HANDLEY REGIONAL LIBRARY BOARD
(A Special Purpose Government Entity)

Winchester, Virginia

FINANCIAL REPORT

For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Handley Regional Library Board
Winchester, Virginia

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund, of Handley Regional Library Board (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.

Qualified Opinion

In our opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion on a Discretely Presented Component Unit paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the Handley Regional Library Board, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund for Handley Regional Library Board, as of June 30, 2023, and the respective changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States. 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 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.

Basis for Qualified Opinion on a Discretely Presented Component Unit

The financial statements of Friends of Handley Regional Library as of June 30, 2023, have not been audited, and we were not engaged to audit the Friends of Handley Regional Library financial statements as part of our audit of the Library's basic financial statements for the year then ended. Friends of Handley Regional Library's financial activities are included with the Handley Regional Library Board's basic financial statements as a discreetly presented component unit.

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 twelve months 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 GAAS and GAS 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison schedules, schedules of changes in the net pension (asset)/liability, schedules of employer contributions, schedules of employer's proportionate share of net OPEB liabilities and related ratios, and schedules of OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 October 18, 2023, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Handley Regional Library Board's internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 18, 2023

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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 Board of Directors
Handley Regional Library Board
Winchester, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Handley Regional Library Board, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Handley Regional Library Board's basic financial statements and have issued our report thereon dated October 18, 2023. We have issued a qualified opinion due to the Friends of Handley Regional Library's financial activities being included with the Handley Regional Library Board's basic financial statements as a discreetly presented component unit and unaudited. The financial statements of Friends of Handley Regional Library were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Friends of Handley Regional Library.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Handley Regional Library Board'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 Handley Regional Library Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Handley Regional Library Board'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

> The Library has a limited number of administrative staff that prevents them from maintaining proper segregation of duties necessary for complete internal accounting control. This situation exists because a few individuals have responsibility for all accounting functions, which is common in a small office. We understand that the Board and management are aware of this risk and have addressed and implemented controls to help mitigate the result of limited staffing, as a response to this deficiency. We recommend that the Board continue to review monthly financial information particularly to budgeted amounts and make inquiries when variances are noted.
>
> The Library's accounting department currently does not prepare its financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Library is unable to, and has not established internal controls over the preparation of financial statements. We are required to report this deficiency. The standards do not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. Accordingly, the Library may decide that curing the deficiency described above would not be cost effective and take no action.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Handley Regional Library Board's financial statements are free of 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 determination of 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 test 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 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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 18, 2023

HANDLEY REGIONAL LIBRARY BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Handley Regional Library Board (the Library), we offer readers of the Library's financial statements, this narrative overview and analysis of the financial activities of the Library for the year ending June 30, 2023. The notes to the basic financial statements will also help explain terms and concepts.

1. OVERVIEW OF FINANCIAL STATEMENTS

A. Government-Wide Funds and Governmental Funds

Understanding the difference between two views of the Library's financial picture is crucial to comprehending the financial statements. One aim of the Government Accounting Standards Board (GASB) is to present financial statements of government units in the same way that business financial statements are presented, and the government-wide presentation provides financial information in that format.

a. Government-Wide Financials

The *Government-Wide* financials, on pages 15 and 16, present the Library as a whole. The Endowment Fund and the Friends of the Handley Regional Library are considered separate organizations or a component unit that is closely tied to the Library. These component units are only shown on the *Government-Wide* financial statements. The *Government-Wide* financials are on a full accrual basis.

b. Governmental Funds

The *Governmental Fund* financials*,* on pages 17 and 18, present funds individually and are not on an accrual basis.

The manner in which the audit presents financial statements should not be considered as keeping two sets of books, but a requirement of GASB standards to present two different views of the same financial information. Consult the lower portion of page 17 and page 19, for a reconciliation of the differences between the *Government-Wide* and the *Governmental Funds.*

B. Primary Governmental Funds

The total Primary Government Funds are comprised of the General Fund and the Permanent Funds.

a. The General Fund

The *General Fund* is the annual operating fund and includes money received from the state and local governments to run library operations and money spent by the Library for such items as salaries, books, and other library materials, and other costs of running the Library.

b. The Permanent Funds

The Library system has five permanent funds. The Trustees Library Fund was established from the corpus of the funds remaining from the construction of the Library, as instructed by the Will of John Handley. The Mahaney Trust was created under the Will of John Mahaney with direction to spend interest from the fund for innovative projects. The third permanent fund, The Cochran Archives Endowment Fund, was established in February 2013 from a bequest from Clayton Cochran, with instructions for earnings to be used to support the Stewart Bell, Jr. Archives. The fourth permanent fund, Harry F. Byrd, Jr. Endowment Fund for Handley Library, was established in November 2013 from a bequest from Senator Harry F. Byrd, Jr. for use in maintaining the Handley Library facilities. The newest fund, the Richard R. Duncan Fund was received in June 2021 and is to be used to further the study of western Virginia, West Virginia, and western Maryland.

C. COMPARATIVE FINANCIAL STATEMENTS

Because the **Handley Regional Library Endowment** is a separate organization, a 501(c)(3) charitable trust, it is listed in a separate column on the Government-Wide Statement of Activities. It is shown as a component unit within the government-wide statement of activities because it is very closely linked to the purposes and governance of Handley Regional Library.

The **Friends of Handley Regional Library (the Friends)** is also a separate organization, a 501(c)(3) charitable organization, listed in a separate column on the Government-Wide Statement of Activities. Although the Friends have a board that works independently, the group's main purpose is to support the Library, and its funds are ultimately used for the Library. Therefore, it is listed as a component unit within the government-wide statement of activities because it is very closely linked to the purposes and governance of Handley Regional Library Board.

2. COMPARATIVE FINANCIAL STATEMENTS

Looking at the Primary Government in the Government-Wide Statement of Net Position, on page 15, and the Government-Wide Statement of Activities on page 16, some items show changes from the previous year.

	June 30, 2022	*June 30, 2023*	*Change*	*% Change*
Selected Asset Items				
Cash	$ 359,941	$ 372,080	$ 12,139	3.37%
Investments	2,129,781	2,237,801	108,020	5.07%
Capital assets, net of accumulation depreciation	2,269,587	2,415,228	145,641	6.42%
Net pension asset	596,422	272,310	(324,112)	-54.34%
Other assets	1,597,125	1,548,546	(48,579)	-3.04%
Total Assets	$ 6,952,856	$ 6,845,965	$ (106,891)	-1.54%
Deferred Outflows of Resources				
Pension deferrals	$ 113,964	$ 120,979	$ 7,015	6.16%
OPEB deferrals	16,692	15,151	(1,541)	-9.23%
Total Deferred Outflows of Resources	$ 130,656	$ 136,130	$ 5,474	4.19%
Selected Liability Items				
Accounts payable & accrued expenses	$ 100,194	$ 79,907	$ (20,287)	-20.25%
Accrued leave	155,847	149,517	(6,330)	-4.06%
Lease payable	72,746	44,942	(27,804)	-38.22%
Net OPEB liability	42,962	46,117	3,155	7.34%
Total Liabilities	$ 371,749	$ 320,483	$ (51,266)	-13.79%
Deferred Inflows of Resources				
Pension deferrals	$ 496,620	$ 145,126	$ (351,494)	-70.78%
OPEB deferrals	16,459	9,232	(7,227)	-43.91%
	$ 513,079	$ 154,358	$ (358,721)	-69.92%
Net Position				
Invested in capital assets	$ 3,682,275	$ 3,800,581	$ 118,306	3.21%
Restricted for:				
Investment	2,164,391	2,289,392	125,001	5.78%
Other purposes	187,743	215,130	27,387	14.59%
Unrestricted	164,275	202,151	37,876	23.06%
Total Net Position	$ 6,198,684	$ 6,507,254	$ 308,570	4.98%

	June 30, 2022	*June 30, 2023*	*Change*	*% Change*
Selected Revenue Items				
Local government revenue	$ 1,957,744	$ 2,069,500	$ 111,756	5.71%
State revenue	448,383	536,923	88,540	19.75%
NonBoard income	193,461	254,491	61,030	31.55%
Public support	206,437	46,833	(159,604)	-77.31%
Investment income	(220,487)	197,262	417,749	189.47%
Other income	82,847	62,245	(20,602)	-24.87%
Total Revenue	$ 2,668,385	$ 3,167,254	$ 498,869	18.70%
Selected Expenditures				
Personnel	$ 1,772,382	$ 1,882,330	$ 109,948	6.20%
Utilities	112,151	126,011	13,860	12.36%
Other operating	304,410	364,720	60,310	19.81%
Maintenance	177,483	181,589	4,106	2.31%
Other expenses	477,925	492,075	14,150	2.96%
Total Expenditures	$ 2,844,351	$ 3,046,725	$ 202,374	7.11%
Excess (Deficiency) of Revenues Over Expenses Before Transfers	$ (175,966)	$ 120,529	$ 296,495	-168.50%
Transfers	182,864	188,041	5,177	2.83%
Change in Net Position	$ 6,898	$ 308,570	$ 301,672	4373.33%
Total Assets of Component Unit (Endowment Fund)	$ 2,967,309	$ 3,069,261	$ 101,952	3.44%

3. CHANGE IN NET POSITION

As shown in the Government-Wide financial statements, on page 15, the library's total assets, as of June 30, 2023, are $6,845,965. This represents a decrease of 1.54% compared to the previous year. Most notably, Net pension asset decreased $324,112. Pension and other post-employment benefits are discussed in more detail on the following page.

Total liabilities decreased by 13.79% compared to the previous year. The largest liability on the books for the Library is unused accrued leave for employees. If the Library had to pay all unused leave to all employees at the same time, the Library would owe $149,517.

The following is to help the reader better understand how GASB statement 68 affects the Library's net position. Under the assets heading on the Government-Wide Statement of Net Position, the assets of $272,310 reflects the value of pension assets net of the liability, or actuarially-determined long-term retirement payouts from the fund to retirees, as last valued on June 30, 2022. Under Deferred Outflows of Resources, $120,979 represents employer contributions made to the pension subsequent to the measurement date (June 30, 2022), the difference between expected and actual experience, and change in assumptions. Under Deferred Inflows of Resources, $145,126 represents the difference between expected and actual experience and the net difference between projected and actual earnings. Further information on the Library's pension plan can be found in the Notes to the Financial Statements and the related supplementary information. In this section, it is noted that the pension fund is funded at 107.71% (pg. 57).

GASB statement 75 requires the accrual and disclosure of other post-employment benefit (OPEB) liabilities. In the library's case, other post-employment benefits include group life insurance for current and retired Virginia Retirement System employees. Under the liabilities heading on the Government-Wide Statement of Net Position, the liability of $46,117 reflects the liability, or actuarially determined long-term life insurance payouts from the fund to employees, as last valued on June 30, 2022. Under Deferred Outflows of Resources, $15,151 represents employer contributions made to the OPEB Plan subsequent to the measurement date (June 30, 2022), the difference between expected and actual experience, change in assumptions, and change in proportionate share. Under Deferred Inflows of Resources, $9,232 represents the difference between expected and actual experience, the net difference between projected and actual earnings, changes in assumptions related to the OPEB, and change in proportionate share. Further information on the library's group term life insurance plan can be found in the Notes to the Financial Statements and related supplementary information.

Total net position this year is $6,507,254. This number includes capital assets of $3,800,581.

On the Government-Wide statements, the Primary Government activities not only include the General fund assets, liabilities, and activities, it also includes the assets, liabilities, and activities of the Permanent funds. The chart below shows the change in fair market value, for the permanent funds, from fiscal year 2022 to fiscal year 2023. While four of these funds show similarities in percent change from the prior year, the Duncan Fund Endowment experienced an 8.59% change in fair market value. This fund is the only Permanent fund that the Library did not use to transfer funds into the General Fund.

	June 30, 2022	*June 30, 2023*	*Change*	*% Change*
Handley Board of Trustees	$ 474,325	$ 495,263	$ 20,938	4.41%
Mahaney Trust	271,618	279,587	7,969	2.93%
Cochran Archives Endowment	219,708	228,062	8,354	3.80%
Harry F. Byrd, Jr. Endowment	260,631	269,388	8,757	3.36%
Duncan Fund Endowment	885,923	962,018	76,095	8.59%

a. The Endowment Fund, shown in the component unit column on page 16, increased in net position by $101,952, or 3.44%, after fees and transfers to the library. Below is a breakdown of endowment fund activity:

Interest & dividend income	$	73,623
Realized capital loss		(61,965)
Unrealized capital gains		251,947
Fees		(17,890)
Transfers to operating		(143,763)
	$	101,952

The total net position of the endowment fund at the end of the year was $3,069,261.

b. Friends of Handley Regional Library (the Friends), as previously noted, is a separate organization, governed by its own board. The Friends provide support to the Library by funding part of the salary of the Friends' Executive Director, by supporting the general operating fund of the Library, and by supplying significant funding for children and adult programs. In the Government-Wide Statement of Activities, funds donated by the Friends are listed as transfers on page 16. This year the Friends transferred $44,277 to Handley Regional Library. The Board of the Friends has set aside principal of its investments to provide the salary supplement and other annual donations to the Library.

Total net position of the Friends of Handley Regional Library at June 30, 2023 was $289,468, a decrease of 1.5% after transfers to Handley Regional Library.

4. ANALYSIS OF BALANCES & TRANSACTIONS

When comparing the Government-Wide Statement of Activities, on page 16 to the prior year, local government revenues increased 5.71% and state revenue increased by 19.75%. NonBoard income increased by 31.55% or $61,030 due to an increase in contributions from the Dorothy Robinson Trust. Public support saw a decrease this year of 77.31%, or $159,604. This is reflective of a $100,000 donation and $56,123 in American Rescue Plan Act fund received in the prior year.

Overall, total revenues for fiscal year 2023 were up $498,869, or 18.7%, over fiscal year 2022.

Total expenditures for fiscal year 2023 were up $202,374, or 7.11%, over the previous year. The largest percentage increases were seen in Utilities and Other Operating, 12.36% and 19.81% respectively. The increase in Other Operating is reflective of increases in Library Supplies, Programs, and Repairs and Maintenance.

Looking at the General fund, on page 18, expenditures exceeded revenues by $224,379. After factoring in internal transfers from the Permanent Funds, the Endowment Fund, and the Friends, of $242,713, the General Fund balance increased $18,334. This net increase brings the General Fund balance at June 30, 2023 to $310,411.

When combining the activities of the General Fund and the Permanent Funds, the Total Governmental Fund balance increased $140,446 for a total of $2,544,729 as of June 30, 2023.

5. GENERAL FUND, ACTUAL vs. BUDGETED INCOME AND EXPENDITURES, 2022 - 2023

Due to a mid-year increase to State Aid in the amount of $66,325, Handley Regional Library revised its budget during the year. The budget amounts below reflect the final budget. Differences between the final budget for revenue and expenditures and what happened in revenue and expenditures are easy to see in the supplementary information, beginning on page 53. Budget variances for selected revenues and expenditures, in the chart below, are discussed in sections A and B.

	Budget	*Actual*	*Variance Favorable (Unfavorable)*	*% Variance*
Selected Revenue Items				
NonBoard funds	$ 14,000	$ 7,767	$ (6,233)	-44.52%
Donations - general	15,000	30,697	15,697	104.65%
Donations - restricted	- -	3,725	3,725	- -
Copier revenue	14,800	18,948	4,148	28.03%
Fines, fees, and other:				
Overdue fees	29,800	27,412	(2,388)	-8.01%
Other income	1,670	4,355	2,685	160.78%
Total Revenue	2,957,310	2,986,247	28,937	0.98%
Selected Expenditures				
Personnel	$ 1,973,815	$ 1,925,588	$ 48,227	2.44%
Books and related materials	398,581	340,057	58,524	14.68%
Utilities	104,000	126,011	(22,011)	-21.16%
Staff development	21,250	15,055	6,195	29.15%
Other operating expenditures:				
Library programs	43,500	43,085	415	0.95%
Repairs and maintenance	51,714	77,071	(25,357)	-49.03%
Capital expenditures:				
Leasehold improvements	11,500	7,014	4,486	39.01%
Total Expenditures	3,239,314	3,210,626	28,688	0.89%

A. Revenues

Overall revenues were $28,937, or 0.98% more than budgeted. The bulk of this was the result of unrestricted donations from the public, seen listed as Donations – general. The total contributions for Donations – general were more than doubled what was expected, at 104.65% more than budgeted.

B. Expenditures

The library's largest expense is personnel, which came very close to budget at 2.44%, or $48,227 under budget for the year. The second largest expense, Books and related materials, were underspent this year by $58,524, or 14.68% due to numerous backordered titles.

Utilities can vary significantly from year to year due to weather conditions. This year utilities came in over budget by 21.16%, or $22,011.

During the 2023 fiscal year, in-person conference and training had not yet return to pre-Covid levels. Staff development was $6,195 or 29.15% under budget. However, in-house Library Programs saw a full recovery and came in at $415 or 0.95% under budget.

Due to the ages of the library facilities, an increase in Repairs and maintenance was experienced this fiscal year and is reflect in the budget performance. While $51,714 was budgeted for the year, $77,071 was spent across all three branches. This was $25,357 or 49.03% more than budgeted. Future budgets will be adjusted accordingly.

Under Capital Expenditures, the Leasehold improvements budget line expenditure was $4,486 or 39.01% under budget due to the incompletion of a planned carpet replacement project for Bowman Library. These funds will be carried over into the 2024 fiscal year.

Overall, expenditures came in under budget by $28,688, or 0.89%. As mentioned previously in the Analysis of Balances and Transactions section above, expenditures exceeded revenues by $224,379. However, after factoring in internal transfers, the General Fund balance increased $18,334. This net increase brings the General Fund balance at June 30, 2023 to $310,411.

6. SIGNIFICANT CAPITAL ASSETS AND DEBTS

The Library's most significant capital asset is its book collection. As of June 30, 2023, there are $1,751,091 in book assets, net of depreciation, and another $1,386,506 in non-depreciating assets. The Auditor of Public Accounts for Virginia established the depreciation period for books. The depreciation period for books and other library materials such as DVDs is 10 years. Fine art and the rare books and manuscripts that are in Archives make up the bulk of non-depreciating assets. The depreciated value of all other asset categories at June 30, 2023 totaled $707,928.

The Library has a lease commitment for copiers. The present value of the commitment remaining on the lease at June 30, 2023 was $44,942. Library staff members who leave the Library's employ in good standing receive payment for leave accrued. The Library could owe as much as $149,517 in accrued compensated absences.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2023 was our first year of "normal operations" after the pandemic. The Library moved from reacting to the environment, back to a force of change for the community. New programming, new tools and more developed over the last year.

The budget requests that were submitted for fiscal year 2024 included modest increases which were fulfilled by the localities. Overall local income for 2024 increased 7.39% over 2023 and due to this the funding allowed us to give staff a 5% raise as well as raise the base salary of a range of positions to reflect the current economic environment.

Economically the localities are currently in good stead and the Library has instituted its next five year plan. This plan will guide us in terms of growth in staff, programming, facility upgrades and new technology. We plan, for instance, to create a Teen Center at the Bowman Library which will require public and private funding.

8. CONTACT INFORMATION

This report had been prepared by Handley Regional Library Board's Director, John Huddy in consultation with Mary Margaret Wise, Chairman, Handley Regional Library Board, and Ann White, Deputy Director. For further information, contact the Director:

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HANDLEY REGIONAL LIBRARY BOARD

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2023

	Primary Government	Component Units	
	Governmental Activities	Endowment Fund	Friends of Handley Regional Library (Unaudited)
ASSETS			
Cash	$ 372,080	$ 94,847	$ 57,387
Investments	2,237,801	2,974,414	206,082
Beneficial interest in assets held by Community Foundation	5,260	- -	- -
Inventory of fundraising materials	9,495	- -	2,626
Prepaid expenses	103,494	- -	- -
Capital assets, net of accumulated depreciation	2,415,228	- -	23,373
Capital assets, not being depreciated	1,386,506	- -	- -
Right to use assets, net of accumulated amortization	43,791	- -	- -
Net pension asset	272,310	- -	- -
Total assets	$ 6,845,965	$ 3,069,261	$ 289,468
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	$ 120,979	$ - -	$ - -
Other post employment benefits (OPEB) deferrals	15,151	- -	- -
Total deferred outflows of resources	$ 136,130	$ - -	$ - -
Total assets and deferred outflows of resources	$ 6,982,095	$ 3,069,261	$ 289,468
LIABILITIES			
Accounts payable and accrued expenses	$ 79,907	$ - -	$ - -
Accrued leave	149,517	- -	- -
Lease payable	44,942	- -	- -
Net OPEB liability	46,117	- -	- -
Total liabilities	$ 320,483	$ - -	$ - -
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	$ 145,126	$ - -	$ - -
Other post employment benefits (OPEB) deferrals	9,232	- -	- -
Total deferred inflows of resources	$ 154,358	$ - -	$ - -
NET POSITION			
Invested in capital assets, net of related debt	$ 3,800,581	$ - -	$ 23,373
Restricted for:			
Purchase of books	- -	518,361	- -
Investment	2,289,392	1,326,334	- -
Other purposes	215,130	1,224,566	- -
Unrestricted	202,151	- -	266,095
Total net position	$ 6,507,254	$ 3,069,261	$ 289,468
Total liabilities, deferred inflows of resources, and net position	$ 6,982,095	$ 3,069,261	$ 289,468

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Primary Government	Component Units	
	Governmental Activities	Endowment Fund	Friends of Handley Regional Library (Unaudited)
Expenses:			
Personnel costs	$ 1,882,330	$ - -	$ - -
Maintenance	181,589	- -	- -
Copier expense	4,471	- -	- -
Utilities	126,011	- -	- -
Telecommunications	33,577	- -	- -
Staff development	15,227	- -	- -
Other operating expenditures	364,720	- -	29,270
General expenditures	13,346	17,889	16,008
Interest expense	924	- -	- -
Depreciation	424,530	- -	903
Total expense	$ 3,046,725	$ 17,889	$ 46,181
Revenues:			
Local government revenues	$ 2,069,500	$ - -	$ - -
State revenues	536,923	- -	- -
NonBoard income	254,491	- -	- -
Public support	46,833	- -	16,971
Copier revenue	18,948	- -	- -
Fines and fees	47,013	- -	- -
Investment (loss)	197,262	263,605	6,385
Loss on disposal of capital assets	(9,122)	- -	- -
Other revenues	5,406	- -	62,668
Total revenues	$ 3,167,254	$ 263,605	$ 86,024
Net revenue	$ 120,529	$ 245,716	$ 39,843
Other financing sources/uses:			
Transfers - internal activities	$ 188,041	$ (143,764)	$ (44,277)
Change in net position	$ 308,570	$ 101,952	$ (4,434)
Net position:			
Beginning of year	6,198,684	2,967,309	293,902
End of year	$ 6,507,254	$ 3,069,261	$ 289,468

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Permanent Funds	Total Governmental Funds
ASSETS			
Cash	$ 320,489	$ 51,591	$ 372,080
Investments	55,074	2,182,727	2,237,801
Beneficial interest in assets held by Community Foundation	5,260	- -	5,260
Inventory of fundraising materials	9,495	- -	9,495
Total assets	$ 390,318	$ 2,234,318	$ 2,624,636
LIABILITIES			
Accounts payable and accrued expenses	$ 18,432	$ - -	$ 18,432
Accrued payroll	61,475	- -	61,475
Total liabilities	$ 79,907	$ - -	$ 79,907
FUND BALANCES			
Fund balances:			
Nonspendable	$ 69,829	$ 708,962	$ 778,791
Restricted	215,130	1,000,000	1,215,130
Assigned	- -	525,356	525,356
Unassigned	25,452	- -	25,452
Total fund balances	$ 310,411	$ 2,234,318	$ 2,544,729
Total liabilities and fund balances	$ 390,318	$ 2,234,318	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	$ 3,845,525
Prepaid expenses not recorded under the modified accrual method	103,494
Net pension liability	272,310
Deferred outflows of resources related to pensions are not reported in the funds	120,979
Deferred outflows of resources related to OPEB are not reported in the funds	15,151
Short-term lease liability is not recorded under the modified accrual method	(28,252)
Net OPEB liability	(46,117)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(149,517)
Lease liability	(16,690)
Deferred inflows of resources related to pensions are not reported in the funds	(145,126)
Deferred inflows of resources related to OPEB are not reported in the funds	(9,232)
Net position of governmental activities	$ 6,507,254

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Permanent Funds	Total Governmental Funds
Revenues:			
Local government revenues	$ 2,069,500	$ - -	$ 2,069,500
State revenues	536,923	- -	536,923
NonBoard income	254,491	- -	254,491
Public support	46,833	- -	46,833
Fundraising income, net	1,051	- -	1,051
Copier revenue	18,948	- -	18,948
Fines and fees	47,013	- -	47,013
Investment income	7,133	190,129	197,262
Other revenues	4,355	- -	4,355
Total revenues	$ 2,986,247	$ 190,129	$ 3,176,376
Expenditures:			
Personnel costs	$ 1,925,588	$ - -	$ 1,925,588
Books and materials	340,057	- -	340,057
Maintenance	193,354	- -	193,354
Copier expense	33,199	- -	33,199
Utilities	126,011	- -	126,011
Telecommunications	33,577	- -	33,577
Staff development	15,055	- -	15,055
Other operating expenditures	364,085	- -	364,085
Capital expenditures	179,700	- -	179,700
General expenditures	- -	13,345	13,345
Total expenditures	$ 3,210,626	$ 13,345	$ 3,223,971
Excess (deficiency) of revenues over expenditures	$ (224,379)	$ 176,784	$ (47,595)
Other financing sources/(uses):			
Transfers - internal activities	$ 242,713	$ (54,672)	$ 188,041
Total other financing sources/(uses)	$ 242,713	$ (54,672)	$ 188,041
Change in fund balances	$ 18,334	$ 122,112	$ 140,446
Fund balance, beginning of year	292,077	2,112,206	2,404,283
Fund balance, end of year	$ 310,411	$ 2,234,318	$ 2,544,729

See Notes to Financial Statements.

HANDLEY REGIONAL LIBRARY BOARD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds	$	140,446
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	$	524,153
Depreciation expense		(424,530)
Loss on disposal of capital assets		(9,122)
	$	90,501
Assets in the Statement of Net Position are expenditures in governmental funds:		
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	$	34,758
Contributions to the other post employment benefit (OPEB) plan in the current fiscal year are not included on the Statement of Activities		4,334
Change in prepaid expenses		6,561
	$	45,653
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in lease liability	$	27,804
Change in compensated absences		6,330
Change in OPEB amounts		(1,803)
Change in pension related amounts		(361)
	$	31,970
Change in Net Position of Governmental Activities	$	308,570

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Handley Regional Library Board (the Library), a special purpose governmental entity, was established by ordinance of the City of Winchester on May 17, 1960, and reorganized as a regional board in November 1979 according to the laws governing regional library boards generally; Title 42:1-39 and Title 41.1-40 Code of Virginia (1950), as amended. The City of Winchester acted in the capacity of fiscal agent for the Library until July 1, 1993. Since that date, the Library has acted as its own fiscal agent. With the adoption of the Regional Library Agreement on October 26, 1995, Handley Library Board became Handley Regional Library Board. The Board serves the City of Winchester and the counties of Clarke and Frederick.

The accounting policies of the Library conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP and used by the Board are discussed below.

Reporting Entity

These financial statements present the Library (the primary government) and its component units, the Handley Regional Library Endowment Fund and Friends of Handley Regional Library. Component units are legally separate entities that are included in the Board's reporting entity because of the significance of their operating or financial relationships with the Handley Regional Library Board.

The Endowment Fund is governed by a three-member board appointed by Handley Regional Library Board. For the year ended June 30, 2023 the board members were N. Hartley Schearer, Jr., Marjorie Lewis and James Riley. The sole purpose of the Endowment Fund is to raise funds to provide for the growth needs of the Handley Regional Library Board.

The Friends of Handley Regional Library is a separate 501(c)(3) organization, governed by its own board of directors. The primary purpose of the Friends of Handley Regional Library is to provide expansion program support for the Library. The Friends of Handley Regional Library is an unaudited component unit within these statements.

Basic Financial Statements – Government-Wide Statements

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity and are reported on a full accrual, economic resource basis, which recognizes long-term assets, as well as long-term debt and obligations. Governmental activities generally are financed through state and local government revenues, public support, fees, fines, and other nonexchange revenues.

Basic Financial Statements – 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, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Library:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Library:

General fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Permanent fund accounts for assets held by the Library pursuant to a trust agreement. The principal position of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Board currently has five permanent funds, the Mahaney Trust Fund, the Handley Board of Trustees Library Endowment Fund, the Cochran Archive Endowment Fund, the Harry F. Byrd, Jr. Endowment Fund for Handley Library, and the Richard R. Duncan Trust Fund.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

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

Budgets and Budgetary Accounting

The following procedures are used by the Library in establishing the budgetary data reflected in the required supplemental information:

> Prior to January 1, the director of the Library prepares and submits, as required, to the Common Council and the County Boards of Supervisors, a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and means of financing them. The jurisdictions conduct public hearings to obtain citizen comments. The budget is legally adopted through a passage of an appropriate resolution. All budgets are adopted on a basis materially consistent with U.S. generally accepted accounting principles. Both the original and final approved budgets are presented in the required supplemental information.

Investments

The Library categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. See Note 2 for additional fair value detail.

Level 1 – Inputs are quoted prices in active markets for identical assets.

Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.

Level 3 – These are unobservable inputs, such as property valuation or an appraisal.

Inventory and Prepaid Items

Inventory of fundraising materials is stated at the lower of cost (first-in, first-out) or market.

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

Capital Assets

Capital assets purchased or acquired with an original cost of $500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Library books and materials	10 years
Equipment	5-15 years
Furniture and fixtures	7-10 years
Improvements	10-40 years
Vehicles	5 years

The Library has archives and a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is capitalized but is not depreciated.

Fund Balances

Net position on the Government-Wide Statement of Net Position is displayed in three components:

a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation and related debt.

b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All remaining net position that does not meet the definition of “restricted” or “invested in capital assets.”

Fund Statements

The Library classifies governmental fund balance into five classifications as follows:

a. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

b. Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as donors or amounts constrained due to constitutional provisions or enabling legislation.

c. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Board through formal action (vote) of the highest level of decision- making authority (Board of Directors) and does not lapse at year-end.

d. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Library Director.

e. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories.

The Library uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Library would first use committed, then assigned and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

Revenues, Expenditures and Expenses

Revenues are recognized when earned. Expenditures and expenses are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Compensated Absences

The Board's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Employees can choose to contribute unused sick leave to a community sick leave bank. Employees who contribute to the sick leave bank can then use sick bank hours after meeting certain conditions. Sick bank hours are paid out at 50% of employees' pay rate. Due to the inability to accurately calculate the amount of this liability, no amount has been recorded for the community sick leave bank.

Interfund Activity

All interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board currently has two items that meets this criterion, contributions made to the pension and other post-employment benefit plan (OPEB) plans in the 2023 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so it will not be recognized as revenue until then. The Board currently has two items, deferrals of pension and OPEB expense that meet this criterion.

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's retirement plan and the addition to/deductions from the Library's retirement plan's net fiduciary 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.

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 §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 net fiduciary position have bene determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Note 2. Deposits and Investments

Deposits

All deposits of the primary government and its discretely presented component units are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 22-4400 et. seq. of the code of Virginia or covered by federal depository insurance.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investment or collateral securities that are in possession of an outside party. At June 30, 2023, the Board has determined its investments are not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities or other obligations explicitly guaranteed by the U.S. government. Information with respect to the Board's deposit exposure to credit risk is presented below.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issue. At June 30, 2023, no single issuer represented five percent or more of the total investments of the Handley Regional Library Board.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2023, the Board held investments with the following maturities:

Investment Type	Credit Rating	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Maturing in Less than 1 Year
Governmental Activities:				
Money Market Funds	Unrated	$ 51,591	$ 51,591	$ 51,591
Fixed Income Securities	Unrated	1,015,506	1,015,506	1,015,506
Equity				
Large Cap	Unrated	640,898	640,898	640,898
Mid Cap	Unrated	133,500	133,500	133,500
Small Cap	Unrated	58,039	58,039	58,039
International	Unrated	334,784	334,784	334,784
Equity Securities	Unrated	55,074	55,074	55,074
		$ 2,289,392	$ 2,289,392	$ 2,289,392
Endowment Fund:				
Money Market Funds	Unrated	$ 94,847	$ 94,847	$ 94,847
Fixed Income Securities	Unrated	1,402,028	1,402,028	1,402,028
Equity				
Large Cap	Unrated	810,469	810,469	810,469
Mid Cap	Unrated	181,789	181,789	181,789
Small Cap	Unrated	121,258	121,258	121,258
International	Unrated	458,870	458,870	458,870
		$ 3,069,261	$ 3,069,261	$ 3,069,261
Friends of Handley Regional Library (unaudited):				
Money Market Funds	Unrated	$ 53,677	$ 53,677	$ 53,677
Mutual Funds	Unrated	206,082	206,082	206,082
		$ 259,759	$ 259,759	$ 259,759
Total Fair Value		$ 5,618,412	$ 5,618,412	$ 5,618,412

The Handley Regional Library Board's rated debt investments presented above were rated using the Moody's rating scale.

The beneficial interest in assets held by the Community Foundation of $5,260 is categorized as Level 2 and is without a stated maturity date (Note 3).

Investments are presented in the financial statements at fair market value and are summarized at June 30, 2023 as follows:

		Component Units	
	Governmental Activities	Endowment Fund	Friends of Handley Regional Library (Unaudited)
Money Market Funds	$ 51,591	$ 94,847	$ 53,677
Fixed Income Securities	1,015,506	1,402,028	206,082
Equity			
Large Cap	640,898	810,469	- -
Mid Cap	133,500	181,789	- -
Small Cap	58,039	121,258	- -
International	334,784	458,870	- -
Equity Securities	55,074	- -	- -
Total Investments held	$ 2,289,392	$ 3,069,261	$ 259,759
Less: Money Market Funds included in cash	(51,591)	(94,847)	(53,677)
Total Investments	$ 2,237,801	$ 2,974,414	$ 206,082

Note 3. Beneficial Interest in Assets Held by Community Foundation

The Library has established an endowment fund at the Community Foundation of the Northern Shenandoah Valley (Foundation). The endowment is administered by the Foundation for the benefit of Handley Regional Library Board. The fund consists of two types of contributions, agency contributions made by the Board and third-party contributions. The Board maintains variance power over its agency contributions; therefore, the fair value of agency contributions plus earnings is reported as an asset in the accompanying financial statements. The balance as of June 30, 2023 was $5,260.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance at June 30, 2022	Reclasses	Additions	Disposals	Balance at June 30, 2023
Governmental activities:					
Computer equipment	$ 273,578	$ - -	$ 26,368	$ (11,227)	$ 288,719
Furniture and equipment	1,083,160	- -	109,757	- -	1,192,917
Improvements	392,105	- -	3,143	(1,325)	393,923
Library books	6,757,245	- -	344,453	- -	7,101,698
Library equipment	598,369	- -	36,561	(19,906)	615,024
Vehicles	45,173	- -	- -	- -	45,173
Construction in progress	- -	- -	3,871	- -	3,871
Right to use assets - library equipment	144,945	- -	- -	- -	144,945
Nondepreciating assets	1,386,506	- -	- -	- -	1,386,506
Totals	$ 10,681,081	$ - -	$ 524,153	$ (32,458)	$ 11,172,776
Less accumulated depreciation and amortization:					
Computer equipment	$ 170,573	$ - -	$ 32,965	$ (11,227)	$ 192,311
Furniture and equipment	1,038,950	- -	11,954	- -	1,050,904
Improvements	302,072	- -	10,270	(1,325)	311,017
Library books	5,061,834	- -	288,773	- -	5,350,607
Library equipment	251,265	- -	48,332	(10,784)	288,813
Vehicles	27,817	- -	4,628	- -	32,445
Right to use assets - library equipment	73,546	- -	27,608	- -	101,154
Total accumulated depreciation and amortization	$ 6,926,057	$ - -	$ 424,530	$ (23,336)	$ 7,327,251
Governmental activities capital assets, net	$ 3,755,024	$ - -	$ 99,623	$ (9,122)	$ 3,845,525
Friends of Handley Regional Library:					
Buildings	$ 36,145	$ - -	$ - -	$ - -	$ 36,145
Less accumulated depreciation:					
Buildings	$ 11,869	$ - -	$ 903	$ - -	$ 12,772
Friends of Handley Regional Library capital assets, net	$ 24,276	$ - -	$ (903)	$ - -	$ 23,373

Note 5. Defined Benefit Pension Plan

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. The Plan is a multiple-employer plan. 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 follows:

Retirement Plan Provisions

Plan 1:

About Plan 1: Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members: Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election: 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.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

Retirement Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax 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.

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 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.

Vesting: Vesting is the minimum length of service a member needs to qualify for future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for the plan. Members also must be vested to receive a full refund of their contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Calculating the Benefit: The basis 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 option form of retirement payment, an option factor specific to the option chosen is then applied.

Average Final Compensation: A member's average final compensation is the average of 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier: 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%.

Normal Retirement Age: Age 65.

Earliest Unreduced Retirement Eligibility: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility: Age 55 with at least five years (60 months) of creditable service or at age 50 with at least 10 years of creditable service.

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%.

Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- 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 of 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.

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.

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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Plan 2:

About Plan 2: Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

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.

Hybrid Opt-In Election: 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.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

Retirement Contributions: Same as Plan 1.

Service Credit: Same as Plan 1.

Vesting: Same as Plan 1.

Calculating the Benefit: See definition under Plan 1.

Average Final Compensation: A member's average final compensation is the average of 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier: 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 creditable service earned, purchased, or granted on or after January 1, 2013.

Normal Retirement Age: Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility: Age 60 with at least five years (60 months) of creditable service.

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%) up to a maximum COLA of 3%.

Eligibility: Same as Plan 1.

Exceptions to COLA Effective Dates: Same as Plan 1.

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.

Purchase of Prior Service: Same as Plan 1.

Hybrid Retirement Plan:

About the Hybrid Retirement Plan: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

The defined benefit is based on a member's age, creditable service, 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.

Eligible Members: Employees are in the Hybrid Retirement Plan if their membership date is on or after July 1, 2014. This includes:

- 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 20, 2014; the Plan's effective date for opt-in members was July 1, 2014.

**Non-eligible Members:* Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

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.

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.

Service Credit:

Defined Benefit Component: 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.

Defined Contribution Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the Plan.

Vesting:

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to quality for a future retirement benefit. Members are vested under the defined benefit of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component: 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.

Members are always 100% vested in the contributions that they make.

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.

- After 2 years, a member is 50% vested and may withdraw 50% of employer contributions.
- After 3 years, a member is 75% vested and may withdraw 75% of employer contributions.
- After 4 or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit:

Defined Benefit Component: See definition under Plan 1.

Defined Contribution Component: 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: Same as Plan 2. It is used in the retirement formula for the defined benefit component of the Plan.

Service Retirement Multiplier:

Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan 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.

Defined Contribution Component: Not applicable.

Normal Retirement Age:

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility:

Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility:

Defined Benefit Component: Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement:

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Not applicable.

Eligibility: Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

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:

Defined Benefit Component: Same as Plan 1, with the following exception – Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component: Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	11
Inactive members:	
Vested inactive members	5
Non-vested inactive members	3
Inactive members active elsewhere in VRS	1
Total inactive members	9
Active members	17
Total covered employees	37

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, may be impacted as a result of funding options provided to political subdivisions (which includes the Board) by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Library's contractually required employer contribution rate for the year ended June 30, 2023 was 5.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, 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 to the pension plan from the Library were $34,758 for the year ended June 30, 2023.

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. 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.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Library's Retirement Plan 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 expense, including inflation

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are summed 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 2 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 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

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

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 9 years of service
Disability Rates	No Change
Salary Scale	No Change
Line of Duty Disability	No Change
Discount Rate	No Change

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:

Asset Class (Strategy)	Target 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	3.00%	6.55%	0.20%
Total	100.00%		5.33%
Inflation			2.50%
*Expected arithmetic nominal return			7.83%

* The above allocation provides a one-year 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. The 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 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%.

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, 2023, 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, 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.

Changes in Net Pension (Asset)/Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
Balances, June 30, 2021	$ 3,232,513	$ 3,828,935	$ (596,422)
Changes for the year:			
Service cost	$ 74,181	$ - -	$ 74,181
Interest	219,831	- -	219,831
Changes of benefit terms	- -	- -	- -
Changes of assumptions	- -	- -	- -
Differences between expected and actual experience	103,019	- -	103,019
Contributions - employer	- -	41,416	(41,416)
Contributions - employee	- -	38,768	(38,768)
Net investment income	- -	(4,988)	4,988
Benefit payments, including refunds of employee contributions	(99,875)	(99,875)	- -
Administrative expense	- -	(2,366)	2,366
Other changes	- -	89	(89)
Net changes	$ 297,156	$ (26,956)	$ 324,112
Balances, June 30, 2022	$ 3,529,669	$ 3,801,979	$ (272,310)

Sensitivity of the Net Pension (Asset)/Liability to Changes in the Discount Rate:

The following presents the net pension (asset)/liability of the Board using the discount rate of 6.75%, as well as what the political subdivision's net pension (asset)/liability would be if it were calculated using a discount rate that is one percent point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
The Library's Net Pension (Asset)/Liability	$ 188,139	$ (272,310)	$ (648,116)

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 $361. At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 65,283	$ 38,316
Change in assumptions	20,938	- -
Net difference between projected and actual earnings on pension plan investments	- -	106,810
Employer contributions subsequent to the measurement date	34,758	- -
Total	$ 120,979	$ 145,126

$34,758 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:

Year Ended June 30,	
2024	$ (22,200)
2025	(16,552)
2026	(72,693)
2027	52,540
2028	- -
Thereafter	- -

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also 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 https://www.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 6. Other Post-Employment Benefits (OPEB)

Group Life Insurance (GLI) Program and Plan Provisions

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 GLI Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB 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 GLI Program OPEB.

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. 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 member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI 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 benefits include accidental dismemberment, safety belt, repatriation, felonious assault, and an accelerated death option.

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI 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 creditable service, there is a minimum benefit payable under the GLI 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.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 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 employer 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 GLI Program from the Library were $4,334 for the year ended June 30, 2023.

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.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2023, the Library reported a liability of $ 46,117 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 as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The Library's proportion of the Net GLI OPEB Liability was based on the Library's actuarially determined employer contributions to the GLI Program 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 participating employer's proportion was 0.00383% as compared to 0.00369% at June 30, 2021.

For the year ended June 30, 2023, the Library recognized GLI OPEB expense of $2,970. 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 Library reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,652	$ 1,850
Net difference between projected and actual earnings on GLI OPEB program investments	- -	2,882
Change in assumptions on pension plan investments	1,720	4,492
Change in proportionate share	5,445	8
Employer contributions subsequent to the measurement date	4,334	- -
Total	$ 15,151	$ 9,232

$4,334 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, 2024. 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:

Year Ended June 30,	
2024	$ 689
2025	711
2026	(979)
2027	1,185
2028	(21)
Thereafter	- -

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	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 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 PUB2020 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 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI 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 GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,672,085
Plan Fiduciary Net Position	2,467,989
Employers' Net GLI OPEB Liability (Asset)	$ 1,204,096
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.

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:

Asset Class (Strategy)	Target 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	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year 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 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%.

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 member contributions will be made per the VRS guidance 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. 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

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

The following presents the Library's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the Authority'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% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Political subdivision's			
Net OPEB (Asset)/Liability	$ 67,105	$ 46,117	$ 29,155

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI 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 http://www.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 7. NonBoard Income

NonBoard income for the year ended June 30, 2023, consists of the following:

	Governmental Activities
Handley Board of Trustees - Robinson	$ 239,817
Newton B. Shingleton Trust	7,767
Handley Board of Trustees - Sullivan	6,907
	$ 254,491

Note 8. Lease

The lease liability at June 30, 2023 of $45,543, net of imputed interest of $601, represents the present value of the balance due in future years for lease rentals, discounted at 1.6%, for the use of six copy machines. The liability is payable in monthly installments of $2,397 for principal and interest through January 2025. The lease also requires variable payments which are based on number and type of pages printed monthly. Variable payments on the lease were $682 for the year ended June 30, 2023.

The statement of net position shows the following amounts relating to leases:

Right-of-use Assets:	
Library equipment, net	$ 43,791
Lease Payable:	
Library equipment	$ 44,942

The following is a schedule by years of the future principal and interest lease payments as of June 30, 2023:

	Principal	Interest
Years ending June 30:		
2024	$ 28,252	$ 512
2025	16,690	89
Total	$ 44,942	$ 601

Note 9. Fund Balance

Fund balance consists of the following:

		General Fund		Permanent Funds		Total
Fund Balances:						
Nonspendable:						
Inventory	$	9,495	$	- -	$	9,495
Permanent fund principal		- -		708,962		708,962
Equity allocation in electric co-op		55,074		- -		55,074
Beneficial interest is assets held by Community Foundation		5,260		- -		5,260
Subtotal	$	69,829	$	708,962	$	778,791
Restricted:						
Summer reading advertising	$	324	$	- -	$	324
Purchase of furniture, fixtures, etc.		110		- -		110
Purchase of books and materials		214,696		- -		214,696
Western VA, West VA, Western MD history		- -		1,000,000		1,000,000
Subtotal	$	215,130	$	1,000,000	$	1,215,130
Assigned:						
Investments	$	- -	$	525,356	$	525,356
Unassigned	$	25,452	$	- -	$	25,452
	$	310,411	$	2,234,318	$	2,544,729

Note 10. Investment Income

Investment income consists of the following:

			Component Units			
		Governmental Activities		Endowment Fund		Friends of Handley Regional Library (Unaudited)
Interest and dividend income	$	57,131	$	73,622	$	9,721
Realized and unrealized (losses)		137,243		189,983		(3,336)
Equity allocation		2,888		- -		- -
Totals	$	197,262	$	263,605	$	6,385

The calculation of realized gains or losses is independent of the calculation of the net change in fair value of investments.

Note 11. Endowment Funds

The Board maintains four permanently restricted endowment funds, The Handley Board of Trustees Endowment Fund, the Mahaney Trust, the Cochran Archives Endowment Fund, and the Harry F. Byrd, Jr. Endowment Fund. The amounts permanently restricted are $150,000, $108,762, $200,000, and $250,200, respectively. The Board maintains one restricted endowment fund, the Richard R. Duncan Fund for Handley Library in the amount of $1,000,000 at June 30, 2023. These permanent endowment funds and restricted endowment fund are reported at their fair market value as net position restricted for investment on the Government-wide statement of net position.

The Board's investment policy provides that the Library not withdraw more than 4.5% of the average asset value of each fund for the preceding twelve quarters or the number of quarters a fund has been in existence if less than twelve. The state law regarding the ability to spend net appreciation for donor-restricted endowments is the *Uniform Prudent Management of Institutional Funds Act,* Section 55-268.11 of the Code of Virginia.

Note 12. Concentrations

The Library receives a substantial amount of its support from state and local governments. A significant reduction in this support could adversely affect the organization's programs and activities.

Note 13. Upcoming Accounting Pronouncements

The Library will adopt the following new accounting standards issued by GASB by the required effective dates:

GASB Statement No. 100, *Summary of Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* aims 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 of assessing accountability. Statement 100 will be effective for fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences,* aims 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 measure guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for fiscal year ending June 30, 2025.

The Library has not yet determined the effect these Statements will have on its financial statements.

Note 14. Subsequent Events

The Library has evaluated subsequent events through October 18, 2023, the date which the financial statements were available to be issued. The Library has determined that there are no subsequent events that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenue Sources				
Local government revenues:				
Frederick County	$ 1,325,000	$ 1,325,000	$ 1,325,000	$ - -
City of Winchester	430,500	430,500	430,500	- -
Clarke County	314,000	314,000	314,000	- -
State revenue	470,598	536,923	536,923	- -
Endowment income:				
Handley Board of Trustees - Robinson	239,817	239,817	239,817	- -
Handley Board of Trustees - Sullivan	7,000	7,000	6,907	(93)
NonBoard funds	14,000	14,000	7,767	(6,233)
Public support:				
Donations - general	15,000	15,000	30,697	15,697
Donations - restricted	- -	- -	3,725	3,725
Other grants	- -	- -	12,411	12,411
Copier revenue	14,800	14,800	18,948	4,148
Fines, fees, and other:				
Overdue fees	29,800	29,800	27,412	(2,388)
Nonresident fees	3,600	3,600	3,336	(264)
Interlibrary loan fees	500	500	426	(74)
Meeting room fees	500	500	1,335	835
Refund for lost materials	15,000	15,000	14,504	(496)
Fundraising income - net	2,000	2,000	1,051	(949)
Investment income	7,200	7,200	7,133	(67)
Other income	1,670	1,670	4,355	2,685
Total revenues	$ 2,890,985	$ 2,957,310	$ 2,986,247	$ 28,937

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND, Continued

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures				
Personnel Costs:				
Professional salaries, full-time	$ 384,839	$ 390,444	$ 367,496	$ 22,948
Nonprofessional salaries, full-time	489,068	492,577	502,738	(10,161)
Nonprofessional salaries, part-time	562,953	567,691	629,160	(61,469)
Nonprofessional salaries, nonclassified	124,481	125,506	93,202	32,304
Payroll taxes	117,523	118,638	116,381	2,257
Employer VRS	54,182	54,747	54,519	228
Other insurance	224,188	224,212	162,092	62,120
Total personnel costs	$ 1,957,234	$ 1,973,815	$ 1,925,588	$ 48,227
Books and Related Materials:				
Books	$ 201,617	$ 217,681	$ 154,463	$ 63,218
Newspapers and periodicals	16,000	16,000	14,764	1,236
Audiovisuals	74,900	74,900	71,724	3,176
Other nonbook	90,000	90,000	94,771	(4,771)
Microforms	- -	- -	4,335	(4,335)
Total books and related materials	$ 382,517	$ 398,581	$ 340,057	$ 58,524
Maintenance:				
Elevator inspection	$ 2,700	$ 2,700	$ 2,566	$ 134
Lawn care	26,000	26,000	20,226	5,774
Halon gas - archives	460	460	510	(50)
HVAC	12,000	12,000	13,787	(1,787)
Trash disposal	2,000	2,000	2,156	(156)
Alarm system	6,000	6,000	2,915	3,085
Pest control	1,050	1,050	1,321	(271)
Computer licensing	116,480	118,480	132,087	(13,607)
Book security equipment	18,000	18,000	17,786	214
Total maintenance	$ 184,690	$ 186,690	$ 193,354	$ (6,664)
Copier Expense	$ 31,500	$ 31,500	$ 33,199	$ (1,699)

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND, Continued

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures, continued				
Utilities:				
Electric	$ 66,000	$ 66,000	$ 84,337	$ (18,337)
Heating	26,000	26,000	27,083	(1,083)
Water and sewer	12,000	12,000	14,591	(2,591)
Total utilities	$ 104,000	$ 104,000	$ 126,011	$ (22,011)
Telecommunications:				
Telecomm. - internet	$ 19,164	$ 19,164	$ 14,486	$ 4,678
Telephone - regular	12,000	12,000	19,091	(7,091)
Total telecommunications	$ 31,164	$ 31,164	$ 33,577	$ (2,413)
Staff Development:				
ALA membership	$ 1,500	$ 1,500	$ 820	$ 680
Conference travel	14,550	15,550	10,449	5,101
In-house workshops	1,700	1,700	1,286	414
Tuition and textbooks	2,500	2,500	2,500	- -
Total staff development	$ 20,250	$ 21,250	$ 15,055	$ 6,195
Other Operating Expenditures:				
Advertising	$ 10,000	$ 10,000	$ 11,813	$ (1,813)
Dues and memberships	2,900	2,900	3,724	(824)
Insurance	23,000	23,000	23,688	(688)
Janitorial materials and supplies	16,000	16,000	16,338	(338)
Library materials and supplies	28,125	30,125	49,320	(19,195)
Library programs	43,500	43,500	43,085	415
Office supplies	5,700	5,700	6,257	(557)
Postage	3,000	3,000	3,162	(162)
Professional services - IT	58,000	58,000	60,047	(2,047)
Professional services - other	38,570	38,570	43,786	(5,216)
Repairs and maintenance	51,714	51,714	77,071	(25,357)
Vehicle expense	3,000	3,000	3,722	(722)
Other operating expenditures	20,800	20,800	22,072	(1,272)
Total other operating expenditures	$ 304,309	$ 306,309	$ 364,085	$ (57,776)

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND, Continued

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures, continued				
Capital Expenditures:				
Library furniture and fixtures	$ 111,652	$ 114,632	$ 109,757	$ 4,875
Library equipment	10,173	35,873	36,561	(688)
Computer hardware and software	24,000	24,000	26,368	(2,368)
Leasehold improvements	11,500	11,500	7,014	4,486
Total capital expenditures	$ 157,325	$ 186,005	$ 179,700	$ 6,305
General Expenditures	$ - -	$ - -	$ - -	$ - -
Grand total - expenditures	$ 3,172,989	$ 3,239,314	$ 3,210,626	$ 28,688
Excess (deficiency) of revenues over expenditures	$ (282,004)	$ (282,004)	$ (224,379)	$ 57,625
Other financing sources/uses:				
Transfers - internal activities	$ 240,670	$ 240,670	$ 242,713	$ 2,043
Total other financing sources/uses	$ 240,670	$ 240,670	$ 242,713	$ 2,043
Changes in fund balance	$ (41,334)	$ (41,334)	$ 18,334	$ 59,668
Fund balance:				
Beginning of year	(139,533)	(96,875)	292,077	388,952
End of year	$ (180,867)	$ (138,209)	$ 310,411	$ 448,620

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

SCHEDULES OF CHANGES IN THE NET PENSION (ASSET)/LIABILITY AND RELATED RATIOS

	Plan Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	$ 74,181	$ 78,741	$ 76,131	$ 71,729	$ 69,978	$ 66,632	$ 80,255	$ 79,694	$ 79,162
Interest	219,831	205,894	186,684	177,112	164,794	162,909	157,485	144,337	133,759
Changes to benefit terms	- -	- -	- -	- -	- -	- -	- -	- -	- -
Differences between expected and actual experience	103,019	69,070	103,008	(17,360)	15,974	(127,373)	(91,590)	30,714	- -
Changes in assumptions	- -	(126,396)	- -	80,837	- -	(7,750)	- -	- -	- -
Benefit payments, including refund of employee contributions	(99,875)	(90,151)	(72,315)	(81,294)	(68,253)	(66,715)	(70,615)	(63,231)	(60,366)
Net change in total pension liability	$ 297,156	$ 137,158	$ 293,508	$ 231,024	$ 182,493	$ 27,703	$ 75,535	$ 191,514	$ 152,555
Total pension liability - beginning	3,232,513	3,095,355	2,801,847	2,570,823	2,388,330	2,360,627	2,285,092	2,093,578	1,941,023
Total pension liability - ending (a)	$ 3,529,669	$ 3,232,513	$ 3,095,355	$ 2,801,847	$ 2,570,823	$ 2,388,330	$ 2,360,627	$ 2,285,092	$ 2,093,578
Plan fiduciary net position:									
Contributions - employer	$ 41,416	$ 38,420	$ 34,052	$ 31,040	$ 42,759	$ 42,446	$ 57,968	$ 57,969	$ 64,406
Contributions - employee	38,768	35,797	34,753	31,351	30,049	29,761	31,470	31,605	30,611
Net investment income	(4,988)	829,219	57,024	187,478	193,264	284,006	40,503	98,802	289,436
Benefit payments, including refund of employee contributions	(99,875)	(90,151)	(72,315)	(81,294)	(68,253)	(66,715)	(70,615)	(63,231)	(60,336)
Administrative expense	(2,366)	(2,023)	(1,897)	(1,822)	(1,632)	(1,602)	(1,379)	(1,306)	(1,515)
Other	89	718	(68)	(118)	(174)	(254)	(17)	(22)	(15)
Net change in fiduciary net position	$ (26,956)	$ 811,980	$ 51,549	$ 166,635	$ 196,013	$ 287,642	$ 57,930	$ 123,817	$ 322,587
Plan fiduciary net position - beginning	3,828,935	3,016,955	2,965,406	2,798,771	2,602,758	2,315,116	2,257,186	2,133,369	1,810,782
Plan fiduciary net position - ending (b)	$ 3,801,979	$ 3,828,935	$ 3,016,955	$ 2,965,406	$ 2,798,771	$ 2,602,758	$ 2,315,116	$ 2,257,186	$ 2,133,369
Net pension (asset)/liability - ending (a) - (b)	$ (272,310)	$ (596,422)	$ 78,400	$ (163,559)	$ (227,948)	$ (214,428)	$ 45,511	$ 27,906	$ (39,791)
Plan fiduciary net position as a percentage of the total pension (asset)/liability	107.71%	118.45%	97.47%	105.84%	108.87%	108.98%	98.07%	98.78%	101.90%
Covered-employee payroll	$ 833,557	$ 832,682	$ 762,095	$ 727,219	$ 661,216	$ 624,894	$ 617,157	$ 628,763	$ 610,575
Net pension (asset)/liability as a percentage of covered-employee payroll	-32.67%	-71.63%	10.29%	-22.49%	-34.47%	-34.31%	7.37%	4.44%	-6.52%

This schedule is presented to show information for ten years. Information will be added as it is available.

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30,	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	$ 34,758	$ 34,758	$ - -	$ 833,557	4.17%
2022	$ 41,416	$ 41,416	$ - -	$ 832,682	4.97%
2021	$ 38,384	$ 38,384	$ - -	$ 762,095	5.04%
2020	$ 34,052	$ 34,052	$ - -	$ 727,219	4.68%
2019	$ 30,456	$ 30,456	$ - -	$ 661,216	4.61%
2018	$ 43,643	$ 43,643	$ - -	$ 624,894	6.98%
2017	$ 42,449	$ 42,449	$ - -	$ 617,157	6.88%
2016	$ 56,105	$ 56,105	$ - -	$ 619,677	9.05%
2015	$ 57,969	$ 57,969	$ - -	$ 628,763	9.22%
2014	$ 64,406	$ 64,406	$ - -	$ 610,575	10.55%

* Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

Schedules of Employer's Proportionate Share of
Net GLI OPEB Liabilities and Related Ratios

		2022		2021		2020		2019		2018		2017
Group Life Insurance (GLI) Program OPEB Plan												
Employer's Proportion of the Net GLI OPEB Liability		0.3830%		0.3690%		0.3530%		0.3300%		0.3230%		0.3310%
Employer's Proportionate Share of the Net GLI OPEB Liability	$	46,117	$	42,962	$	58,910	$	53,700	$	49,000	$	49,000
Employer's Covered Payroll	$	798,954	$	832,682	$	762,095	$	727,219	$	647,779	$	613,825
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll		5.77%		5.16%		7.73%		7.38%		7.56%		7.98%
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%

Note: This data will be presented prospectively until ten years are accumulated.

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

Schedule of GLI OPEB Contributions

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Net Group Life Insurance (GLI) Program OPEB Plan					
2023	$ 4,314	$ 4,314	$ - -	$ 798,954	0.54%
2022	$ 4,496	$ 4,496	$ - -	$ 832,682	0.54%
2021	$ 4,115	$ 4,115	$ - -	$ 762,095	0.54%
2020	$ 3,782	$ 3,782	$ - -	$ 727,219	0.52%
2019	$ 3,368	$ 3,368	$ - -	$ 647,779	0.52%
2018	$ 3,192	$ 3,192	$ - -	$ 613,825	0.52%
2017	$ 3,171	$ 3,171	$ - -	$ 609,826	0.52%
2016	$ 3,284	$ 2,974	$ 310	$ 619,677	0.48%
2015	$ 3,375	$ 3,057	$ 318	$ 636,822	0.48%
2014	$ 3,245	$ 2,937	$ 308	$ 612,221	0.48%

See Independent Auditor's Report.

HANDLEY REGIONAL LIBRARY BOARD

Notes to Required Supplementary Information
For the Year Ended June 30, 2023

1. **<u>Changes of Benefit Terms</u>:**

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

2. **<u>Changes in Assumptions</u>:**

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) – General Employees:

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 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change