

JEFFERSON-MADISON REGIONAL LIBRARY

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

JEFFERSON-MADISON REGIONAL LIBRARY

FOR THE YEAR ENDED JUNE 30, 2024

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JEFFERSON-MADISON REGIONAL LIBRARY

**DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2024**

TRUSTEES

Tony Townsend – President
Aleta Childs – Vice President
Meredith Cole
Kathy Johnson Harris
Anne Hemenway
Martha Ledford
Peter Morville
Brandy Polanowski
Michael Powers

OFFICIALS

Samuel Sanders, Jr.
Vacant
Chris Cullinan

City Manager
City Attorney
City Director of Finance

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates, P.L.L.C.



Independent Auditors' Report

**To the Honorable Members of the Board of Trustees
Jefferson-Madison Regional Library
Charlottesville, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Jefferson-Madison Regional Library (the "Library"), as of and for the year ended June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Jefferson-Madison Regional Library, as of and for the year ended June 30, 2024, 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 the *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 Auditors' 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 requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2024 the Library adopted new accounting guidance, GASB Statement Nos. 100, *Accounting Changes*. 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 these 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 twelve months beyond the financial statement date, including currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted the defined benefit pension plan schedules required by GASB 68 and the OPEB schedules required by GASB 75 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2025, 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.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

February 26, 2025

Management Discussion and Analysis

This section of the Jefferson-Madison Regional Library's (the "Library") annual financial report presents a discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with your review of the Library's basic financial statements.

Financial Highlights for Fiscal Year 2024

Government-wide Financial Statements: At the close of the fiscal year, the revenues of the Library exceeded its expenses by \$982,683. This is primarily due to increases in intergovernmental revenue and charges for services.

Fund Financial Statements: As of the close of the current fiscal year, the Library's governmental funds reported a combined ending fund balance of \$954,017, a decrease of \$35,595. At the end of the current fiscal year, the assigned fund balance was \$14,644.

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2024. This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The financial statements' focus is on both the Library as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the Library's accountability.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business. Government-wide financial reporting consists of two statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position – The statement of net position presents information on all the Library's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as the net position. The Library's net position is reported in two classifications: net investment in capital assets and unrestricted.

Over time, the increases or decreases in the Library's net position can be an indicator as to whether the financial position of the Library is improving or deteriorating. To accurately use the change in net position as an indicator of the Library's overall financial condition, the underlying factors contributing to the increase or decrease must be analyzed.

The Statement of Activities – The statement of activities presents information showing how the net position changed during the year. All changes in the net position are recognized as the underlying event occurs, regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

Since intergovernmental revenues principally support all of the Library's functions, they are reported as general revenues in the government-wide financial statements.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As is the case with other state and local governments, the Library ensures and demonstrates compliance with legal requirements through its use of fund accounting.

Overview of the Financial Statements: (Continued)

The governmental funds report essentially the same functions as the governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the Library's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 and 10 of this report.

Notes to the Financial Statements: The notes to the financial statements provide additional disclosure information that is essential for a full understanding of the information provided in the government-wide and fund financial statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information detailing a comparison of the Library's budget as compared to actual results for the fiscal year ended June 30, 2024. Required supplementary information can be found on pages 27-29 of this report.

Government-Wide Financial Analysis

In accordance with the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Library presents the following financial analysis:

Statement of Net Position			
As of June 30, 2024 and 2023			
	2024	2023	% Change
Current and other assets	\$ 1,172,471	\$ 1,238,505	-5.33%
Long-term assets			
Capital assets	951,334	889,988	6.89%
Total assets	<u>2,123,805</u>	<u>2,128,493</u>	-0.22%
Deferred Outflows of resources			
Deferred charges - pensions	1,185,788	1,550,016	-23.50%
Deferred charges - OPEB	413,071	629,019	-34.33%
Total deferred outflows	<u>1,598,859</u>	<u>2,179,035</u>	-26.63%
Current liabilities	248,876	282,846	-12.01%
Long-term liabilities	3,085,024	4,475,319	-31.07%
Total liabilities	<u>3,333,900</u>	<u>4,758,165</u>	-29.93%
Deferred inflows of resources			
Deferred charges - pension	380,072	530,172	-28.31%
Deferred charges - OPEB	623,875	617,057	1.10%
Total deferred inflows	<u>1,003,947</u>	<u>1,147,229</u>	-12.49%
Net position			
Net investment in capital assets	867,090	744,506	16.47%
Unrestricted	(1,482,273)	(2,342,372)	-36.72%
Total net position	<u>\$ (615,183)</u>	<u>\$ (1,597,866)</u>	-61.50%

Government-Wide Financial Analysis: (Continued)

Net position may serve over time as useful indicator of the Library's financial position. In the case of the Library, liabilities and deferred inflows exceeded assets and deferred outflows by \$615,183 at the close of the most recent fiscal year. Of this amount, \$867,090 of the Library's net position reflects its investment in capital assets, net of related debt. Details on capital assets may be found in note 7. The Library has long-term obligations for pension, other post-employment benefits (OPEB), and compensated absences. Details on these obligations may be found in note 8. Details of pension and OPEB plans may be found in notes 10 and 11.

Statement of Activities For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Revenues:			
Intergovernmental revenue	\$ 9,674,468	\$ 9,219,585	4.70%
Charges for services	353,200	371,984	-5.32%
Other	67,743	28,862	57.39%
Total revenues	<u>10,095,411</u>	<u>9,620,431</u>	4.70%
Expenses:			
Administration	1,645,472	2,511,128	-52.61%
Services	<u>7,467,256</u>	<u>6,925,189</u>	7.26%
Total expenses	<u>9,112,728</u>	<u>9,436,317</u>	-3.55%
Change in net position (deficit)	982,683	184,114	81.26%
Net position (deficit) July 1	<u>(1,597,866)</u>	<u>(1,781,980)</u>	-11.52%
Net position (deficit) June 30	<u>\$ (615,183)</u>	<u>\$ (1,597,866)</u>	-159.74%

Revenues increased 4.70% in 2024 due to an increase in intergovernmental revenue and charges for services. Overall, library expenses decreased 3.55% in 2024.

Fund Financial Analysis

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financial requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$954,017, a decrease of \$35,595.

Economic Factors and Next Year's Budget

Participating localities along with the Commonwealth of Virginia are the main source of revenue for the Library. Operating costs are allocated to the participating localities on the basis of library materials circulation.

Contacting the Library's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Jerry Carchedi, Business Manager, at 201 East Market Street, Charlottesville, Virginia 22902.

JEFFERSON-MADISON REGIONAL LIBRARY

Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,072,969
Due from other governments	99,502
Capital assets, net of accumulated depreciation (Note 7)	951,334
Total Assets	\$ 2,123,805
Deferred Outflows of Resources	
Deferred outflows related to pensions (Note 10)	\$ 1,185,788
Deferred outflows related to other postemployment benefits (Note 11)	413,071
Total Deferred Outflows of Resources	\$ 1,598,859
Liabilities	
Accounts payable	\$ 49,943
Accrued liabilities	168,511
Compensated absences due within one year (Note 8)	30,422
Lease liability	3,341
SBITA liability	80,903
Compensated absences due in more than one year (Note 8)	223,093
Net pension liability (Notes 8 and 10)	2,566,630
Net other postemployment benefit liability (Notes 8 and 11)	211,057
Total Liabilities	\$ 3,333,900
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 10)	\$ 380,072
Deferred inflows related to other postemployment benefits (Note 11)	623,875
Total Deferred Inflows of Resources	\$ 1,003,947
Net Position (Deficit)	
Net investment in capital assets	\$ 867,090
Unrestricted	(1,482,273)
Total Net Position (Deficit)	\$ (615,183)

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

JEFFERSON-MADISON REGIONAL LIBRARY

Statement of Activities
For the Year Ended June 30, 2024

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Governmental Activities:			
Administration	\$ 1,645,472	\$ -	\$ (1,645,472)
Library services	7,467,256	353,200	(7,114,056)
Total Governmental Activities	\$ 9,112,728	\$ 353,200	\$ (8,759,528)
General Revenues:			
Intergovernmental revenue			\$ 9,674,468
Interest income			67,743
Total General Revenues			\$ 9,742,211
Change in net position			\$ 982,683
Net position (deficit) - July 1, 2023 beginning			\$ (1,597,866)
Net position (deficit) - June 30, 2024 ending			\$ (615,183)

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

JEFFERSON-MADISON REGIONAL LIBRARY

Balance Sheet
Governmental Funds
June 30, 2024

	<u>General Fund</u>	<u>Equipment Fund</u>	<u>Other Grants</u>	<u>CACF Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and short-term investments	\$ 501,860	\$ 419,754	\$ 5,124	\$ 146,231	\$ 1,072,969
Due from other governments	99,502	-	-	-	99,502
Total assets	<u>\$ 601,362</u>	<u>\$ 419,754</u>	<u>\$ 5,124</u>	<u>\$ 146,231</u>	<u>\$ 1,172,471</u>
Liabilities					
Accounts payable	\$ 49,943	\$ -	\$ -	\$ -	\$ 49,943
Accrued liabilities	168,511	-	-	-	168,511
Total liabilities	<u>\$ 218,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,454</u>
Fund Balance					
Committed	\$ -	\$ 406,481	\$ 5,124	\$ 146,231	\$ 557,836
Assigned	1,371	13,273	-	-	14,644
Unassigned	381,537	-	-	-	381,537
Total fund balance	<u>\$ 382,908</u>	<u>\$ 419,754</u>	<u>\$ 5,124</u>	<u>\$ 146,231</u>	<u>\$ 954,017</u>
Total Liabilities and Fund Balance	<u>\$ 601,362</u>	<u>\$ 419,754</u>	<u>\$ 5,124</u>	<u>\$ 146,231</u>	<u>\$ 1,172,471</u>

Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit):

Total fund balance per Balance Sheet for governmental funds	\$ 954,017
Amounts reported for governmental activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	951,334
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in funds.	
Deferred outflows of resources related to:	
Pensions	1,185,788
Other post employment benefits	413,071
Deferred inflows of resources related to:	
Pensions	(380,072)
Other post employment benefits	(623,875)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.	
Compensated absences	(253,515)
Lease liability	(3,341)
SBITA liability	(80,903)
Net pension liability	(2,566,630)
Net other postemployment benefit liability	<u>(211,057)</u>
Net position (deficit) of governmental activities	<u>\$ (615,183)</u>

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

JEFFERSON-MADISON REGIONAL LIBRARY

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	<u>General Fund</u>	<u>Equipment Fund</u>	<u>Other Grants</u>	<u>CACF Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Intergovernmental revenues:					
Revenue from the Commonwealth of Virginia	\$ 1,028,674	\$ -	\$ -	\$ -	\$ 1,028,674
Local government contributions:					
City of Charlottesville	2,134,657	-	-	-	2,134,657
County of Albemarle	5,219,218	-	-	-	5,219,218
County of Greene	398,007	-	-	-	398,007
County of Louisa	406,967	-	-	-	406,967
County of Nelson	359,750	-	-	-	359,750
Charges for services	-	192,127	-	-	192,127
Other revenues	77,876	1,735	9,900	266,500	356,011
Total revenues	\$ 9,625,149	\$ 193,862	\$ 9,900	\$ 266,500	\$ 10,095,411
Expenditures:					
Salaries and employee related benefits	\$ 6,542,619	\$ -	\$ -	\$ -	\$ 6,542,619
Supplies and materials	812,736	11,521	4,776	313,516	1,142,549
Contractual services	1,570,041	85,642	-	-	1,655,683
Repairs and maintenance	75,288	150	-	-	75,438
Capital outlay	478,940	127,540	-	-	606,480
Other operating expenses	122,000	-	-	-	122,000
Less open encumbrances	(1,371)	(13,273)	-	-	(14,644)
Total expenditures	\$ 9,600,253	\$ 211,580	\$ 4,776	\$ 313,516	\$ 10,130,125
Total change in fund balances	\$ 24,896	\$ (17,718)	\$ 5,124	\$ (47,016)	\$ (34,714)
Fund Balance - July 1, 2023	358,012	437,472	-	193,247	988,731
Fund Balance - June 30, 2024	\$ 382,908	\$ 419,754	\$ 5,124	\$ 146,231	\$ 954,017
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities					
Net change in fund balance - governmental funds					\$ (34,714)
Amounts reported for governmental activities in the statement of activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of items supporting this adjustment.					
Depreciation					(544,253)
Capital outlay					606,480
The net effect of various miscellaneous transactions involving capital assets is to decrease net position.					(881)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.					
Principal repayments:					
Lease liability					2,637
SBITA liability					58,601
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in funds.					
Deferred outflows of resources related to:					
Pensions					(364,228)
Other post employment benefits					(215,948)
Deferred inflows of resources related to:					
Pensions					150,100
Other post employment benefits					(6,818)
Net pension liability					617,836
Net other postemployment benefit liability					691,786
Some expenses recorded in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in governmental funds.					
Compensated absences					22,085
Change in Net position (deficit) of Government-wide Activities					\$ 982,683

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

JEFFERSON-MADISON REGIONAL LIBRARY

Notes to Financial Statements June 30, 2024

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Jefferson-Madison Regional Library (the “Library”) is a joint venture operated in accordance with a regional library agreement among the City of Charlottesville, Virginia (the “City”) and the Virginia counties of Albemarle, Greene, Louisa, and Nelson (the “Counties”). These participating localities along with the Commonwealth of Virginia are the main source of revenue for the Library. Operating costs are allocated to the participating localities on the basis of library materials circulation. The City is the fiscal agent and is responsible for maintaining certain financial records for the Library.

A separate Board of Trustees governs the Library. Designation of management and accountability for fiscal matters rests with the Library’s Board of Trustees. The Library formulates and approves its own budget. There are no direct or indirect liabilities borne by the Counties or the City for the operation of the Library.

The Library is a jointly governed organization. All activities for which the Library is financially accountable have been incorporated in the Library’s reporting entity.

Basis of presentation

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Library as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental in nature. In the government-wide statement of net position, the governmental activities column (i) is presented on an aggregated basis, and (ii) is reflected on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. This presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide statement of activities reflects both the gross and net cost per functional category (library services, etc.) that are otherwise being supported by general government revenues (certain intergovernmental revenues, interest, etc.). The statement of activities reduces gross expenses (including depreciation) by directly related program revenues and contributions.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Items not specifically restricted to the various programs are reported as general revenues. The Library does not allocate indirect expenses.

In the fund financial statements, financial transactions, and accounts of the Library are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund financial statements focus on individual major funds. GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

JEFFERSON-MADISON REGIONAL LIBRARY

Notes to Financial Statements June 30, 2024 (Continued)

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

Basis of presentation: (Continued)

Government-wide and Fund Financial Statements: (Continued)

All of the Library's funds are considered major for financial reporting purposes. The fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The operations of the Library are recorded in the following major governmental funds:

The *General Fund* is the general operating fund of the Library and is used to account for all of the Library's expendable non-capital financial resources and related liabilities.

The *Equipment Fund* is a special revenue fund that generates revenues from fees and fines collected from the use of library materials and equipment. The revenue is used to support the orderly operation, maintenance, and replacement of library equipment.

The *Other Grants Fund* is a special revenue fund created to track receipt and use of funds received from the American Rescue Plan Act.

The *CACF Fund* is a special revenue fund created to track receipt and use of donations held at the Charlottesville Area Community Foundation.

Basis of accounting

The governmental funds financial statements are reported on the flow of current financial resources measurement focus and the modified accrual basis of accounting wherein the focus is on the determination and changes in, financial position and only current assets and current liabilities are included on the balance sheet. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues are generally considered available if received within two months after the fiscal year-end. Intergovernmental revenues are recorded when all eligibility requirements are met and funds are considered available. Expenditures are recorded when the related liability is incurred, except for certain long-term obligations when the liability and expenditure are recorded when amounts are due to be payable.

The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) are reported and accounted for on the economic resources measurement focus and the accrual basis of accounting, which include all assets and liabilities associated with the Library. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenues from non-exchange transactions, in which the Library receives value without directly giving equal value in exchange, such as donations, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Non-monetary donations, such as program supplies, are not recorded.

Notes to Financial Statements
June 30, 2024 (Continued)

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

Capital assets

Capital assets include substantially all furniture, equipment, and vehicles having a minimum useful life of three years and having a cost of more than \$5,000. Library book purchases for each year are capitalized as one individual addition. Capital assets, which are used for general governmental purposes, are accounted for and reported in the government-wide financial statements. The buildings associated with the various Library branches are owned by the participating localities, and therefore are not recorded as Library capital assets.

Capital assets are stated at historical cost, estimated historical cost based on appraisals, or on other acceptable methods when historical cost is not available (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below. Donated fixed assets are stated at their acquisition value as of the date of the donation. Accumulated depreciation is reported over the estimated useful lives (books, 4 years; computers, 3 years; furniture and equipment, 10 years; vehicles, 5 years; and lease assets, for shorter of the term of the lease or the useful life of the underlying asset) using the straight-line method annually. Lease assets represent copiers recorded at the present value of payments expected to be made (less any lease incentive) and are amortized over 48 months using the straight line method.

Leases

The Library leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Library recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Library uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Library uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.

Notes to Financial Statements
June 30, 2024 (Continued)

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

Leases (Continued)

Key Estimates and Judgments (Continued)

- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee).

The Library monitors changes in circumstances that would require a remeasurement or modification of its leases. The Library will remeasure the lease asset and liability (lessee) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

Compensated absences

A liability is recorded in governmental funds for unpaid vacation balances meeting certain criteria when the amount is due and payable. All compensated absences liabilities are accrued when earned in the government-wide financial statements.

A liability for sick leave is not recorded by the Library since accumulated sick leave not taken by year-end is not paid to the employee in terms of compensation. It is accumulated and tracked by employee so that upon retirement, the employee may roll over accumulated sick leave, which is counted towards credited service, for one-half of the accumulated amount up to a maximum of two thousand hours, in the City's retirement plan.

Internal and intra-entity activity

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the "grossing-up" effect on assets and liabilities within the governmental activities' column. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities' column of the government-wide financial statements. Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as operating transfers.

Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred outflows are recognized for pension and other postemployment benefits.

Notes to Financial Statements
June 30, 2024 (Continued)

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

Deferred outflows/inflows of resources (Continued)

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows are recognized for pension and other postemployment benefits.

Pension and Other Postemployment Benefits

Employees of the Library participate in the City of Charlottesville’s defined benefit and defined contribution retirement plans and Other Postemployment Benefits (“OPEB”) plan. Net pension liability, other postemployment benefits liability, deferred outflows of resources, and deferred inflows of resources are measured using actuarial methods. Pension expense for the defined benefit plan is equal to the changes in net pension liability, deferred outflows and deferred inflows of resources related to pension obligations. Similarly, OPEB expense is equal to the change in net OPEB liability, deferred outflows, and deferred inflows of resources related to OPEB obligations. Details of the Library’s retirement plans are included in Note 10. Details of the Library’s other postemployment benefits plan are included in Note 11.

Note 2 – Net Position/Fund Balance

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

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The Library’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Library does not have any nonspendable fund balances at June 30, 2024.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The Library does not have any restricted fund balances at June 30, 2024.

Committed Fund Balance – Amounts constrained to specific purposes by formal action (adoption of an ordinance) by the government’s highest level of decision-making authority (Board of Trustees). Committed amounts do not lapse nor can they be used for any other purpose unless the government takes the same level of action (adoption of another ordinance) to remove or change the constraint. The Library had \$406,481 committed in the equipment fund at June 30, 2024 to be used for future equipment needs. The Library had \$146,231 committed in the CACF Fund to be used for future needs. The library had \$5,124 committed from other grants to be used for future needs.

Notes to Financial Statements
June 30, 2024 (Continued)

Note 2 – Net Position/Fund Balance: (Continued)

Assigned Fund Balance – Assigned items represent the Library’s intent to use certain resources for assigned purposes. Fund balances are assigned by resolution of the Board of Trustees. Fund balances in the equipment fund are automatically assigned if they are not committed, restricted, or non-spendable. At June 30, 2024, the Library had a total of \$14,644 assigned to cover encumbrances at year end.

Unassigned Fund Balance – The portion of the General Fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. At June 30, 2024, the Library had a total of \$381,537 in the general fund unassigned.

The Library has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Library will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Library funds, Library funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The library director has the authority to deviate from this policy if it is the best interest of the Library.

Note 3 – Cash and Cash Equivalents

The Library’s cash and cash equivalents are commingled with the City’s for investment purposes and, as such, the Library follows the City’s deposit policy. The City is authorized to hold cash and cash equivalents, including cash on hand, checking and savings accounts, certificates of deposit, repurchase agreements, and banker’s acceptances. Because the Library’s funds are commingled with the City’s, specific information relating to the Library’s balances by types and custodial credit risk classifications is not available. Refer to the City’s 2024 Annual Comprehensive Financial Report for further information on cash and cash equivalents managed by the City.

Note 4 – Related-party Transactions

The Library has entered into lease agreements with the City of Charlottesville and Albemarle County for its regional offices. Rent is paid monthly and annually and totaled \$847,732 for the year ended June 30, 2024. Reference Note 9 for additional details.

Note 5 – Reversion to Participating Localities

The regional library agreement limits the amount of year end unrestricted fund balance that can be retained in the General Fund by the Library to 5% of the total operating budget. Funds accumulated in excess of the 5% limit must be returned to each of the participating localities on the same basis their contributions were determined. There were no accumulated funds in excess of the 5% limit as of June 30, 2024.

JEFFERSON-MADISON REGIONAL LIBRARY

**Notes to Financial Statements
June 30, 2024 (Continued)**

Note 6 – Termination of the Regional Library Agreement

In the event any participating locality determines to dissolve the regional library agreement as provided by the Code of Virginia, Section 42.1-42, as amended, the distribution or allocation of buildings, books, furnishings, and equipment shall be negotiated by a joint committee appointed by all the participating localities. However, any library books or other media permanently assigned to any particular local collection at the time negotiation for dissolution begins, shall remain in the locality responsible for that local collection for its use or disposal.

Note 7 – Capital Assets

A summary of changes in property and equipment follows:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets being depreciated:				
Furniture and equipment	\$ 177,537	\$ 11,080	\$ -	\$ 188,617
Computers	91,564	-	-	91,564
Books	6,151,674	478,940	(659,025)	5,971,589
Vehicles	328,344	116,460	-	444,804
Copier leases	10,547	-	-	10,547
Subscription asset	212,467	-	(16,083)	196,384
Total capital assets being depreciated	<u>\$ 6,972,133</u>	<u>\$ 606,480</u>	<u>\$ (675,108)</u>	<u>\$ 6,903,505</u>
Less accumulated depreciation for:				
Furniture and equipment	\$ 160,215	\$ 4,912	\$ -	\$ 165,127
Computers	90,500	1,064	-	91,564
Books	5,491,736	432,529	(659,025)	5,265,240
Vehicles	263,069	46,302	-	309,371
Copier leases	4,614	2,637	-	7,251
Subscription asset	72,011	56,809	(15,202)	113,618
Total accumulated depreciation	<u>\$ 6,082,145</u>	<u>\$ 544,253</u>	<u>\$ (674,227)</u>	<u>\$ 5,952,171</u>
Total capital assets, net	<u>\$ 889,988</u>	<u>\$ 62,227</u>	<u>\$ (881)</u>	<u>\$ 951,334</u>

Depreciation expense of \$544,253 is included in Library Services in the Statement of Activities.

JEFFERSON-MADISON REGIONAL LIBRARY

**Notes to Financial Statements
June 30, 2024 (Continued)**

Note 8 – Long-term Obligations

A summary of changes in long-term obligations follows:

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024	Due Within One Year
Pension liability	\$ 3,184,466	\$ -	\$ 617,836	\$ 2,566,630	-
OPEB liability	902,843	-	691,786	211,057	-
Lease liability	5,978	-	2,637	3,341	-
Subscription liability	139,504	-	58,601	80,903	-
Compensated absences	275,600	128,575	150,660	253,515	30,422
	<u>\$ 4,508,391</u>	<u>\$ 128,575</u>	<u>\$ 1,521,520</u>	<u>\$ 3,115,446</u>	<u>\$ 30,422</u>

Compensated absences and other liabilities are liquidated by the General Fund.

Note 9 – Commitments and Contingencies

The Library is a lessee under a lease related to the Northside Branch Library. Rental expense for this lease is adjusted annually for CPI for five years as stated in the lease agreement that expired on June 30, 2020. The lease will be renewed automatically for subsequent one-year terms until a new lease is executed or the agreement is terminated. As of the report date, the Library has not executed a new agreement. Rent expense for the lease agreement for the 2024 fiscal year was approximately \$69,228 per month and will be approximately \$73,378 per month for 2025 fiscal year.

Additionally, per the amended Jefferson-Madison Regional Library agreement, the Library makes annual payments to the City of Charlottesville and Albemarle County for office space in the Central branch used primarily for regional activities. Rental expense under this agreement was \$10,700 for the year ended June 30, 2024.

Future minimum lease payments under existing leases are \$880,536 through June 30, 2025.

Note 10 – Retirement Plan

City of Charlottesville Supplemental Retirement or Pension Plan

Plan description – The Library is included in the City’s Pension Plan. The City administers the Pension Plan, a single-employer defined benefit plan for general and public safety employees of the primary government and two other jointly governed entities, including the Library. The Pension Plan provides retirement and disability benefits to eligible plan members and their beneficiaries. The plan is governed by City Council, as provided in Article II, IV, and V of Chapter 19 of the City Code, 1990, as amended, of the City of Charlottesville and is an irrevocable trust fund. City Council may amend benefits and other plan provisions and is responsible for the management of plan assets. The Plan does not provide automatic annual increases (Cost-of-Living Adjustment) in benefits. The Pension Plan is considered a part of the City’s Reporting Entity and is included in the City’s financial statements as the Pension Trust Fund. There is no separately issued City Supplementary Retirement or Pension Plan report.

Notes to Financial Statements
June 30, 2024 (Continued)

Note 10 – Retirement Plan (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan (Continued)

The Pension Plan covers all regular employees that work at least half time for at least 36 weeks per year. Employer contribution is determined annually based on actuarial valuation data. Plan members are entitled to an annual retirement benefit, payable monthly for life. Employees hired before July 1, 2012, and employees hired on or after July 1, 2012, and employees hired on or after July 1, 2017 have different pension provisions and employee contribution rates as follows:

General Employees' Pension Plan – Normal Retirement Benefit			
	Before July 1, 2012	On or after July 1, 2012	On or after July 1, 2017
Normal Retirement Age	Age 65 with 5 years of service	Age 65 with 5 years of service	Age 65 with 5 years of service
Early Retirement Age (1/2% reduction for each month the actual retirement date is less than 30 years)	Age 55 with 5 years of service Age 50 with 30 years of service	Age 60 with 5 years of service Age 60 with 30 years of service	Age 60 with 5 years of service Age 60 with 30 years of service
Vesting	5 years of service	5 years of service	5 years of service
Employee Contribution for Pension and OPEB Plans	1% of base salary	3% of base salary	5% of base salary
Pension Benefit Formula	Average Final Compensation ("AFC") x 1.6% x years of creditable service	AFC x 1.6% x years of creditable service	AFC x 1.6% x years of creditable service
Years to Calculate AFC	3 years	5 years	5 years

The Library's participation in the Pension Plan consists of the following at June 30, 2023, according to the most recent actuarial valuation report:

Retirees and beneficiaries currently receiving benefits	48
Vested terminated employees	11
Current employees:	
Vested	15
Non-vested	-
Total	74

Contributions – The contribution requirements for plan members, including Library employees, are established and may be amended by Charlottesville City Council. Plan members hired before July 1, 2012 are required to contribute 1% of base pay, plan members hired on or after July 1, 2012 must contribute 3% of base pay, and plan members hired on or after July 1, 2017 must contribute 5% of base pay (annual covered salary) for pension plans. The City's contribution rates are actuarially determined and consist of current costs plus amortization of prior service costs. The contribution rates for 2023 are based on the July 1, 2021 actuarial report. The contribution rate for 2023 was 20.36%.

Net Pension Liability – The Library's net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net position liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Notes to Financial Statements
June 30, 2024 (Continued)

Note 10 – Retirement Plan: (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan: (Continued)

Actuarial methods and assumptions – The actuarial determined contribution (ADC) for the plan was determined as part of the July 1, 2019, actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period remaining	20 years
Asset valuation method	4-year smoothed market
Investment return, including inflation	7.50%
Projected salary increases	Range 2.0%-4.0%
Assumed inflation rate	2.0% per annum, compounded annually
Cost of living adjustment, ad hoc	1.0% per year

Mortality rates – Healthy lives – RP-2000 table, fully generational, projected with scale AA; Disabled lives – RP-2000 table, fully generational, projected with scale AA, set forward 5 years for males and females.

Long-term Expected Rate of Return – The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of assets for the fiscal year ended June 30, 2024 was 11.49%. The investment return on the smoothed value of assets (actuarial value of assets) was 7.50%. The expected rate of return was 7.50%. The actuarial value of net assets, which is used to determine the City’s contribution rate for the following fiscal year, is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a four-year period.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity:		
Large Cap	30.00%	9.60%
Mid Cap	12.50%	9.80%
Small Cap	7.50%	8.40%
International Equity	10.00%	5.80%
Emerging Equity	5.00%	7.70%
Real Estate	10.00%	4.40%
Farmland	5.00%	9.80%
Fixed Income	20.00%	9.00%
Total	100.00%	11.60%

Notes to Financial Statements
June 30, 2024 (Continued)

Note 10 – Retirement Plan: (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The table below presents the net pension liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1% lower and 1% higher.

	<u>1% Lower 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Higher 8.5%</u>
Net Pension Liability	\$ <u>3,323,800</u>	\$ <u>2,566,630</u>	\$ <u>1,931,849</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – Pension plan changes for measurement date June 30, 2023 are presented on the fiscal year 2024 Statement of Net Position. The net pension liability was measured at June 30, 2023 and the total pension liability used to calculate the net pension liability was determined using an actuarial valuation performed as of June 30, 2023, using actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date. Net pension expense for the year ended June 30, 2024 was (\$402,961.)

JEFFERSON-MADISON REGIONAL LIBRARY

**Notes to Financial Statements
June 30, 2024 (Continued)**

Note 10 – Retirement Plan: (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan: (Continued)

The Library reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Prior years difference between expected and actual experience	\$ 474,708	\$ (1,092,359)
Prior years changes in proportion and difference between contributions	(1,157,327)	(154,260)
Prior years impact of change in proportion on beginning NPL	1,372,970	1,766,378
Prior years difference between expected and actual investment earnings	1,213,887	751,875
Prior years change in assumptions	634,993	-
Prior years amortization	(1,393,311)	(741,462)
Current year amortization	(355,108)	(181,550)
Differences between expected and actual experience	117,170	-
Impact of change in proportion on beginning NPL	-	484,404
Differences between expected and actual investment earnings	-	99,637
Changes in proportion and difference between employer contribution and proportionate share of contribution	(138,118)	(552,591)
Employer contributions subsequent to measurement	<u>415,924</u>	<u>-</u>
Total	<u>\$ 1,185,788</u>	<u>\$ 380,072</u>

Deferred inflows and outflows of resources of \$415,924 of pension plan contributions for the period of July 1, 2023 to June 30, 2024, are subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over a four-year period as pension expense of follows:

Year Ending June 30:		
2025	\$	97,448
2026		97,448
2027		97,448
2028		<u>97,448</u>
Total	\$	<u>389,792</u>

Notes to Financial Statements
June 30, 2024 (Continued)

Note 10 – Retirement Plan: (Continued)

City of Charlottesville Supplemental Retirement or Pension Plan: (Continued)

The net pension liability at the measurement date of June 30, 2023:

	<u>Net Pension Liability</u>
Balances at June 30, 2022	\$ 3,184,466
Employer contributions	(404,096)
Change in expense	312,416
Change in deferred outflows of resources	(376,056)
Change in deferred inflows of resources	<u>(150,100)</u>
Balance at June 30, 2023	<u>\$ 2,566,630</u>

Note 11 – Other Postemployment Benefits (OPEB) Obligations

Plan description – The City provides medical, dental and life insurance coverage for eligible Pension Plan members that elect to participate. Vested employees who separate service with the City before pension benefits are received are not eligible for OPEB benefits. The City administers the plan as part of the City’s benefit program. City Council may amend benefits for current and future retirees and are responsible for the management of the assets. Vested employees who separate service with the City before pension benefits are received are not eligible for OPEB benefits. The City administers the plan as part of the City’s benefit program. City Council may amend benefits for current and future retirees and are responsible for the management of the assets. The OPEB Trust is considered a part of the City’s Reporting Entity and is included in the City’s financial statements as the Pension Trust Fund. There is no separately issued City other postemployment benefits report.

OPEB Plan Benefits		
	Before July 1, 2012	On or after July 1, 2012
Medical and Dental coverage	<p>Must have 5 years of creditable service.</p> <p>Under Age 65: Can continue to participate in Health Care Program.</p> <p>Over Age 65: Participates in program that provides Medicare Supplementary Insurance and certain wellness benefits.</p>	<p>Must have 10 years of creditable service.</p> <p>Under Age 65: Can continue to participate in Health Care Program.</p> <p>Health and dental coverage end at Medicare eligibility age.</p>
Life Insurance	<p>Must have 5 years of creditable service.</p> <p>Two times annual salary reduced 2% per month until benefit reaches the final annual salary.</p>	<p>Must have 10 years of creditable service.</p> <p>Two times annual salary reduced 25% per year unit benefit reaches 50% of final annual salary.</p>

Notes to Financial Statements
June 30, 2024 (Continued)

Note 11 – Other Postemployment Benefits (OPEB) Obligations: (Continued)

Members in the City’s OPEB Plan consists of the following at June 30, 2023, the date of the most recent actuarial valuation report:

Inactive plan members or beneficiaries currently receiving benefit payments	<u>48</u>
Active plan members	<u>105</u>
Total	<u><u>153</u></u>

Funding Policy – The contribution requirements for current and future Pension Plan members are established and may be amended by City Council. The city contribution is determined annually by City Council. Pension Plan members hired before December 3, 2002, received 100% of the city contribution towards the cost of medical and dental insurance. For Pension Plan Members hired on or after December 3, 2002, the city contribution toward the cost of medical and dental insurance is pro-rated based on vesting requirements and years of creditable service. Pension Plan members must pay for family members at their own expense. Surviving spouses of Pension Plan members may elect to continue health care benefits at their own expense. Life insurance is provided at no direct cost to the plan members. Defined Contribution Plan senior management is eligible for the same OPEB benefits as Pension Plan members. The contribution rates for 2024 are based on the July 1, 2022, actuarial report. The general employee contribution rate is 1.82%.

Actuarial methods and assumptions – The annual required contribution (ARC) for the plan was determined as part of the July 1, 2023 actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	18 years, closed
Asset valuation method	4 year smoothed market
Investment return including inflation	7.5%
Projected salary increases	Range 2.0% - 5.0%
Assumed inflation rate	2.0%
Cost of living adjustment	None
Healthcare cost trend rate	Medical trend 5.0-8.0% Dental trend 4.0%

Mortality rates – Healthy lives – RP-2000 table, fully generational, projected with scale AA; Disabled lives-RP-2000 table, fully generational, projected with scale AA, set forward 5 years for males and females.

Notes to Financial Statements
June 30, 2024 (Continued)

Note 11 – Other Postemployment Benefits (OPEB) Obligations: (Continued)

Long-term Expected Rate of Return – The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of assets for the fiscal year ended June 30, 2024 was 11.49%. The investment return on the smoothed value of assets (actuarial value of assets) was 7.50%. The expected rate of return was 7.50%. The actuarial value of net assets, which is used to determine the City’s contribution rate for the following fiscal year, is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a four-year period.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity:		
Large Cap	30.00%	9.60%
Mid Cap	12.50%	9.80%
Small Cap	7.50%	8.40%
International Equity	10.00%	5.80%
Emerging Equity	5.00%	7.70%
Real Estate	10.00%	4.40%
Farmland	5.00%	9.80%
Fixed Income	20.00%	9.00%
Total	<u>100.00%</u>	<u>11.60%</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The table below presents the net OPEB liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1% lower and 1% higher.

	<u>1% Lower</u>	<u>Current</u>	<u>1% Higher</u>
	<u>6.5%</u>	<u>Discount Rate</u>	<u>7.5%</u>
		<u>7.5%</u>	<u>8.5%</u>
Net OPEB Liability	\$ <u>471,993</u>	\$ <u>211,057</u>	\$ <u>(7,038)</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The table below presents the net OPEB liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1% lower and 1% higher.

	<u>1% Lower</u>	<u>Current</u>	<u>1% Higher</u>
	<u>6.5%</u>	<u>Discount Rate</u>	<u>7.5%</u>
		<u>7.5%</u>	<u>8.5%</u>
Net OPEB Liability	\$ <u>26,243</u>	\$ <u>211,057</u>	\$ <u>430,502</u>

JEFFERSON-MADISON REGIONAL LIBRARY

Notes to Financial Statements
June 30, 2024 (Continued)

Note 11 – Other Postemployment Benefits (OPEB) Obligations: (Continued)

The net OPEB liability at the measurement date of June 30, 2023:

	Net OPEB Liability
Balances at June 30, 2022	\$ 902,843
Employer contributions	(117,530)
Change in expense	(356,940)
Change in deferred outflows of resources	(210,498)
Change in deferred inflows of resources	(6,818)
	<u> </u>
Balance at June 30, 2023	\$ <u><u>211,057</u></u>

The Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources at June 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Prior years difference between expected and actual experience	\$ 7,585	\$ 618,048
Prior years changes in proportion and difference between contributions	318,136	(1,027,076)
Prior years impact of change in proportion on beginning NPL	99,815	1,003,183
Prior years difference between expected and actual investment earnings	450,343	464,696
Prior years change in assumptions	(314,000)	78,454
Prior years amortization	(50,390)	(520,248)
Current year amortization	(132,988)	(221,173)
Differences between expected and actual experience	-	295,796
Impact of change in proportion on beginning NPL	-	157,519
Differences between expected and actual investment earnings	-	39,853
Change in assumptions	11,730	-
Changes in proportion and difference between employer contribution and proportionate share of contribution	(89,240)	(265,177)
Employer contributions subsequent to measurement	112,080	-
	<u> </u>	<u> </u>
Total	\$ <u><u>413,071</u></u>	\$ <u><u>623,875</u></u>

JEFFERSON-MADISON REGIONAL LIBRARY

**Notes to Financial Statements
June 30, 2024 (Continued)**

Note 11 – Other Postemployment Benefits (OPEB) Obligations: (Continued)

Deferred inflows and outflows of resources of \$112,080 result from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2024	\$ 80,721
2025	80,721
2026	80,721
2027	<u>80,721</u>
Total	<u>\$ 322,884</u>

Note 12 – Lessee Leases

The Library has procured a lease for one copier. This lease is scheduled below. This lease has a period of 48 months starting in October 2021. The library recorded its lease activity for this lease at the beginning of Fiscal Year 2024 with the remaining lease value of \$8,591. The lease was recorded at the applicable federal rate as of the Lease beginning date, which was determined to be the best estimate of the incremental borrowing rate when no interest rate was shown on the face of the lease document. The federal rate used was based on the short, medium and long term based on the lease term.

The copier interest rate was determined to be the present value of the lease payments as opposed to the copier purchase price at lease inception.

Library copier lease						
Lease Asset Class	Lease Begin Date	SBITA End Date	Term (Months)	Monthly Payment	Lease Value	Interest Rate
Copier	10/1/2021	10/1/2025	48	\$ 234	\$ <u>8,597</u>	0.87%
					<u>8,597</u>	

At June 30, 2024 the liability of the leases outstanding was \$3,341. Below is a schedule of the future liability.

Schedule of Lease Liability at Fiscal Year End			
Fiscal Year	Principal	Interest	Lease Liability at 6/30
2023	\$ 2,619	\$ 64	\$ 5,978
2024	2,637	41	3,341
2025	2,666	18	675
2026	669	115	6
	<u>\$ 8,591</u>	<u>\$ 238</u>	\$

JEFFERSON-MADISON REGIONAL LIBRARY

**Notes to Financial Statements
June 30, 2024 (Continued)**

Note 13 – Subscription Based IT Arrangements (SBITA)

The Library has purchased various subscription-based software applications needed for operations. A schedule of these subscriptions is shown below. The longest subscription term has a period of 72 months while the shortest subscription agreement period remaining was 12 months from the SBITA beginning date. The Library recorded its SBITA activity at the beginning of Fiscal Year 2024, with the remaining SBITA value of \$212,467. The SBITA were recorded at the applicable federal interest rate at July 1, 2022, which was determined to be the best estimate of the incremental borrowing rate when no interest rate was shown on the face of the SBITA agreement. The federal rate used was based on the rate as determined by the lease term. At June 30, 2024 the liability of the SBITA outstanding was \$80,903.

Schedule of SBITA Liability at Fiscal Year End			
Fiscal Year	Principal	Interest	SBITA Liability at 6/30
2023	\$ 72,963	\$ 5,358	\$ 139,504
2024	58,601	3,373	80,903
2025	60,377	1,596	20,526
2026	20,526	115	-
	<u>\$ 212,467</u>	<u>\$ 10,442</u>	<u>\$</u>

Library Subscription Based IT Arrangements (SBITA)						
SBITA Description	SBITA Begin Date	SBITA End Date	Term (Months)	Monthly Payment	SBITA Value	Interest Rate
Host and maintain library catalogue system	11/17/2019	11/16/2025	72	\$ 5,164	\$ 196,384	2.99%
Scholastic database for library patrons	7/1/2018	6/30/2023	60	1,362	16,083	2.99%
					<u>212,467</u>	

Note 14 – Adoption of Accounting Principle GASB Statement 100 Accounting Changes

The purpose of GASB Statement 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. An accounting change is defined as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This Statement also addresses corrections of errors in previously issued financial statements. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. In the process of adopting GASB Statement 100, the Library undertook a comprehensive review of its existing accounting policies, accounting estimates, and changes to the financial entity to determine the applicability of this standard. The Library determined that no changes in accounting principles, changes in accounting estimates, or changes to/within the financial reporting entity occurred in FY2024.

Notes to Financial Statements
June 30, 2024 (Continued)

Note 15 – New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2024.

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective of fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

JEFFERSON-MADISON REGIONAL LIBRARY

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget versus Actual
 General Fund
 For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance favorable (unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenues:				
Revenue from the Commonwealth of Virginia	\$ 1,026,150	\$ 1,026,150	\$ 1,028,674	\$ 2,524
Local government contributions:				
City of Charlottesville	2,134,657	2,134,657	2,134,657	-
County of Albemarle	5,227,048	5,227,048	5,219,218	(7,830)
County of Greene	398,007	398,007	398,007	-
County of Louisa	407,237	407,237	406,967	(270)
County of Nelson	359,570	359,570	359,750	180
Other revenues	-	2,834	77,876	75,042
Total revenues	\$ 9,552,669	\$ 9,555,503	\$ 9,625,149	\$ 69,646
Expenditures:				
Salaries and employee related benefits	\$ 6,846,357	\$ 6,677,362	\$ 6,542,619	\$ 134,743
Supplies and materials	971,667	1,123,371	812,736	310,635
Contractual services	1,508,116	1,508,116	1,570,041	(61,925)
Repairs and maintenance	57,199	84,094	75,288	8,806
Capital outlay	7,700	7,700	478,940	(471,240)
Other operating expenses	130,000	274,934	122,000	152,934
Less open encumbrances	-	-	(1,371)	1,371
Total expenditures	\$ 9,521,039	\$ 9,675,577	\$ 9,600,253	\$ 75,324
Total change in fund balances	\$ 31,630	\$ (120,074)	\$ 24,896	\$ 144,970

JEFFERSON-MADISON REGIONAL LIBRARY

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget versus Actual
 Equipment Fund
 For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	favorable
				(unfavorable)
Revenues:				
Charges for services	\$ 170,141	\$ 170,141	\$ 193,862	\$ 23,721
Total revenues	<u>\$ 170,141</u>	<u>\$ 170,141</u>	<u>\$ 193,862</u>	<u>\$ 23,721</u>
Expenditures:				
Supplies and materials	\$ 250,174	\$ 250,174	\$ 11,521	\$ 238,653
Contractual services	54,000	54,000	85,642	(31,642)
Repairs and maintenance	-	-	150	(150)
Capital outlay	-	-	127,540	(127,540)
Less open encumbrances	<u>-</u>	<u>-</u>	<u>(13,273)</u>	<u>13,273</u>
Total expenditures	<u>\$ 304,174</u>	<u>\$ 304,174</u>	<u>\$ 211,580</u>	<u>\$ 92,594</u>
Total change in fund balances	<u>\$ (134,033)</u>	<u>\$ (134,033)</u>	<u>\$ (17,718)</u>	<u>\$ 116,315</u>

JEFFERSON-MADISON REGIONAL LIBRARY

Notes to Required Supplementary Information Budgetary Comparison Schedules

June 30, 2024

Note 1. Budgetary Process

The Library follows these procedures in developing its annual budget for all funds for the following year:

- In November, the Business Manager and Director prepare a preliminary budget for the Library's funds that is submitted to the Board of Trustees (the "Board") for approval before submission to the jurisdictions.
- In December, a proposed budget is prepared and submitted to the Board for approval and sent to the jurisdictions for funding.
- In April, revisions are presented to the Board.
- In June, the Board formally adopts the final budget for the ensuing fiscal year.

Note 2. Appropriations

Amounts shown in the budgetary comparison schedules as "final budget" represent original appropriations authorized by the Board and any additional and supplemental appropriations authorized during the year. The budgetary information is adopted and presented on a modified accrual basis of accounting. All appropriations not encumbered lapse at year end for all funds. The legal level of budgetary control for all funds is at the fund level; however, management control is exercised over fund budgets at the budgetary line item level.



**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of the Board of Trustees
Jefferson-Madison Regional Library
Charlottesville, Virginia**

We have audited, 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 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 and each major fund of the Jefferson-Madison Regional Library (the "Library"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated February 26, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library'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 Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

February 26, 2025

JEFFERSON-MADISON REGIONAL LIBRARY

**Summary of Compliance Matters
June 30, 2024**

As more fully described in the “Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*” we performed tests of the Library’s compliance with certain provisions of the laws, regulations, contracts and grant agreements, and other matters shown below. Providing an opinion was not the objective of the tests of compliance.

STATE COMPLIANCE MATTERS

Code of Virginia:

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Unclaimed Property

Budget and Appropriation Laws

Local Retirement Systems