported as fund liabilities	(208,284)
Lease liabilities not reported as fund liabilities	(2,917,545)
Subscription liabilities not reported as fund liabilities	<u>(748,583)</u>
Net position of governmental activities	\$ <u>2,484,495</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, 2023

Exhibit IV

	<u>General</u>	<u>Information Access Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local governments	\$ 11,493,042	\$	\$ 86,722	\$ 11,579,764
Contributions and grants	382,782		50,000	432,782
Fees and charges		3,747		3,747
Investment income	46,748		1,326	48,074
Other	257,376			257,376
Intergovernmental	<u>893,878</u>			<u>893,878</u>
Total Revenues	\$ <u>13,073,826</u>	\$ <u>3,747</u>	\$ <u>138,048</u>	\$ <u>13,215,621</u>
EXPENDITURES				
Current:				
Education, culture, and recreation	\$ 11,954,339	\$ 17,994	\$ 71,200	\$ 12,043,533
Capital outlay	<u>1,171,660</u>		<u>97,159</u>	<u>1,268,819</u>
Total Expenditures	\$ <u>13,125,999</u>	\$ <u>17,994</u>	\$ <u>168,359</u>	\$ <u>13,312,352</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(52,173)</u>	\$ <u>(14,247)</u>	\$ <u>(30,311)</u>	\$ <u>(96,731)</u>
Net Change in Fund Balances	\$ <u>(52,173)</u>	\$ <u>(14,247)</u>	\$ <u>(30,311)</u>	\$ <u>(96,731)</u>
Fund Balances, beginning	<u>2,063,514</u>	<u>19,396</u>	<u>287,550</u>	<u>2,370,460</u>
Fund Balances, ending	<u>\$ <u>2,011,341</u></u>	<u>\$ <u>5,149</u></u>	<u>\$ <u>257,239</u></u>	<u>\$ <u>2,273,729</u></u>

Adjustments for statement of activities

Net change in fund balances \$ (96,731)

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. 58,492

Governmental funds report right to use leased assets and subscription assets as expenditures. However, in the statement of activities, leased assets and subscription assets are capitalized and amortized over useful life or contract terms. 712,454

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. (4,469)

The change in the net pension liability and OPEB liability, including deferred inflows and outflows, 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. 167,822

Change in prepaid items for SBITA payments (66,123)

Lease liabilities and subscription liabilities do not require current financial resources and, therefore, are not reported as expenditures in the governmental funds until paid. (469,059)

Change in net position of governmental activities \$ 302,386

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Organization and Significant Accounting Policies

Organization Profile

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 participating localities are parties to an agreement last updated on July 13, 1993. This agreement describes membership and appointments of the Trustees, budgetary process, locality funding requirements and other operational procedures. The Board of Trustees consists of seven-members elected to serve four-year terms.

The Library's primary funding source is derived from participating localities. In addition, the Library receives support from the Commonwealth of Virginia and public donations.

The financial statements of the Library conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). It was determined the Library does not have component units to report based upon evaluation of criteria set forth by GAAP. The more significant of the Library's accounting policies are described below.

A. Financial Reporting Model and Reporting Entity

The basic financial statements include both fund financial statements – based on individual governmental funds, reporting on the modified accrual basis of accounting and government-wide financial statements – based on the Library as a whole, reporting on the accrual basis of accounting. A reconciliation is presented reflecting entries to reconcile the reporting of governmental funds financial statements to the government-wide financial statements.

The financial statements are accompanied by a narrative of the Library's financial activities in the form of management's discussion and analysis (MD&A).

A budgetary comparison schedule demonstrates compliance with the adopted budget, as amended.

Various required supplementary information is presented as additional information to supplement the financial statement reporting.

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. 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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 2

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

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

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government. Governments report all capital assets and related debt, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. In addition, the following assets and liabilities are reflected in the Statement of Net Position: lease assets and related liabilities; subscription assets and related liabilities; pension and OPEB liabilities including related inflows and outflows of resources; and compensated absences. Amortization of lease assets and subscription assets and interest expense pertaining to lease and subscription liabilities are reported as expenses in the Statement of Activities. Expenses related to the pension and OPEB liabilities and compensated absences are reported 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. 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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 3

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

Other governmental funds are comprised of the following:

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

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

D. 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 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. Lease, capital assets, subscription, pension and OPEB expenditures are recorded when paid.

E. Budgets and Budgetary Accounting

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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 4

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

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.

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

The Local Government's Investment Pool is 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 and recorded as an expense when consumed.

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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 5

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

J. Right to Use Assets and Liabilities

The Library has recorded right to use assets as a result of implementing GASB 87 and GASB 96. The right to use lease assets are initially measured at an amount equal to the initial measurement period of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use subscription assets are initially measured at an amount equal to the initial measurement period of the related subscription liability, plus any subscription payments made prior to the subscription term, plus capitalizable implementation costs, less any incentives received at or before commencement of the subscription term. The right to use assets are amortized on a straight-line basis over the life of the related lease or subscription.

Lease and subscription liabilities are recorded in the government-wide statements. Liabilities are measured at the present value of expected payments to be made during lease and subscription terms.

K. Accrued Compensated Absences

According to the Library's leave policy, eligible employees are permitted to accrue compensated absences (paid time off) accounted for as a personal leave bank. The liability for paid time off is recorded in the government-wide statements.

L. Fund Balances and Net Position

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.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 6

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

In the government-wide financial statement, fund balances are classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets and leases, net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component consists of amounts that have constraints either externally by third-parties or by law.

Unrestricted – This component consists of the remainder of net position not included as “net invested in capital assets” and “restricted”. Deficits in unrestricted fund balance will require future funding.

M. Contributed Facilities

The Library occupies without charge certain premises located in government-owned buildings of the participating localities. Fair rental value has not been reported in these financial statements.

N. VRS Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to Section 51.1-500 et. Seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. VRS Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 7

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

P. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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. The LGIP is a professionally managed money market fund invested in qualified obligations and securities permitted by the Virginia statutes. The reported value of the LGIP is measured by amortized cost. The LGIP maintains a net asset value of \$1 per share.

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

<u>Investment Type</u>	<u>Fair Value</u>
LGIP	\$ 1,164,330

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 with predominately short-term maturities.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 3. Changes in Capital Assets

A summary of changes in capital assets follows:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Building leasehold improvements	\$ 102,752	\$ 148,700	\$	\$ 251,452
Collections	5,853,004	473,476	565,056	5,761,424
Computers	715,103	21,018	151,814	584,307
Furniture	385,851	56,108		441,959
Vehicles	<u>262,195</u>	<u>52,406</u>	<u>41,564</u>	<u>273,037</u>
Total Capital Assets, Being Depreciated	\$ <u>7,318,905</u>	\$ <u>751,708</u>	\$ <u>758,434</u>	\$ <u>7,312,179</u>
Less accumulated depreciation for:				
Building and leasehold improvements	\$ 10,792	\$ 16,853	\$	\$ 27,645
Collections	3,119,060	528,457	565,056	3,082,461
Computers	482,266	120,512	151,814	450,964
Furniture	130,994	13,856		144,850
Vehicles	<u>249,184</u>	<u>13,538</u>	<u>41,564</u>	<u>221,158</u>
Total Accumulated Depreciation	\$ <u>3,992,296</u>	\$ <u>693,216</u>	\$ <u>758,434</u>	\$ <u>3,927,078</u>
Total Capital Assets, Net Governmental Activities	\$ <u>3,326,609</u>	\$ <u>58,492</u>	\$ <u>-</u>	\$ <u>3,385,101</u>

Depreciation was charged to Library operations function.

Note 4. Receivables

At June 30, 2023, the receivables are composed of the following:

Fredericksburg EDA Grant	\$ 20,003
Central Friends of the Library	127,511
Emergency Connectivity Fund Grant	14,999
Other	<u>244</u>
Total	\$ <u>162,757</u>

All receivables are considered collectible.

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 FY23, the Library received approximately 9,060 volunteer hours.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 6. Facility Leases

The Library has entered into two facility leases as described below. In accordance with GASB 87, right use lease assets are presented in the government-wide statements with asset values equal to the lease liabilities at the initial measurement period. There were no ancillary charges or payments to add to the asset values. Amortization is reported in the government-wide statements on a straight-line basis over the lease terms. Lease liabilities are initially recorded at the present value of payments expected to be made during the lease term. Interest expense is reported in the government-wide statements as lease payments are due.

Since lease assets are not financial resources, lease payments are recorded as expenditures in the governmental funds financial statements as expenditures are due.

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 FY23, monthly lease payments totaled \$251,441.

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 \$397.72 per month for FY23 and increases over the term of the lease. The base rent over the fifteen-year term is \$974,882. In FY23, monthly lease payments totaled \$64,389, 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 which was renewed in FY22. 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 base rent over the lease term including the two-year extension period is \$124,792. In FY23, monthly lease payments totaled \$26,003, excluding additional charges.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 6. Facility Leases (Continued):

Right to use lease assets, liabilities and expenditures are as follows:

	Library Administration Center	Idea Space	Total
Right to use lease asset at implementation-FY22	\$ 3,389,235	\$ 71,280	\$ 3,460,515
Less: Amortization to date	<u>(635,496)</u>	<u>(48,898)</u>	<u>(684,394)</u>
Right to use lease asset (net) – 6/30/23	\$ <u>2,753,739</u>	\$ <u>22,382</u>	\$ <u>2,776,121</u>
Amortization expense-FY23	\$ <u>351,636</u>	\$ <u>26,382</u>	\$ <u>378,018</u>
Lease liability at 6/30/22	\$ 3,148,350	\$ 48,719	\$ 3,192,069
Less: Liability reduction-FY23	<u>(255,025)</u>	<u>(24,499)</u>	<u>(279,524)</u>
Lease liability at 6/30/23	\$ <u>2,893,325</u>	\$ <u>24,220</u>	\$ <u>2,917,545</u>
Interest expense recognized-FY23	\$ <u>60,644</u>	\$ <u>1,504</u>	\$ <u>62,148</u>

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

Annual Debt Service Requirements for Lease Liabilities

	LAC Principal	LAC Interest	LAC Total	Idea Space Principal	Idea Space Interest	Idea Space Total
FY24	\$ 269,731	\$ 55,409	\$ 325,140	\$ 24,220	\$ 487	\$ 24,707
FY25	285,021	49,875	334,896			
FY26	300,913	44,029	344,942			
FY27	317,430	37,860	355,290			
FY28	334,594	31,355	365,949			
Thereafter	<u>1,385,636</u>	<u>53,516</u>	<u>1,439,152</u>			
Total	\$ <u>2,893,325</u>	\$ <u>272,044</u>	\$ <u>3,165,369</u>	\$ <u>24,220</u>	\$ <u>487</u>	\$ <u>24,707</u>

Summary All Leases

	Principal	Interest	Total
LAC	\$ 2,893,325	\$ 272,044	\$ 3,165,369
Idea Space	<u>24,220</u>	<u>487</u>	<u>24,707</u>
Total	\$ <u>2,917,545</u>	\$ <u>272,531</u>	\$ <u>3,190,076</u>

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Note 6. Facility Leases (Continued):

In August 2018, Spotsylvania County entered into a 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 provided funding in the amount of \$21,409 for Suites 150 and 155 rent. 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.

Note 7. Subscription-Based Information Technology Arrangements

For the year ended June 30, 2023, the government-wide financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The Primary objective of this statement is to enhance the relevance and consistency of information about subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, the Library is required to recognize subscription liabilities and intangible right-to-use subscription assets. The Library used an interest rate of 2.50% for all SBITAs. SBITA contract terms are between three and seven years.

SBITA liabilities at implementation	\$ 874,658
Less: principal payments during the year	<u>(126,075)</u>
Liabilities at June 30, 2023	\$ <u>748,583</u>
SBITA assets at implementation	\$ 874,658
Less: amortization for FY23	<u>(81,180)</u>
Net SBITA asset balances at June 30, 2023	\$ <u>793,478</u>
Interest expense reported FY23	\$ <u>4,757</u>

Maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY24	\$ 192,642	\$ 14,375	\$ 207,017
FY25	97,725	14,153	111,878
FY26	110,911	11,446	122,357
FY27	112,921	8,683	121,604
FY28	115,744	5,860	121,604
FY29	<u>118,640</u>	<u>2,966</u>	<u>121,606</u>
Total	\$ <u>748,583</u>	\$ <u>57,483</u>	\$ <u>806,066</u>

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Note 8. 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, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Compensated Absences	\$ 772,060	\$ 603,260	\$ 598,791	\$ 776,529

Note 9. Defined Benefit Pension Plan

A. Plan Description

All full-time, salaried permanent employees of the Library are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p>	<p>Eligible members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1, through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p><i>*Non-Eligible Members</i></p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member has granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of the employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1. <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer</p>	<p>Service Retirement Multiplier <i>VRS:</i> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 2.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age <i>VRS:</i> Age 65.</p> <p>Political subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age <i>VRS:</i> Normal Social Security retirement age.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> <i>VRS:</i> Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility <i>VRS</i>: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p><i>Political subdivision hazardous duty employees</i>: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility <i>VRS</i>: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><i>Political subdivision hazardous duty employees</i>: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component</i>: <i>VRS</i>: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><i>Political subdivision hazardous duty employees</i>: Not applicable.</p> <p><i>Defined Contribution Component</i>: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility <i>VRS</i>: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p><i>Political subdivision hazardous duty employees</i>: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility <i>VRS</i>: Age 60 with at least five years (60 months) of service credit.</p> <p><i>Political subdivision hazardous duty employees</i>: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component</i>: <i>VRS</i>: Age 60 with at least five years (60 months) of service credit.</p> <p><i>Political subdivision hazardous duty employees</i>: Not applicable.</p> <p><i>Defined Contribution Component</i>: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

B. Covered Employees

The VRS actuarial valuation as of June 30, 2021 applicable to the June 30, 2023 reporting date, reports the following employees were covered to the benefit terms of the pension plan:

Retirees or their beneficiaries currently receiving benefits	81
Inactive members:	
Non-vested	16
Active members	<u>85</u>
Total covered employees	<u>182</u>

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Note 9. Defined Benefit Pension Plan (Continued):

C. Contributions

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

The Library's required employer contribution rate for the year ended June 30, 2023 was 9.93% of covered employee compensation as determined by the actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were \$694,135 and \$614,362 for the years ended June 30, 2023 and 2022, respectively.

D. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Library, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

E. Actuarial Assumptions

The total pension liability for the Library was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates: All others (non-10 largest) – non-hazardous duty: 15% of deaths are assumed to be service-related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward two years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward three years.

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Note 9. Defined Benefit Pension Plan (Continued):

Post Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back three years; 90% of rates for females set back three years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward two years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 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 are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

F. Long-term Expected Rate of Return

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

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Note 9. Defined Benefit Pension Plan (Continued):

Asset Class	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	100.00%		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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Note 9. Defined Benefit Pension Plan (Continued):

H. Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021 – Measurement Date	\$ <u>24,263,097</u>	\$ <u>23,018,647</u>	\$ <u>1,244,450</u>
Changes for the year:			
Service Cost	\$ 388,086	\$	\$ 388,086
Interest	1,624,608		1,624,608
Changes of assumptions			
Difference between expected and actual experience	(116,422)		(116,422)
Contributions - employer		378,098	(378,098)
Contributions - employee		236,264	(236,264)
Net investment income		(20,652)	20,652
Benefit payments, including refunds of employee contributions	(1,165,834)	(1,165,834)	
Administrative expense		(14,370)	14,370
Other changes		527	(527)
Net Changes	\$ <u>730,438</u>	\$ <u>(585,967)</u>	\$ <u>1,316,405</u>
Balances at June 30, 2022 – Measurement Date	\$ <u>24,993,535</u>	\$ <u>22,432,680</u>	\$ <u>2,560,855</u>

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

The following presents the net pension liability of the Library using the discount rate of 6.75%, as well as the net pension liability if it were calculated using a discount rate one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
\$ <u>5,856,612</u>	\$ <u>2,560,855</u>	\$(<u>125,120</u>)

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Library recognized pension expense of \$785,938. At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Note 9. Defined Benefit Pension Plan (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 455,651	\$ 82,871
Change in assumptions	367,415	
Net difference between projected and actual earnings on pension plan investments		664,206
Employer contribution subsequent to the measurement date	<u>457,996</u>	<u> </u>
Total	<u>\$ 1,281,062</u>	<u>\$ 747,077</u>

The amount of \$457,996 was reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Fiscal Year Ending	
June 30, 2024	\$ 307,774
June 30, 2025	\$ (79,648)
June 30, 2026	\$ (463,205)
June 30, 2027	\$ 311,068
June 30, 2028	\$ 0

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10. 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.

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Note 10. Other Post-Employment Health Benefit (Continued)

In FY23, the Library funded post-employment health benefits for 87 eligible full-time employees in the amount of \$52,108.

Note 11. Other Post-Employment Benefits (OPEB)

Group Life Insurance Program:

A. Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- *Natural Death Benefit:* The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- *Accidental Death Benefit:* The accidental death benefit is double the natural death benefit.
- *Other Benefit Provisions:* In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Seatbelt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

B. Contributions

The contribution requirements for the Group Life Insurance Program are governed by Section 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution, however the employee must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$69,687 and \$67,027 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023, the participating employer reported a liability of \$276,942 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .02300% as compared to .02227% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$9,371. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,930	\$ 11,110
Net difference between projected and actual earnings on GLI OPEB program investments		17,305
Change in assumptions	10,330	26,975
Changes in proportion share	17,498	16,119
Employer contribution subsequent to the measurement date	<u>69,687</u>	<u> </u>
Total	\$ <u>119,445</u>	\$ <u>71,509</u>

The amount of \$69,687 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 20924. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Fiscal Year Ending	
June 30, 2024	\$ (3,217)
June 30, 2025	\$ (3,553)
June 30, 2026	\$ (14,761)
June 30, 2027	\$ 158
June 30, 2028	\$ (378)
Thereafter	\$ -

D. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation –	
Locality – General employees	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

Mortality Rates – Non-Largest 10 Locality Employers – General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally;
 males set forward two years; 105% of rates for females set forward three years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally;
 95% of rates for males set forward two years; 95% of rates for females set forward
 one year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates
 for males set forward three years; 110% of rates for females set forward two years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of
 the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 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 are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

E. Net GLI OPEB Liability

The net OPEB Liability (NOL) for the Group Life Insurance Program represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>(2,467,989)</u>
GLI Net OPEB Liability (Asset)	\$ <u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

The total GLI OPEB Liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

F. Long-Term Expected Rate of Return

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

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

Asset Class	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	06.00%	3.73%	0.22%
PIP – Private Investment Partnership	<u>03.00%</u>	6.55%	<u>0.20%</u>
Total	100.00%		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

H. Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$402,983	\$276,942	\$175,084

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Virginia Local Disability Program:

A. Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits.

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

B. Contributions

The contribution requirement for active hybrid plan employees is governed by Section 51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023, was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political the Library to the VRS Political Subdivision Employee Virginia Local Disability Program were \$20,285 and \$18,333 for the years ended June 30, 2023 and June 30, 2022, respectively.

C. Virginia Local Disability Program OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023, the Library reported a liability of \$(2,772) excess for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2022, and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Library's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the Library's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Library's proportion of the VRS Political Subdivision employee Virginia Local Disability Program was .47147% as compared to .45621%, the prior period.

For the year ended June 30, 2023, the Library recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$15,276. Since there was a change in proportionate share between measurement dates, a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,897	\$ 5,932
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments		
Change in assumptions	106	12
Changes in proportion	600	994
Employer contribution subsequent to the measurement date	<u>20,285</u>	<u> </u>
Total	<u>\$ 24,888</u>	<u>\$ 6,938</u>

The amount of \$20,285 reported as deferred outflows of resources related to the VLDP OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Fiscal Year Ending	
June 30, 2024	\$ (85)
June 30, 2025	\$ (126)
June 30, 2026	\$ (1,196)
June 30, 2027	\$ 219
June 30, 2028	\$ (121)
Thereafter	\$ (1,026)

D. Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation –	
Political Subdivision Employees	3.50% - 5.35%
Investment rate of return	6.75%, including inflation

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

Mortality Rates – Non-Largest 10 Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally;
 males set forward two years; 105% of rates for females set forward three years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally;
 95% of rates for males set forward two years; 95% of rates for females set forward
 one year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates
 for males set forward three years; 110% of rates for females set forward two years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of
 the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, 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 are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

E. Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	<u>Political Subdivision Employee VLDP OPEB Plan</u>
Total Political Subdivision Employee VLDP OPEB Liability	\$ 7,360
Plan Fiduciary Net Position	<u>7,948</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$ <u>(588)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability	107.99%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary.

F. Long-Term Expected Rate of Return

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

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

Asset Class	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	100.00%		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the political subdivision for the Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 11. Other Post-Employment Benefits (OPEB) (Continued):

H. Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered employers proportionate share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability	\$294	\$(2,772)	\$(5,434)

I. Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12. 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 which totaled \$59,727 for FY23. The Plan is administered by a third-party provider. The Library is not responsible for investment administration or risk.

Note 13. Long-Term Obligations

The Library's non-current obligations as reported on the statement of net position as of June 30, 2023 are as follows:

Compensated absences	\$ 179,578
Net pension liability	2,560,855
Net OPEB liability	274,170
Right to use lease liabilities	2,623,594
Subscription liabilities	<u>555,941</u>
Total	\$ <u>6,194,138</u>
Amount of liabilities estimated due within one year:	\$ <u>1,083,544</u>

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 14. Net Position Government-wide Statements

The Statement of Net Position reflects the following components of net position as of June 30, 2023:

Net investment in capital assets and leases:	
Capital assets, net of accumulated depreciation	\$ 3,385,101
Right to use leased assets, net	2,776,121
Less right to use lease liabilities	<u>(2,917,545)</u>
	\$ 3,243,677
Restricted net position	186,922
Unrestricted net position (deficit)	<u>(946,104)</u>
Total	\$ <u>2,484,495</u>

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

Net position, beginning of fiscal year	\$ 2,182,109
GASB -96 change in subscription base asset and liabilities	44,895
GASB-87 change in right to use lease assets and liabilities	198,500
GASB-68 change in pension liability	(1,316,405)
GASB-75 change in OPEB liability	(19,505)
Net change in capital assets	58,492
Net change in compensated absences	(4,469)
Net change in deferred inflows/outflows	1,503,732
Net change in governmental funds balance (deficit)	(96,731)
Net change in prepaid items	<u>(66,123)</u>
Net position, end of fiscal year	\$ <u>2,484,495</u>

Note 15. Grants and Donations

The Library receives grants and accepts public donations as made available. Grant revenue is reported and used in accordance with grant provisions.

Public donations are recognized as revenue when received and expended for the Library's operations based upon donor requests, if any. Public donations not fully expended can be classified as either restricted, committed or assigned.

Note 16. Insurance Claim

In December 2022, the Library Administration Center and the Cooper Library Branch suffered damage from burst pipes. The Library received insurance proceeds related to the damage in the amount of \$205,883 which was recorded as revenue as of June 30, 2023. Repairs and replacements were made through June 30, 2023 and reported as expenditures, in the amount of \$135,515. Additional insurance proceeds in the amount of \$8,568 was received in FY24. Future repairs and replacements will be made during FY24.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 17. Significant Accounting Standards

During FY23, amortization of the SBITA assets and interest expense related to the SBITA liabilities were reported as expenses in the Statement of Activities.

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 18. Subsequent Events

FY24 Library Projects:

- Privacy pods are in the process of being purchased and installed at the various branches.
- Adult and Youth Services Library on the Go vehicles are on the road serving the Communities. The adult van will require retrofitting.
- Law collection was created at the Montross Branch.
- Montross Branch will provide a story walk for the new park next to the branch.

Library Operational Updates:

- The Access Services Department moved from the Administration building to the Howell Branch.
- The Library will no longer provide staffing to the Fried Center location.
- A company will be engaged to provide a study of the Library's reserve funds.

The Library's management has evaluated subsequent events through January 29, 2024, 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, 2023

Exhibit V

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES:			
Local governments	\$ 11,520,135	\$ 11,493,042	\$ (27,093)
Contributions and grants		382,782	382,782
Investment income		46,748	46,748
Other		257,376	257,376
State funds	875,878	875,878	
Federal funds		<u>18,000</u>	<u>18,000</u>
Total Revenues	\$ <u>12,396,013</u>	\$ <u>13,073,826</u>	\$ <u>677,813</u>
EXPENDITURES:			
Current:			
Personnel	\$ 10,073,692	\$ 10,271,689	\$ (197,997)
Professional and temporary services	69,000	106,284	(37,284)
System upkeep	53,400	119,741	(66,341)
Insurance	31,000	29,851	1,149
Publicity	70,000	83,107	(13,107)
Training	25,000	35,539	(10,539)
Memberships and professional dues	15,000	14,622	378
Vehicle expenses	30,000	29,352	648
Equipment contracts	23,400	33,174	(9,774)
Supplies	105,000	191,238	(86,238)
Library service center	363,000	482,797	(119,797)
Miscellaneous	4,000	3,114	886
Computer services	485,287	553,831	(68,544)
Capital outlay:			
Collection	989,234	1,042,491	(53,257)
Furniture and equipment	<u>59,000</u>	<u>129,169</u>	<u>(70,169)</u>
Total Expenditures	\$ <u>12,396,013</u>	\$ <u>13,125,999</u>	\$ <u>(729,986)</u>
Excess of Revenues Over Expenditures	\$	\$ (52,173)	\$ (52,173)
Fund Balance, beginning	\$	\$ <u>2,063,514</u>	\$ <u>2,063,514</u>
Fund Balance, ending	\$	\$ <u>2,011,341</u>	\$ <u>2,011,341</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

For the Plan Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of changes in the Library's net pension liability and related ratios:									
Total pension liability:									
Service cost	\$ 388,086	\$ 382,859	\$ 403,628	\$ 377,289	\$ 408,316	\$ 432,098	\$ 431,283	\$ 468,716	\$ 467,227
Interest	1,624,608	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	(116,422)	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	(1,165,834)	(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	\$ 730,438	\$ 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>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>	<u>14,901,942</u>
Total pension liability - ending (a)	<u>\$24,993,535</u>	<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	\$ 378,098	\$ 348,470	\$ 299,157	\$ 288,998	\$ 355,496	\$ 345,019	\$ 417,287	\$ 433,213	\$ 453,646
Contributions - employee	236,264	214,373	258,759	257,924	232,805	267,426	204,087	216,816	229,292
Net investment income	(20,652)	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	(1,165,834)	(1,136,460)	(993,017)	(845,277)	(763,255)	(593,468)	(706,091)	(454,137)	(431,325)
Administrative expense	(14,370)	(12,718)	(12,239)	(11,692)	(10,612)	(10,331)	(9,151)	(8,526)	(9,856)
Refunds of contributions									
Other	<u>527</u>	<u>472</u>	<u>(419)</u>	<u>(745)</u>	<u>(1,105)</u>	<u>(1,637)</u>	<u>(110)</u>	<u>(138)</u>	<u>99</u>
Net change in plan fiduciary net position	\$ (585,967)	\$ 4,440,877	\$ (94,091)	\$ 872,259	\$ 1,050,526	\$ 1,835,055	\$ 166,834	\$ 833,079	\$ 2,127,871

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

For the Plan Years Ended June 30

(Continued)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Plan fiduciary net position -- beginning	23,018,647	18,577,770	18,671,861	17,799,602	16,749,076	14,914,021	14,747,187	13,914,108	11,786,237
Plan fiduciary net position -- ending (b)	\$22,432,680	\$23,018,647	\$18,577,770	\$18,671,861	\$17,799,602	\$16,749,076	\$14,914,021	\$14,747,187	\$13,914,108
Library's net pension liability -- ending (a)-(b)	\$ 2,560,855	\$ 1,244,450	\$ 3,430,536	\$ 1,943,853	\$ 1,051,251	\$ 1,570,174	\$ 3,088,622	\$ 2,572,821	\$ 2,051,776
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	89.75	94.87	84.41	90.57	94.42	91.42	82.84	85.14	87.03
Covered payroll (c)	\$5,002,053	\$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)	51.20	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

For the Plan Years Ended June 30

	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2022	\$ 378,098	\$ 378,098		\$ 5,002,053	7.56
2021	\$ 348,470	\$ 348,470		\$ 4,783,498	7.28
2020	\$ 299,157	\$ 299,157		\$ 4,660,667	6.42
2019	\$ 288,998	\$ 288,998		\$ 4,544,159	6.36
2018	\$ 355,496	\$ 355,496		\$ 4,394,373	8.09
2017	\$ 345,019	\$ 345,019		\$ 4,237,399	8.14
2016	\$ 417,287	\$ 417,287		\$ 4,036,095	10.34
2015	\$ 433,213	\$ 433,213		\$ 4,174,809	10.38
2014	\$ 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
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION - PENSION

For the Year Ended June 30, 2023

Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions: The actuarial assumptions used in the June 30, 2021 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 are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

For the Plan Years Ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GLI Plan:						
Proportion of the net GLI OPEB liability	0.02300	0.02227	0.02381	0.02347	0.02293	0.02242
Proportionate share of net GLI OPEB liability	\$ 276,942	\$ 259,283	\$ 397,350	\$ 381,919	\$ 348,246	\$ 330,968
Employer's covered payroll	\$5,053,430	\$4,783,498	\$4,660,667	\$4,544,159	\$4,394,373	\$4,237,399
Employer's proportionate share of the net of the net GLI OPEB liability as a percentage of its covered payroll	5.48	5.42	8.52	8.40	7.92	7.81
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21	67.45	52.64	52.00	51.22	48.86
VLDP Plan:						
Proportion of the Net VLDP OPEB liability	0.47147	0.45621	0.44708	0.39457	0.3811	0.38007
Proportionate share of net VLDP OPEB liability (excess)	\$ (2,772)	\$ (4,618)	\$ 4,463	\$ 7,994	\$ 2,942	\$ 2,032
Employer's covered payroll	\$5,053,430	\$4,783,498	\$4,660,667	\$4,544,159	\$4,394,373	\$4,237,399
Employer's proportionate share of net VLDP OPEB liability as a percentage of its covered payroll	.055	.096	.095	.178	.067	.048
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	107.99	119.59	76.84	49.19	51.39	38.40

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

For the Plan Years Ended June 30

<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	\$ 27,011	\$ 27,011		\$ 5,053,430	.53
VLDP Plan:					
2022	\$ 18,333	\$ 18,333		\$ 5,053,430	.36
GLI Plan:					
2021	\$ 24,831	\$ 24,831		\$ 4,783,498	.52
VLDP Plan:					
2021	\$ 15,211	\$ 15,211		\$ 4,783,498	.32
GLI Plan:					
2020	\$ 25,480	\$ 25,480		\$ 4,660,667	.55
VLDP Plan:					
2020	\$ 11,995	\$ 11,995		\$ 4,660,667	.26
GLI Plan:					
2019	\$ 23,920	\$ 23,920		\$ 4,544,159	.53
VLDP Plan:					
2019	\$ 8,779	\$ 8,779		\$ 4,544,159	.19
GLI Plan:					
2018	\$ 21,171	\$ 21,171		\$ 4,394,373	.48
VLDP Plan:					
2018	\$ 5,552	\$ 5,552		\$ 4,394,373	.13
GLI Plan:					
2017	\$ 19,611	\$ 19,611		\$ 4,237,399	.46
VLDP Plan:					
2017	\$ 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 SUPPLEMENTAL INFORMATION - OPEB

For the Year Ended June 30, 2023

Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions: The actuarial assumptions used in the June 30, 2021 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 are as follow:

Non-Largest 10 Locality Employers – General Employers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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



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Members
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**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; and the specifications for audits of Authorities, Boards and Commissions, issued by the Auditor of Public Accounts of the Commonwealth of Virginia 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, 2023, 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 January 29, 2024.

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.

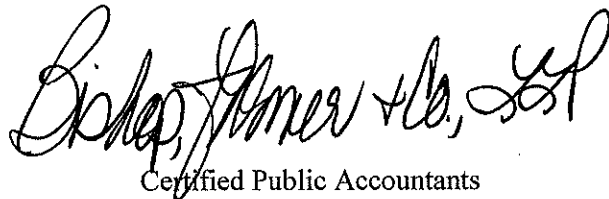
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not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



Bishop, Farmer & Co., LLP
Certified Public Accountants

Fredericksburg, Virginia
January 29, 2024