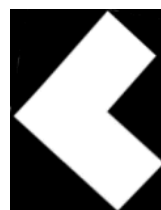


*Meherrin Regional Library*  
*Annual Comprehensive Financial Report*  
*Year Ended June 30, 2025*



*Creedle, Jones*  
*& Associates, P.C.*  
*Certified Public Accountants*

## Meherrin Regional Library

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# FINANCIAL SECTION



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Meherrin Regional Library

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities of the Meherrin Regional Library as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Meherrin Regional Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Meherrin Regional Library, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications 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 Meherrin Regional Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2025, the Library adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, GASB Statement No. 102, *Certain Risk Disclosures*, and GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

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 Meherrin Regional 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Meherrin Regional 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 Meherrin Regional Library's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-5, 43-44, and 45-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2025, on our consideration of the Meherrin Regional Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Meherrin Regional Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Meherrin Regional Library's internal control over financial reporting and compliance.

*Credle, Jones & Associates, P.C.*

Credle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 12, 2025

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Meherrin Regional Library presents the following discussion and analysis as an overview of the Meherrin Regional Library's financial activities for the fiscal year ending June 30, 2025. We encourage readers to read this discussion and analysis in conjunction with the Library's basic financial statements.

### Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources by \$856,710.
- For the fiscal year, revenues of the Library's governmental activities were \$832,398 and expenses amounted to \$859,513. The Library's total net position decreased \$27,115.
- As of June 30, 2025, the Library's Governmental Fund reported an ending fund balance of \$82,357, a decrease of \$29,510 in comparison with the prior year. The entire amount is available for spending at the Library's discretion (unassigned fund balance).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Comprehensive Financial Report consists of two sections: financial and compliance.

- The [financial section](#) has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplementary information.
- The [compliance section](#) is required for *Government Auditing Standards*.

### Government-Wide Financial Statements

The government-wide financial statements report information about the Library as a whole using accounting methods similar to those found in the private sector. They also report the Library's net position and how they have changed during the fiscal year.

The first government-wide statement - the Statement of Net Position - presents information on all of the Library's assets and liabilities. The difference between assets and liabilities, net position, can be used as one way to measure the Library's financial health, or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Library's financial condition is improving or deteriorating.

The second statement - the Statement of Activities - presents information using the accrual basis accounting method and shows how the Library's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide statements are divided into the following category:

[Governmental Activities](#): The Library's basic services are reported here, including cultural. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

### Fund Financial Statements

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the Library's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The Library has one kind of fund:

Governmental Funds - The Library's basic services are included in the Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences).

## FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

#### Summary of Net Position

As of June 30, 2025 and 2024

|   | <u>Governmental Activities</u> |                          |
|---|--------------------------------|--------------------------|
|   | <u>2025</u>                    | <u>2024</u>              |
| <b>Assets</b>   |                                |                          |
| Current and other assets  | \$ 316,912                     | \$ 337,565               |
| Net capital assets  | <u>634,856</u>                 | <u>637,219</u>           |
| Total Assets  | <b>951,768</b>                 | 974,784                  |
| <b>Deferred Outflows of Resources</b>                                 | <u>25,866</u>                  | <u>15,081</u>            |
| Total Assets and Deferred Outflows of Resources                       | <b><u>\$ 977,634</u></b>       | <b><u>\$ 989,865</u></b> |
| <b>Liabilities</b>  |                                |                          |
| Other liabilities   | \$ 6,193                       | \$ 2,864                 |
| Long-term liabilities   | <u>44,845</u>                  | <u>51,420</u>            |
| Total Liabilities   | <b>51,038</b>                  | 54,284                   |
| <b>Deferred Inflows of Resources</b>                                  | <b>69,886</b>                  | 51,756                   |
| <b>Net Position</b>   |                                |                          |
| Net investment in capital assets                                      | <b>634,856</b>                 | 637,219                  |
| Unrestricted  | <u>221,854</u>                 | <u>246,606</u>           |
| Total Net Position  | <b><u>856,710</u></b>          | <u>883,825</u>           |
| Total Liabilities, Deferred Inflows of Resources,<br>and Net Position | <b><u>\$ 977,634</u></b>       | <b><u>\$ 989,865</u></b> |

## Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2025 and 2024:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

|                                     | <u>Governmental Activities</u> |                          |
|-------------------------------------|--------------------------------|--------------------------|
|                                     | <u>2025</u>                    | <u>2024</u>              |
| <b>Revenues</b>                     |                                |                          |
| <b>Program Revenues</b>             |                                |                          |
| Charges for services                | \$ 16,616                      | \$ 16,671                |
| Operating grants and contributions  | 706,981                        | 745,626                  |
| Miscellaneous                       | 106,657                        | 101,551                  |
| Investment earnings                 | <u>2,144</u>                   | <u>2,077</u>             |
| Total Revenues                      | <b>832,398</b>                 | 865,925                  |
| <b>Expenses</b>                     |                                |                          |
| Cultural - library services         | <u>859,513</u>                 | <u>719,269</u>           |
| Total Expenses                      | <b>859,513</b>                 | 719,269                  |
| Increase (Decrease) in Net Position | <b>(27,115)</b>                | 146,656                  |
| Beginning Net Position              | <u>883,825</u>                 | <u>737,169</u>           |
| Ending Net Position                 | <b><u>\$ 856,710</u></b>       | <b><u>\$ 883,825</u></b> |

Governmental activities decreased the Library's net position by \$27,115. Revenues from governmental activities totaled \$832,398. Operating grants and contributions comprise the largest source of these revenues, totaling \$706,981 or 84.93% of all governmental activities revenue.

Parks, recreation, and cultural expenses total \$859,513 for the fiscal year.

For the Library's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2025 and 2024

|                             | <u>2025</u>                       |                                 | <u>2024</u>                       |                                 |
|-----------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                             | <u>Total Cost<br/>of Services</u> | <u>Net Cost<br/>of Services</u> | <u>Total Cost<br/>of Services</u> | <u>Net Cost<br/>of Services</u> |
| Cultural - library services | \$ 859,513                        | \$ (135,916)                    | \$ 719,269                        | \$ 43,028                       |
| Total                       | <b><u>\$ 859,513</u></b>          | <b><u>\$ (135,916)</u></b>      | <b><u>\$ 719,269</u></b>          | <b><u>\$ 43,028</u></b>         |

## FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As previously stated, as of June 30, 2025, the Library's Governmental Fund reported an ending fund balance of \$82,357, a decrease of \$29,510 in comparison with the prior year. The entire amount is available for spending at the Library's discretion (unassigned fund balance).

### BUDGETARY HIGHLIGHTS

#### General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

#### Budgetary Comparison

For the Fiscal Years Ended June 30, 2025 and 2024

|                                    | <u>2025</u>            |                     |                    | <u>2024</u>            |                     |                |
|------------------------------------|------------------------|---------------------|--------------------|------------------------|---------------------|----------------|
|                                    | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>      | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>  |
| <b>Revenues</b>                    |                        |                     |                    |                        |                     |                |
| Intergovernmental                  | \$ 257,448             | \$ 257,448          | \$ 257,448         | \$ 250,950             | \$ 291,450          | \$ 296,093     |
| Operating grants and contributions | 449,533                | 449,533             | 449,533            | 449,533                | 449,533             | 449,533        |
| Other                              | <u>71,988</u>          | <u>119,112</u>      | <u>125,417</u>     | <u>81,000</u>          | <u>91,297</u>       | <u>120,299</u> |
| Total                              | 778,969                | 826,093             | 832,398            | 781,483                | 832,280             | 865,925        |
| <b>Expenditures</b>                | <u>781,469</u>         | <u>826,093</u>      | <u>861,908</u>     | <u>781,483</u>         | <u>832,280</u>      | <u>865,009</u> |
| Change in Fund Balance             | <u>\$ (2,500)</u>      | <u>\$ -</u>         | <u>\$ (29,510)</u> | <u>\$ -</u>            | <u>\$ -</u>         | <u>\$ 916</u>  |

Actual revenue amounts exceeded final budget amounts by \$6,305, or 0.76%, while actual expenditure amounts exceeded final budget amounts by \$35,815, or 4.34%.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

As of June 30, 2025, the Library's net capital assets total \$634,856, which represents a net decrease of \$2,363 or 0.37% over the previous fiscal year-end balance.

#### Change in Capital Assets

Governmental Activities

|   | <u>Balance July 1, 2024</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2025</u> |
|---|-----------------------------|------------------------------------|------------------------------|
| Furniture and equipment                         | \$ 367,530                  | \$ -                               | \$ 367,530                   |
| Books   | <u>1,021,312</u>            | <u>(311)</u>                       | <u>1,021,001</u>             |
| Total Capital Assets                            | 1,388,842                   | (311)                              | 1,388,531                    |
| Less: Accumulated depreciation and amortization | <u>(751,623)</u>            | <u>(2,052)</u>                     | <u>(753,675)</u>             |
| Net Capital Assets                              | <u>\$ 637,219</u>           | <u>\$ (2,363)</u>                  | <u>\$ 634,856</u>            |

## Long-Term Debt

As of June 30, 2025, the Library's long-term obligations total \$26,276.

|                                | <u>Balance</u><br><u>July 1, 2024</u> | <u>Net Additions</u><br><u>and Deletions</u> | <u>Balance</u><br><u>June 30, 2025</u> |
|--------------------------------|---------------------------------------|--|--|
| <b>Governmental Activities</b> |                                       |  |  |
| Compensated absences           | \$ 24,695                             | \$ 1,581                                     | <u>\$ 26,276</u>                       |

More detailed information on the Library's long-term obligations is presented in Note 12 to the financial statements.

## NEXT YEAR'S BUDGET AND RATES

The fiscal year 2026 proposed budget anticipates revenues and expenditures to be \$821,161, a 0.60% decrease over the final fiscal year 2025 budget. Revenues are comprised primarily of contributions from counties at 54.74% and state aid comprising 33.20%. The Library's salaries continue to be the largest expenditure area at 48.25% of total expenditures.

## REQUESTS FOR INFORMATION

This financial report is designed to provide those interested with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Becky S. Walker, Director, 133 West Hicks Street, Lawrenceville, Virginia 23868, telephone 434-848-2418, or visit the Library's website at [www.meherrinlib.org](http://www.meherrinlib.org).

# **BASIC FINANCIAL STATEMENTS**

## Meherrin Regional Library

## Statement of Net Position

At June 30, 2025

**Assets****Current Assets**

|                           |           |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 88,550 |
|---------------------------|-----------|

**Capital Assets**

|                    |         |
|--------------------|---------|
| Net capital assets | 634,856 |
|--------------------|---------|

**Other Assets**

|                   |         |
|-------------------|---------|
| Net pension asset | 228,362 |
|-------------------|---------|

|              |                |
|--------------|----------------|
| Total Assets | <u>951,768</u> |
|--------------|----------------|

**Deferred Outflows of Resources**

|         |        |
|---------|--------|
| Pension | 19,183 |
|---------|--------|

|      |              |
|------|--------------|
| OPEB | <u>6,683</u> |
|------|--------------|

|                                      |               |
|--------------------------------------|---------------|
| Total Deferred Outflows of Resources | <u>25,866</u> |
|--------------------------------------|---------------|

|   |                   |
|---|-------------------|
| Total Assets and Deferred Outflows of Resources | <u>\$ 977,634</u> |
|---|-------------------|

**Liabilities**

|                                       |          |
|---------------------------------------|----------|
| Accounts payable and accrued expenses | \$ 6,193 |
|---------------------------------------|----------|

**Long-Term Liabilities***Due within one year*

|                      |       |
|----------------------|-------|
| Compensated absences | 2,627 |
|----------------------|-------|

*Due in more than one year*

|                    |        |
|--------------------|--------|
| Net OPEB liability | 18,569 |
|--------------------|--------|

|                      |               |
|----------------------|---------------|
| Compensated absences | <u>23,649</u> |
|----------------------|---------------|

|                   |        |
|-------------------|--------|
| Total Liabilities | 51,038 |
|-------------------|--------|

**Deferred Inflows of Resources**

|         |        |
|---------|--------|
| Pension | 61,472 |
|---------|--------|

|      |              |
|------|--------------|
| OPEB | <u>8,414</u> |
|------|--------------|

|                                     |        |
|-------------------------------------|--------|
| Total Deferred Inflows of Resources | 69,886 |
|-------------------------------------|--------|

**Net Position**

|                                  |         |
|----------------------------------|---------|
| Net investment in capital assets | 634,856 |
|----------------------------------|---------|

|              |                |
|--------------|----------------|
| Unrestricted | <u>221,854</u> |
|--------------|----------------|

|                    |                |
|--------------------|----------------|
| Total Net Position | <u>856,710</u> |
|--------------------|----------------|

|   |                   |
|---|-------------------|
| Total Liabilities, Deferred Inflows of Resources, and<br>Net Position | <u>\$ 977,634</u> |
|---|-------------------|

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

**Meherrin Regional Library**

Statement of Activities

For the Year Ended June 30, 2025

| <u>Functions/Programs</u>        | <u>Program Revenues</u> |                                 |   | <u>Net (Expense) Revenue and<br/>Changes in Net Position</u> |
|----------------------------------|-------------------------|---------------------------------|---|--|
|                                  | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                           |
| <b>Primary Government</b>        |                         |                                 |   |  |
| <b>Governmental Activities</b>   |                         |                                 |   |  |
| Cultural - library services      | \$ 859,513              | \$ 16,616                       | \$ 706,981  | \$ (135,916)   |
| Total Governmental Activities    | <u>\$ 859,513</u>       | <u>\$ 16,616</u>                | <u>\$ 706,981</u>                                 | (135,916)  |
| <b>General Revenues</b>          |                         |                                 |   |  |
| Miscellaneous                    |                         |                                 |   | 106,657  |
| Investment earnings              |                         |                                 |   | <u>2,144</u>   |
| Total General Revenues           |                         |                                 |   | <u>108,801</u>   |
| Change in Net Position           |                         |                                 |   | (27,115)   |
| Net Position - Beginning of Year |                         |                                 |   | <u>883,825</u>   |
| Net Position - End of Year       |                         |                                 |   | <u>\$ 856,710</u>  |

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

**Meherrin Regional Library**

Balance Sheet

As of June 30, 2025

**Assets**

|                               |                  |
|-------------------------------|------------------|
| Cash held by County Treasurer | \$ 88,550        |
|                               | <u>88,550</u>    |
| Total Assets                  | <u>\$ 88,550</u> |

**Liabilities**

|                             |              |
|-----------------------------|--------------|
| Accrued payroll liabilities | \$ 6,193     |
|                             | <u>6,193</u> |
| Total Liabilities           | 6,193        |

**Fund Balance**

|                                    |                  |
|------------------------------------|------------------|
| Unassigned                         | <u>82,357</u>    |
| Total Fund Balance                 | <u>82,357</u>    |
| Total Liabilities and Fund Balance | <u>\$ 88,550</u> |

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

Meherrin Regional Library

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2025

Total Fund Balances for Governmental Funds \$ 82,357

**Total net position reported for governmental activities in the Statement of Net Position is different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Furniture, equipment, and vehicles, net of accumulated depreciation \$ 634,856

Total Capital Assets 634,856

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions 19,183  
 Deferred inflows of resources related to pensions (61,472)  
 Deferred outflows of resources related to OPEB 6,683  
 Deferred inflows of resources related to OPEB (8,414)

Total Deferred Outflows and Inflows of Resources (44,020)

Liabilities applicable to the Library's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Compensated absences (26,276)  
 Net OPEB liability (18,569)  
 Net pension (liability) asset 228,362

Total 183,517

Total Net Position of Governmental Activities \$ 856,710

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

**Meherrin Regional Library**

Statement of Revenues, Expenditures, and Changes in Fund Balance

As of June 30, 2025

**Revenues**

|   |               |
|---|---------------|
| Operating grants and contributions        | \$ 449,533    |
| Charges for services                      | 16,616        |
| Miscellaneous                             | 106,657       |
| Revenue from use of money and property    | 2,144         |
| <i>Intergovernmental</i>                  |               |
| Revenue from the Commonwealth of Virginia | 238,008       |
| Revenue from the Federal Government       | <u>19,440</u> |

Total Revenues 832,398

**Expenditures**

Cultural - library services 861,908

Total Expenditures 861,908

Net Change in Fund Balance (29,510)

Fund Balance - Beginning of Year 111,867

Fund Balance - End of Year \$ 82,357

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

Meherrin Regional Library

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (29,510)

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

|                    |                 |         |
|--------------------|-----------------|---------|
| Capitalized assets | \$ 58,864       |         |
| Depreciation       | <u>(61,227)</u> |         |
|                    |                 | (2,363) |

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. Changes in the following accounts are as follows:

|                               |                |  |
|-------------------------------|----------------|--|
| Net pension asset             | 5,528          |  |
| Deferred inflows - pension    | (15,557)       |  |
| Deferred inflows - OPEB       | (2,574)        |  |
| Deferred outflows - pension   | 13,785         |  |
| Deferred outflows - OPEB      | (3,000)        |  |
| Other postemployment benefits | 8,157          |  |
| Compensated absences          | <u>(1,581)</u> |  |

|                |  |              |
|----------------|--|--------------|
| Net Adjustment |  | <u>4,758</u> |
|----------------|--|--------------|

|   |  |                    |
|---|--|--------------------|
| Change in Net Position of Governmental Activities |  | <u>\$ (27,115)</u> |
|---|--|--------------------|

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

## Meherrin Regional Library

### Notes to the Financial Statements

Year Ended June 30, 2025

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The Meherrin Regional Library (the “Library”) has branches located in Emporia and Lawrenceville. The Library is governed by a ten-member Board of Trustees appointed by the Board of Supervisors in Brunswick and Greenville Counties. The Board consists of five members from Brunswick County, three members from Greenville County and two members from the City of Emporia, each serving terms of four years. The purpose of the Library is to serve as an essential public asset by providing evolving information, serving as a repository of knowledge, and promoting reading, life-long learning and enjoyment for all.

The financial statements of the Meherrin Regional Library have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Library’s accounting policies are described below:

#### **A. *The Financial Reporting Entity***

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the Library prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- Management’s Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Library’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Library and many other governments revise their original budgets over the course of the year for a variety of reasons.
- GASB-Required Supplementary Pension: GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.
- GASB-Required Supplementary OPEB: GASB issued Statement No. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government, entities for which the Library is considered to be financially accountable. The Library only reports activities for itself. It has no component units.

## **B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Library as a whole) and fund financial statements. The focus is on both the Library as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Library generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Library may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Library does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Library are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The Library applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements. The following is a brief description of the specific funds used by the Library in fiscal year 2025:

#### *Governmental Funds*

Governmental Funds account for the expendable financial resources. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Fund is:

General Fund – The General Fund is the primary operating fund of the Library and accounts for all revenues and expenditures applicable to the general operations of the Library which are not accounted for in other funds. Revenues are derived primarily from contributions from counties and state aid. The General Fund is considered a major fund for financial reporting purposes.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The fund financial statements of the General Fund are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

**D. Deferred Outflows/Inflows of Resources**

The Statement of Financial Position includes a separate section for deferred outflows of resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions and OPEB for certain actuarially determined differences projected and actual investment earnings.

The Statement of Financial Position also includes a separate section for deferred inflows of resources. This represents an acquisition of net position applicable to future periods and will not be recognized as revenue in the future period to which it applies. Currently, this category includes amounts related to pensions and OPEB for certain actuarially determined differences between projected and actual experience, and lease deferrals.

**E. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**F. Net Position Flow Assumptions**

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**G. Fund Balance Flow Assumptions**

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**H. Budgets and Budgetary Accounting**

The Board of Trustees annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

*Encumbrances*

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is not used by the Library.

The following procedures are used by the Library in establishing the budgetary data reflected in the financial statements:

1. The Library Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

3. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the Board of Trustees.
4. Formal budgetary integration is employed as a management control device during the year.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. All appropriations lapse on June 30 for all Library funds.
7. Amounts shown in the accompanying financial statements represent original appropriations authorized by the Board of Trustees; any additional and supplemental appropriations authorized during the year are shown in the final budget. Certain contributions, in-kind support, and related expenditures are not budgeted items.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Library will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements.

**J. Pensions**

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision'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.

**K. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

**L. Group Life Insurance Program**

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

**M. Health Insurance Credit Program**

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**N. Adoption of New GASB Statements**

The Library adopted the following GASB statements during the year ended June 30, 2025:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the fiscal year June 30, 2025 for the Library.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for the fiscal year June 30, 2025 for the Library.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the fiscal year ending June 30, 2025 for the Library.

## 2 Cash and Investments

### *Cash and Cash Equivalents*

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

The Library maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. The majority of funds in the Library's accounts are invested at all times.

### *Deposits*

All cash of the Library is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by FDIC.

### *Investments*

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The Library had no investments at June 30, 2025.

## 3 Compensated Absences

Library employees earn vacation and sick leave on time worked. Employees receive no accumulated sick leave upon termination. Vacation leave is paid up to a maximum of 45 days based upon the number of years of service. The Library has outstanding compensated absences totaling \$26,276 for the governmental activities.

## 4 Pension Plan

### *Plan Description*

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

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

## 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, service credit, 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, and 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.

### PLAN 2

#### *About Plan 2*

Same as Plan 1.

#### *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.

### 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, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

#### *Eligible Members*

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 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 30, 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.

**PLAN 1**

**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 a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

**PLAN 2**

**Retirement Contributions**

Same as Plan 1.

**Service Credit**

Same as Plan 1.

**Vesting**

Same as Plan 1.

**HYBRID  
RETIREMENT PLAN  
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 Contributions 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 qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

**Defined Contributions 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.

**PLAN 1**

***Calculating the Benefit***

The basic benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

***Average Final Compensation***

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

***Service Retirement Multiplier***

**VRS:** 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%.

**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

**PLAN 2**

***Calculating the Benefit***

See definition under Plan 1.

***Average Final Compensation***

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

**VRS:** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

**Sheriffs and regional jail superintendents:** Same as Plan 1.

**Political subdivision hazardous duty employees:** Same as Plan 1.

**HYBRID  
RETIREMENT PLAN**

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 two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law until age 73.

***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:**

**VRS:** 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.

**Sheriffs and regional jail superintendents:** Not applicable.

**Political subdivision hazardous duty employees:** Not applicable.

**Defined Contribution Component**

Not applicable.

**PLAN 1**

*Normal Retirement Age*

**VRS:** Age 65.

**Political subdivisions hazardous duty employees:**  
Age 60.

**Earliest Unreduced Retirement Eligibility**

**VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

**Political subdivisions hazardous duty employees:**  
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

**Earliest Reduced Retirement Eligibility**

**VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

**Political subdivisions hazardous duty employees:**  
Age 50 with at least five years of service credit.

**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 service credit, 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 service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**PLAN 2**

*Normal Retirement Age*

**VRS:** Normal Social Security retirement age.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

**Earliest Unreduced Retirement Eligibility**

**VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

**Earliest Reduced Retirement Eligibility**

**VRS:** Age 60 with at least five years (60 months) of service credit.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

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

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**Eligibility:**

Same as Plan 1

**HYBRID  
RETIREMENT PLAN**  
*Normal Retirement Age*

**Defined Benefit Component:**  
**VRS:** Same as Plan 2.

**Political subdivisions hazardous duty employees:**  
Not applicable.

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

**Earliest Unreduced Retirement Eligibility**

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

**Political subdivisions hazardous duty employees:**  
Not applicable.

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

**Earliest Reduced Retirement Eligibility**

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

**Political subdivisions hazardous duty employees:**  
Not applicable

**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

**PLAN 1**

*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 or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

***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 towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

**PLAN 2**

*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**

*Exceptions to COLA Effective Dates:*

Same as Plan 1

***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 exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

**Defined Contribution Component:**

Not applicable

### **Employees Covered by Benefit Terms**

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | <u>Number</u>    |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | 16               |
| Inactive members:  |                  |
| Vested inactive members  | 2                |
| Non-vested inactive members  | 2                |
| LTD  | -                |
| Inactive members active elsewhere in VRS                             | <u>7</u>         |
|  | 11               |
| Active members   | <u>8</u>         |
| Total covered employees  | <u><u>35</u></u> |

### **Contributions**

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

**If the employer used the certified rate:** Meherrin Regional Library's contractually required contribution rate for the year ended June 30, 2025 was 0.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 Meherrin Regional Library were \$2,667 and \$5,398 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$1,654 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$2,464 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$164,651 for the year ended June 30, 2025.

### **Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Meherrin Regional Library, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

|                                       |  |
|---------------------------------------|--|
| 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 assumed to be service related.

**Pre-Retirement:**

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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:

| <u>Asset Class (Strategy)</u>        | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity                        | 32.00%                                   | 6.70%   | 2.14%  |
| Fixed Income                         | 16.00%                                   | 5.40%   | 0.86%  |
| Credit Strategies                    | 16.00%                                   | 8.10%   | 1.30%  |
| Real Assets                          | 15.00%                                   | 7.20%   | 1.08%  |
| Private Equity                       | 15.00%                                   | 8.70%   | 1.31%  |
| PIP - Private Investment Partnership | 1.00%                                    | 8.00%   | 0.08%  |
| Diversifying Strategies              | 6.00%                                    | 5.80%   | 0.35%  |
| Cash                                 | 2.00%                                    | 3.00%   | 0.06%  |
| Leverage                             | <u>-3.00%</u>                            | 3.50%   | <u>-0.11%</u>  |
| <b>Total</b>                         | <b><u>100.00%</u></b>                    |   | <b><u>7.07%</u></b>  |
|                                      |  |   | <b><u>7.07%</u></b>  |

*\*The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.*

*On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

|   | <b>Total<br/>Pension<br/>Liability<br/>(a)</b> | <b><u>Increase (Decrease)</u><br/>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>Pension<br/>Liability (Asset)<br/>(a) - (b)</b> |
|---|--|---|--|
| Balances at June 30, 2023                             | \$ 1,923,529                                   | \$ 2,146,363  | \$ (222,834)   |
| <b>Changes for the Year</b>                           |  |   |  |
| Service cost  | 21,189   | -   | 21,189   |
| Interest  | 128,368  | -   | 128,368  |
| Benefit changes                                       | -  | -   | -  |
| Assumption changes                                    | -  | -   | -  |
| Differences between expected<br>and actual experience | 68,128   | -   | 68,128   |
| Contributions - employer                              | -  | 5,398   | (5,398)  |
| Contributions - employee                              | -  | 12,928  | (12,928)   |
| Net investment income                                 | -  | 206,258   | (206,258)  |
| Benefit payments, including refunds                   | (85,933)                                       | (85,933)  | -  |
| Administrative expenses                               | -  | (1,412)   | 1,412  |
| Other changes   | -  | 41  | (41)   |
| Net Changes   | <u>131,752</u>                                 | <u>137,280</u>  | <u>(5,528)</u>   |
| Balances at June 30, 2024                             | <u>\$ 2,055,281</u>                            | <u>\$ 2,283,643</u>   | <u>\$ (228,362)</u>  |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Meherrin Regional Library using the discount rate of 6.75%, as well as what the political subdivision's net pension 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:

|  | <b>1.00%<br/>Decrease<br/>(5.75%)</b> | <b>Current<br/>Discount Rate<br/>(6.75%)</b> | <b>1.00%<br/>Increase<br/>(7.75%)</b> |
|--|---------------------------------------|--|---------------------------------------|
| Political subdivision's<br>Net Pension Liability (Asset) | \$ (6,143)                            | \$ (228,362)                                 | \$ (417,802)                          |

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2025, the Meherrin Regional Library recognized pension expense of \$(1,089). At June 30, 2025, the Meherrin Regional Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 16,516                                 | \$ -                                     |
| Change in assumptions  | -   | -  |
| Net difference between projected and actual earnings on pension plan investments | -   | 61,472                                   |
| Employer contributions subsequent to the measurement date                        | <u>2,667</u>                              | <u>-</u>                                 |
| Total  | <u>\$ 19,183</u>                          | <u>\$ 61,472</u>                         |

\$2,667 reported as deferred outflows of resources related to pensions resulting from the Meherrin Regional 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, 2026. 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.**

|      |             |
|------|-------------|
| 2026 | \$ (38,431) |
| 2027 | 17,836      |
| 2028 | (11,619)    |
| 2029 | (12,742)    |
| 2030 | -           |

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [varetire.org/media/shared/pdf/publications/2024-annual-report.pdf](http://varetire.org/media/shared/pdf/publications/2024-annual-report.pdf), or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## **5 Group Life Insurance Plan**

***Plan Description***

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

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

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

## GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

### Eligible Employees

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

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

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

### Benefit Amounts

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

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

### Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

### 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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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. Contribution to the Group Life Insurance Program from the entity were \$1,441 and \$1,549 for the years ended June 30, 2025 and June 30, 2024, respectively.

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB***

At June 30, 2025, the participating employer reported a liability of \$12,498 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.00112% as compared to 0.00109% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$(191). 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, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                                   | \$ 1,971                                  | \$ 305                                   |
| Net difference between projected and actual earnings on GLI OPEB program investments | -   | 1,053                                    |
| Change in assumptions  | 71  | 619                                      |
| Changes in proportionate share   | 413                                       | 2,517                                    |
| Employer contributions subsequent to the measurement date                            | <u>1,441</u>                              | <u>-</u>                                 |
| Total  | <u>\$ 3,896</u>                           | <u>\$ 4,494</u>                          |

\$1,441 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, 2026. 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:

| <u>Year Ended<br/>June 30,</u> |            |
|--------------------------------|------------|
| 2026                           | \$ (1,263) |
| 2027                           | (482)      |
| 2028                           | (494)      |
| 2029                           | (49)       |
| 2030                           | 249        |
| Thereafter                     | -          |

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

|   |   |
|---|---|
| Inflation   | 2.50%   |
| Salary increases, including inflation -<br>Locality - General employees | 3.50% - 5.35%   |
| Investment rate of return   | 6.75%, net of investment expenses,<br>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 3 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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|   |  |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020            |
| Retirement Rates  | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates  | Adjusted rates to better fit experience at each age and service decrement through 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 Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

|  | <b>Group Life<br/>Insurance<br/>OPEB Program</b> |
|--|--|
| Total GLI OPEB Liability   | \$ 4,196,055                                     |
| Plan Fiduciary Net Position  | <u>3,080,133</u>                                 |
| GLI Net OPEB Liability (Asset)   | <u>\$ 1,115,922</u>                              |
| Plan Fiduciary Net Position as a Percentage<br>of the Total GLI OPEB Liability | 73.41%   |

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 lognormal 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:

| <u>Asset Class (Strategy)</u>        | <u>Long-Term<br/>Target<br/>Asset<br/>Allocation</u> | <u>Arithmetic<br/>Long-Term<br/>Expected<br/>Rate of Return</u> | <u>Weighted Average<br/>Long-Term<br/>Expected<br/>Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity                        | 32.00%   | 6.70%   | 2.14%  |
| Fixed Income                         | 16.00%   | 5.40%   | 0.86%  |
| Credit Strategies                    | 16.00%   | 8.10%   | 1.30%  |
| Real Assets                          | 15.00%   | 7.20%   | 1.08%  |
| Private Equity                       | 15.00%   | 8.70%   | 1.31%  |
| PIP - Private Investment Partnership | 1.00%  | 8.00%   | 0.08%  |
| Diversifying Strategies              | 6.00%  | 5.80%   | 0.35%  |
| Cash                                 | 2.00%  | 3.00%   | 0.06%  |
| Leverage                             | <u>-3.00%</u>  | 3.50%   | <u>-0.11%</u>  |
| <b>Total</b>                         | <b><u>100.00%</u></b>                                |   | <b>7.07%</b>   |
|                                      |  |   | <b><u>7.07%</u></b>  |
|                                      |  | Expected arithmetic nominal return*                             |  |

\* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, 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 113% of the actuarially determined contribution rate. From July 1, 2024 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 employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|  | <b>1.00% Decrease<br/>(5.75%)</b> | <b>Current Discount<br/>Rate (6.75%)</b> | <b>1.00% Increase<br/>(7.75%)</b> |
|--|-----------------------------------|--|-----------------------------------|
| State Agency's Proportionate<br>Share of the Group Life<br>Insurance Program<br>Net OPEB Liability | \$ 19,437                         | \$ 12,498                                | \$ 6,893                          |

**Group Life Insurance Program Fiduciary Net Position**

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2024-annual-report.pdf](http://varetire.org/pdf/publications/2024-annual-report.pdf), or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## 6 Health Insurance Credit Program

### *Plan Description*

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| <b>POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS</b>   |
|--|
| <p><b>Eligible Employees</b></p> <p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"><li>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.</li></ul>                                       |
| <p><b>Benefit Amounts</b></p> <p>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"><li>• <b>At Retirement</b> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.</li><li>• <b>Disability Retirement</b> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.</li></ul> |
| <p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"><li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li><li>• No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans.</li><li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li></ul>               |

### **Employees Covered by Benefit Terms**

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

|  | <u>Number</u>    |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | 8                |
| Vested inactive members  | -                |
| Active members   | <u>13</u>        |
| Total covered employees  | <u><u>21</u></u> |

### **Contributions**

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Meherrin Regional Library's contractually required employer contribution rate for the year ended June 30, 2025 was 0.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Meherrin Regional Library to the Political Subdivision Health Insurance Credit Program were \$1,533 and \$1,435 for the years ended June 30, 2025 and June 30, 2024, respectively.

### **Net HIC OPEB Liability**

The Meherrin Regional Library's net Health Insurance Credit OPEB liability was measured as of June 30, 2024. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

### **Actuarial Assumptions**

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

|                                       |   |
|---------------------------------------|---|
| Inflation                             | 2.50%   |
| Salary increases, including inflation |   |
| Locality - General Employees          | 3.50% - 5.35%   |
| Investment rate of return             | 6.75%, net of investment investment expenses, including inflation |

**Mortality rates – Non-Largest Ten Locality Employers - General Employees**

**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 male 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 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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|   |  |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020            |
| Retirement Rates  | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates  | Adjusted rates to better fit experience at each age and service decrement through 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 the System’s investments was determined using a lognormal 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:

| <u>Asset Class (Strategy)</u>        | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity                        | 32.00%                                   | 6.70%   | 2.14%  |
| Fixed Income                         | 16.00%                                   | 5.40%   | 0.86%  |
| Credit Strategies                    | 16.00%                                   | 8.10%   | 1.30%  |
| Real Assets                          | 15.00%                                   | 7.20%   | 1.08%  |
| Private Equity                       | 15.00%                                   | 8.70%   | 1.31%  |
| PIP - Private Investment Partnership | 1.00%                                    | 8.00%   | 0.08%  |
| Diversifying Strategies              | 6.00%                                    | 5.80%   | 0.35%  |
| Cash                                 | 2.00%                                    | 3.00%   | 0.06%  |
| Leverage                             | <u>-3.00%</u>                            | 3.50%   | <u>-0.11%</u>  |
| <b>Total</b>                         | <b><u>100.00%</u></b>                    |   | <b>7.07%</b>   |

Expected arithmetic nominal return\* **7.07%**

\* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

### **Discount Rate**

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy 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, 2024, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

**Changes in Net HIC OPEB Liability:**

|   | <b>Total<br/>HIC OPEB<br/>Liability<br/>(a)</b> | <b><u>Increase (Decrease)</u><br/>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>HIC OPEB<br/>Liability<br/>(a) - (b)</b> |
|---|---|---|---|
| Balances at June 30, 2023                             | \$ 35,461                                       | \$ 21,808   | \$ 13,653   |
| <b>Changes for the Year</b>                           |   |   |   |
| Service cost  | 207   | -   | 207   |
| Interest  | 2,345   | -   | 2,345   |
| Benefit changes                                       | -   | -   | -   |
| Differences between expected<br>and actual experience | (6,683)   | -   | (6,683)   |
| Assumption Changes                                    | -   | -   | -   |
| Contributions - employer                              | -   | 1,447   | (1,447)   |
| Net investment income                                 | -   | 2,033   | (2,033)   |
| Benefit payments                                      | (1,850)   | (1,850)   | -   |
| Administrative expenses                               | -   | (28)  | 28  |
| Other changes   | -   | (1)   | 1   |
| Net Changes   | <u>(5,981)</u>                                  | <u>1,601</u>  | <u>(7,582)</u>                                      |
| Balances at June 30, 2024                             | <u>\$ 29,480</u>                                | <u>\$ 23,409</u>  | <u>\$ 6,071</u>                                     |

**Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate**

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC 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:

|   | <b>1.00%<br/>Decrease<br/>(5.75%)</b> | <b>Current<br/>Discount Rate<br/>(6.75%)</b> | <b>1.00%<br/>Increase<br/>(7.75%)</b> |
|---|---------------------------------------|--|---------------------------------------|
| Political subdivision's<br>Net HIC OPEB Liability | \$ <u>8,759</u>                       | \$ <u>6,071</u>                              | \$ <u>3,745</u>                       |

**Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB**

For the year ended June 30, 2025, the Meherrin Regional Library recognized Health Insurance Credit Program OPEB expense \$594. At June 30, 2025, the Meherrin Regional Library reported deferred outflows of resources and deferred inflows of resources related to the Meherrin Regional Library's Health Insurance Credit Program from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience                                | \$ 769                                    | \$ 3,341                                 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | -   | 484                                      |
| Change in assumptions   | 485                                       | 95                                       |
| Changes in proportionate share  | -   | -  |
| Employer contributions subsequent to the measurement date                         | <u>1,533</u>                              | <u>-</u>                                 |
| Total   | <u>\$ 2,787</u>                           | <u>\$ 3,920</u>                          |

\$1,533 reported as deferred outflows of resources related to the HIC OPEB resulting from the Meherrin Regional Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| <u>Year Ended<br/>June 30,</u> |            |
|--------------------------------|------------|
| 2026                           | \$ (2,825) |
| 2027                           | 357        |
| 2028                           | (82)       |
| 2029                           | (116)      |
| 2030                           | -          |
| Thereafter                     | -          |

***Health Insurance Credit Program Plan Data***

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report*. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2024-annual-report.pdf](http://varetire.org/pdf/publications/2024-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## 7 Aggregate OPEB Information

|  | Primary Government       |                         |                           |                         |                     |
|--|--------------------------|-------------------------|---------------------------|-------------------------|---------------------|
|  | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> | <u>Net OPEB Liability</u> | <u>Net OPEB (Asset)</u> | <u>OPEB Expense</u> |
| <b>VRS OPEB Plans</b>                  |                          |                         |                           |                         |                     |
| <i>Group Life Insurance</i>            |                          |                         |                           |                         |                     |
| Primary Government                     | \$ 3,896                 | \$ 4,494                | \$ 12,498                 | \$ -                    | \$ (191)            |
| <i>Health insurance Credit Program</i> |                          |                         |                           |                         |                     |
| Primary Government                     | <u>2,787</u>             | <u>3,920</u>            | <u>6,071</u>              | <u>-</u>                | <u>594</u>          |
| Totals                                 | <u>\$ 6,683</u>          | <u>\$ 8,414</u>         | <u>\$ 18,569</u>          | <u>\$ -</u>             | <u>\$ 403</u>       |

## 8 Risk Management

Surety Bond coverage is as follows:

| <u>Name</u>       | <u>Surety</u>                          | <u>Amount</u> |
|-------------------|--|---------------|
| Library Employees | Fidelity & Deposit Company of Maryland | \$ 10,000     |

## 9 Local Government Contributions

|                                      |                   |
|--------------------------------------|-------------------|
| County of Brunswick                  | \$ 212,885        |
| County of Greenville                 | 136,848           |
| City of Emporia                      | <u>99,800</u>     |
| Total Local Government Contributions | <u>\$ 449,533</u> |

## 10 Expenditures of State Aid

State aid payments were budgeted and expended as follows:

|                      | <u>Budgeted</u>   | <u>Expended</u>   | <u>Difference</u> |
|----------------------|-------------------|-------------------|-------------------|
| Books and materials  | \$ 90,200         | \$ 89,315         | \$ (885)          |
| Salaries             | 47,976            | 47,976            | -                 |
| Employee benefits    | 11,052            | 11,052            | -                 |
| Internet access      | 27,180            | 27,415            | 235               |
| Equipment            | 8,500             | 9,250             | 750               |
| Furniture            | 11,678            | 10,960            | (718)             |
| Supplies             | 9,100             | 9,360             | 260               |
| Other                | 28,322            | 28,732            | 410               |
| Contractual services | <u>4,000</u>      | <u>3,948</u>      | <u>(52)</u>       |
|                      | <u>\$ 238,008</u> | <u>\$ 238,008</u> | <u>\$ -</u>       |

## 11 Capital Assets

Following is a summary of changes in capital assets for governmental activities:

|   | <u>Balance<br/>July 1,<br/>2024</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Balance<br/>June 30,<br/>2025</u> |
|---|-------------------------------------|-------------------|------------------|--------------------------------------|
| Furniture and equipment                         | \$ 367,530                          | \$ -              | \$ -             | \$ 367,530                           |
| Books   | <u>1,021,312</u>                    | <u>58,864</u>     | <u>59,175</u>    | <u>1,021,001</u>                     |
| Total Capital Assets                            | 1,388,842                           | 58,864            | 59,175           | 1,388,531                            |
| Less: Accumulated depreciation and amortization | <u>751,623</u>                      | <u>61,227</u>     | <u>59,175</u>    | <u>753,675</u>                       |
| Net Capital Assets                              | <u>\$ 637,219</u>                   | <u>\$ (2,363)</u> | <u>\$ -</u>      | <u>\$ 634,856</u>                    |

## 12 Long-Term Debt

### GOVERNMENTAL ACTIVITIES

Annual requirements to amortize long-term debt and related interest are as follows:

|                      | <u>Governmental Activities</u>          |                                |
|----------------------|---|--------------------------------|
|                      | <u>Year<br/>Ended<br/>June 30, 2025</u> | <u>Principal      Interest</u> |
| Compensated absences | \$ 26,276                               | \$ -                           |

### Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2025:

|                                | <u>Balance<br/>July 1, 2024</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance<br/>June 30, 2025</u> | <u>Due Within<br/>One Year</u> |
|--------------------------------|---------------------------------|-----------------|-----------------|----------------------------------|--------------------------------|
| <b>Primary Government</b>      |                                 |                 |                 |                                  |                                |
| <b>Governmental Activities</b> |                                 |                 |                 |                                  |                                |
| <b>General Fund</b>            |                                 |                 |                 |                                  |                                |
| Compensated absences           | \$ 24,695                       | \$ 1,581        | \$ -            | \$ 26,276                        | \$ 2,627                       |

## 13 Upcoming Pronouncements

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

## 14 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2025 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2025. Management has performed their analysis through November 12, 2025.

# **REQUIRED SUPPLEMENTARY INFORMATION**

Meherrin Regional Library

Budgetary Comparison Schedule

As of June 30, 2025

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Variance with<br/>Original Budget<br/>Over (Under)<br/>Final Budget</u> | <u>Actual</u>  | <u>Variance with<br/>Final Budget<br/>Over (Under)<br/>Actual Amounts</u> |
|--|----------------------------|-------------------------|--|----------------|---|
| <b>Revenues</b>                                  |                            |                         |  |                |   |
| Operating grants and contributions               | \$ 449,533                 | \$ 449,533              | \$ -   | \$ 449,533     | \$ -  |
| <b>Intergovernmental</b>                         |                            |                         |  |                |   |
| <i>Revenue from the Commonwealth of Virginia</i> |                            |                         |  |                |   |
| <i>Categorical Aid</i>                           |                            |                         |  |                |   |
| Commonwealth of Virginia Aid                     | 238,008                    | 238,008                 | -  | 238,008        | -   |
| <i>Revenue from the Federal Government</i>       |                            |                         |  |                |   |
| E-rate   | <u>19,440</u>              | <u>19,440</u>           | <u>-</u>   | <u>19,440</u>  | <u>-</u>  |
| Total Intergovernmental Revenues                 | 257,448                    | 257,448                 | -  | 257,448        | -   |
| <b>Revenue from Use of Money and Property</b>    |                            |                         |  |                |   |
| Interest income                                  | -                          | -                       | -  | 2,144          | 2,144   |
| <b>Charges for Services</b>                      |                            |                         |  |                |   |
| Copies   | 6,500                      | 6,500                   | -  | 8,142          | 1,642   |
| Faxes  | 5,000                      | 5,000                   | -  | 4,699          | (301)   |
| Computer printouts                               | <u>4,000</u>               | <u>4,000</u>            | <u>-</u>   | <u>3,775</u>   | <u>(225)</u>  |
| Total Charges for Services                       | 15,500                     | 15,500                  | -  | 16,616         | 1,116   |
| <b>Miscellaneous</b>                             |                            |                         |  |                |   |
| In-kind  | -                          | -                       | -  | 67,889         | 67,889  |
| Fines and fees                                   | 18,800                     | 18,800                  | -  | 23,063         | 4,263   |
| Lost or damaged books                            | 2,100                      | 2,100                   | -  | 2,700          | 600   |
| Gifts and donations                              | 700                        | 12,085                  | (11,385)   | 12,135         | 50  |
| Other income                                     | 650                        | 650                     | -  | 870            | 220   |
| Reserve funds                                    | <u>34,238</u>              | <u>69,977</u>           | <u>(35,739)</u>  | <u>-</u>       | <u>(69,977)</u>   |
| Total Miscellaneous                              | <u>56,488</u>              | <u>103,612</u>          | <u>(47,124)</u>  | <u>106,657</u> | <u>3,045</u>  |
| Total Revenues                                   | 778,969                    | 826,093                 | (47,124)   | 832,398        | 6,305   |

|                                   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Variance with<br/>Original Budget<br/>Over (Under)<br/>Final Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Over (Under)<br/>Actual Amounts</u> |
|-----------------------------------|----------------------------|-------------------------|--|------------------|---|
| <b>Expenditures</b>               |                            |                         |  |                  |   |
| <b>Cultural</b>                   |                            |                         |  |                  |   |
| Salaries and wages                | 380,260                    | 386,954                 | (6,694)  | 383,564          | 3,390   |
| Payroll taxes and fringe benefits | 130,479                    | 135,374                 | (4,895)  | 135,391          | (17)  |
| Administrative service/support    | 3,500                      | 3,500                   | -  | 5,082            | (1,582)   |
| Advertising                       | 500                        | 500                     | -  | 320              | 180   |
| Automation system                 | 15,622                     | 15,622                  | -  | 16,311           | (689)   |
| Bookkeeping                       | 7,100                      | 7,100                   | -  | 6,900            | 200   |
| Books                             | 56,700                     | 59,700                  | (3,000)  | 58,864           | 836   |
| Capital outlay                    | -                          | -                       | -  | -                | -   |
| Computer hardware                 | 12,500                     | 11,500                  | 1,000  | 10,098           | 1,402   |
| Contingency/reserve               | 16,000                     | 16,000                  | -  | -                | 16,000  |
| Contract services                 | 4,250                      | 4,250                   | -  | 3,948            | 302   |
| Dues and associations             | 1,600                      | 1,600                   | -  | 1,148            | 452   |
| Insurance                         | 5,000                      | 5,000                   | -  | 11,293           | (6,293)   |
| Internet access                   | 28,680                     | 28,680                  | -  | 29,215           | (535)   |
| Management software/support       | 13,300                     | 13,300                  | -  | 12,655           | 645   |
| Miscellaneous                     | 6,900                      | 21,885                  | (14,985)   | 21,040           | 845   |
| Network administration            | 9,000                      | 9,000                   | -  | 6,152            | 2,848   |
| Non-print                         | 6,200                      | 5,900                   | 300  | 6,814            | (914)   |
| Office supplies                   | 13,100                     | 13,100                  | -  | 12,813           | 287   |
| Periodical subscriptions          | 3,400                      | 3,400                   | -  | 3,387            | 13  |
| Postage                           | 2,000                      | 2,000                   | -  | 1,391            | 609   |
| Professional development          | 4,200                      | 4,200                   | -  | 3,087            | 1,113   |
| Professional fees                 | 8,000                      | 8,000                   | -  | 8,088            | (88)  |
| Programs and projects             | 4,500                      | 4,500                   | -  | 4,307            | 193   |
| Public relations                  | 1,400                      | 1,400                   | -  | 1,383            | 17  |
| Repairs and maintenance           | -                          | -                       | -  | 34,598           | (34,598)  |
| Small furniture and equipment     | 16,678                     | 30,028                  | (13,350)   | 25,718           | 4,310   |
| Software                          | 25,200                     | 28,200                  | (3,000)  | 29,462           | (1,262)   |
| Telephone                         | 2,400                      | 2,400                   | -  | 2,349            | 51  |
| Utilities                         | -                          | -                       | -  | 26,196           | (26,196)  |
| Vehicle fuel and repairs          | 3,000                      | 3,000                   | -  | 334              | 2,666   |
|                                   | <u>781,469</u>             | <u>826,093</u>          | <u>(44,624)</u>  | <u>861,908</u>   | <u>(35,815)</u>   |
| Total Expenditures                |                            |                         |  |                  |   |
| Net Change in Fund Balance        | <u>\$ (2,500)</u>          | <u>\$ -</u>             | <u>\$ (2,500)</u>  | (29,510)         | <u>\$ (29,510)</u>  |
| Fund Balance - Beginning of Year  |                            |                         |  | <u>111,867</u>   |   |
| Fund Balance - End of Year        |                            |                         |  | <u>\$ 82,357</u> |   |

Meherrin Regional Library

Schedule of Changes in the Political Subdivision's Net Pension Liability  
and Related Ratios

For the Plan Years Ended June 30 (in thousands)

|   | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total pension liability</b>  |              |              |              |              |              |              |              |              |              |              |
| Service cost  | \$ 21,189    | \$ 18,257    | \$ 25,158    | \$ 18,848    | \$ 24,163    | \$ 22,537    | \$ 18,707    | \$ 25,667    | \$ 27,110    | \$ 29,363    |
| Interest  | 128,368      | 126,578      | 128,795      | 123,351      | 118,341      | 114,064      | 105,197      | 103,425      | 97,198       | 92,364       |
| Changes in benefit terms  | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Difference between expected and actual experience                                       | 68,128       | (35,664)     | (64,988)     | 1,141        | 8,400        | 2,122        | 41,500       | (42,044)     | (5,809)      | (26,274)     |
| Assumption changes  | -            | -            | -            | 13,444       | -            | 49,762       | -            | (24,928)     | -            | -            |
| Benefit payments  | (85,933)     | (85,237)     | (144,560)    | (58,029)     | (95,340)     | (34,204)     | (43,263)     | (30,356)     | (28,709)     | (24,080)     |
| <b>Net change in total pension liability</b>  | 131,752      | 23,934       | (55,595)     | 98,755       | 55,564       | 154,281      | 122,141      | 31,764       | 89,790       | 71,373       |
| <b>Total pension liability - beginning</b>  | 1,923,529    | 1,899,595    | 1,955,190    | 1,856,435    | 1,800,871    | 1,646,590    | 1,524,449    | 1,492,685    | 1,402,895    | 1,331,522    |
| <b>Total pension liability - ending (a)</b>   | \$ 2,055,281 | \$ 1,923,529 | \$ 1,899,595 | \$ 1,955,190 | \$ 1,856,435 | \$ 1,800,871 | \$ 1,646,590 | \$ 1,524,449 | \$ 1,492,685 | \$ 1,402,895 |
| <b>Plan fiduciary net position</b>  |              |              |              |              |              |              |              |              |              |              |
| Contributions - employer  | \$ 5,398     | \$ 5,283     | \$ 8,067     | \$ 8,538     | \$ 2,460     | \$ 2,934     | \$ 10,669    | \$ 11,397    | \$ 22,661    | \$ 22,452    |
| Contributions - employee  | 12,928       | 11,548       | 12,157       | 12,984       | 12,939       | 13,700       | 12,364       | 12,951       | 13,801       | 13,673       |
| Net investment income   | 206,258      | 132,659      | (2,235)      | 481,912      | 30,622       | 115,128      | 119,506      | 177,988      | 25,364       | 62,468       |
| Benefit payments  | (85,933)     | (85,237)     | (144,560)    | (58,029)     | (95,340)     | (34,204)     | (43,263)     | (30,356)     | (28,709)     | (24,080)     |
| Refunds of contributions  | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Administrator charges   | (1,412)      | (1,352)      | (1,393)      | (1,202)      | (1,241)      | (1,129)      | (1,028)      | (1,015)      | (872)        | (831)        |
| Other   | 41           | 53           | 49           | 45           | (40)         | (73)         | (107)        | (159)        | (11)         | (14)         |
| <b>Net change in plan fiduciary net position</b>  | 137,280      | 62,954       | (127,915)    | 444,248      | (50,600)     | 96,356       | 98,141       | 170,806      | 32,234       | 73,668       |
| <b>Plan fiduciary net position - beginning</b>  | 2,146,363    | 2,083,409    | 2,211,324    | 1,767,076    | 1,817,676    | 1,721,320    | 1,623,179    | 1,452,373    | 1,420,139    | 1,346,471    |
| <b>Plan fiduciary net position - ending (b)</b>   | \$ 2,283,643 | \$ 2,146,363 | \$ 2,083,409 | \$ 2,211,324 | \$ 1,767,076 | \$ 1,817,676 | \$ 1,721,320 | \$ 1,623,179 | \$ 1,452,373 | \$ 1,420,139 |
| <b>Political subdivision's net pension liability (asset) - ending (a - b)</b>           | \$ (228,362) | \$ (222,834) | \$ (183,814) | \$ (256,134) | \$ 89,359    | \$ (16,805)  | \$ (74,730)  | \$ (98,730)  | \$ 40,312    | \$ (17,244)  |
| <b>Plan fiduciary net position as a percentage of the total Pension liability</b>       | 111.11%      | 111.58%      | 109.68%      | 113.10%      | 95.19%       | 100.93%      | 104.54%      | 106.48%      | 97.30%       | 101.23%      |
| <b>Covered payroll</b>  | \$ 286,931   | \$ 256,223   | \$ 263,399   | \$ 279,138   | \$ 273,594   | \$ 287,629   | \$ 254,449   | \$ 259,015   | \$ 276,902   | \$ 275,135   |
| <b>Political subdivision's net pension liability as a percentage of covered payroll</b> | -79.59%      | -86.97%      | -69.79%      | -91.76%      | 32.66%       | -5.84%       | -29.37%      | -38.12%      | 14.56%       | -6.27%       |

## Meherrin Regional Library

### Schedule of Employer Contributions

#### Political Subdivisions Retirement Plan

For the Years Ended June 30, 2016 through 2025

| Date | Contributions in<br>Relation to                   |   |   | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|------|---|---|---|---|---|
|      | Contractually<br>Required<br>Contribution<br>(1)* | Contractually<br>Required<br>Contribution<br>(2)* | Contribution<br>Deficiency<br>(Excess)<br>(3) |   |   |
| 2025 | \$ 2,667  | \$ 2,667  | \$ -  | \$ 306,570                              | 0.87%   |
| 2024 | 7,919   | 7,919   | -   | 286,931                                 | 2.76%   |
| 2023 | 7,072   | 7,072   | -   | 256,223                                 | 2.76%   |
| 2022 | 8,067   | 8,067   | -   | 263,399                                 | 3.06%   |
| 2021 | 8,538   | 8,538   | -   | 279,138                                 | 3.06%   |
| 2020 | 3,502   | 3,502   | -   | 273,594                                 | 1.28%   |
| 2019 | 2,934   | 2,934   | -   | 287,629                                 | 1.02%   |
| 2018 | 10,669  | 10,669  | -   | 254,449                                 | 4.19%   |
| 2017 | 11,397  | 11,397  | -   | 259,015                                 | 4.40%   |
| 2016 | 22,734  | 22,661  | 73  | 276,902                                 | 8.21%   |

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

#### For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Employer's covered payroll amount for the fiscal year

## Meherrin Regional Library

### Notes to Required Supplemental Information

For the Year Ended June 30, 2025

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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   |

**Meherrin Regional Library**

Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Plan (GLI)  
For the Measurement Dates of June 30, 2017 through 2024

|   | <u>2024</u>      | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Employer's Proportion of the Net GLI OPEB Liability (Asset)   | \$ <b>12,498</b> | \$ 13,073   | \$ 14,570   | \$ 15,718   | \$ 23,531   | \$ 23,921   | \$ 21,000   | \$ 21,000   |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)  | <b>0.00112%</b>  | 0.00109%    | 0.00121%    | 0.00135%    | 0.00141%    | 0.00147%    | 0.00134%    | 0.00140%    |
| Employer's Covered Payroll  | <b>286,931</b>   | 256,223     | 263,399     | 279,138     | 289,181     | 287,629     | 254,449     | 259,015     |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | <b>4.36%</b>     | 5.10%       | 5.53%       | 5.63%       | 8.14%       | 8.32%       | 8.25%       | 8.11%       |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability                                 | <b>73.41%</b>    | 69.30%      | 67.21%      | 67.45%      | 52.64%      | 52.00%      | 51.22%      | 48.86%      |

*Schedule is intended to show information for 10 years. Since 2024 is the eighth year of presentation, only eight years of data is available. However, additional years will be included as they become available.*

**For Reference Only**

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on pages 130 and 131 of the VRS 2024 Annual Report.

**Meherrin Regional Library**

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2016 through 2025

| Date        | Contributions in Relation to            |   |                                      | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|---|---|--------------------------------------|--------------------------------|---|
|             | Contractually Required Contribution (1) | Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) |                                |   |
| <b>2025</b> | <b>\$ 1,441</b>                         | <b>\$ 1,441</b>                         | <b>\$ -</b>                          | <b>\$ 306,570</b>              | <b>0.47%</b>                                |
| 2024        | 1,549                                   | 1,549                                   | -                                    | 286,931                        | 0.54%                                       |
| 2023        | 1,384                                   | 1,384                                   | -                                    | 256,223                        | 0.54%                                       |
| 2022        | 1,422                                   | 1,422                                   | -                                    | 263,399                        | 0.54%                                       |
| 2021        | 1,507                                   | 1,507                                   | -                                    | 279,138                        | 0.54%                                       |
| 2020        | 1,504                                   | 1,504                                   | -                                    | 289,181                        | 0.52%                                       |
| 2019        | 1,496                                   | 1,496                                   | -                                    | 287,629                        | 0.52%                                       |
| 2018        | 3,333                                   | 3,333                                   | -                                    | 254,449                        | 1.31%                                       |
| 2017        | 3,393                                   | 3,393                                   | -                                    | 259,015                        | 1.31%                                       |
| 2016        | 3,285                                   | 3,285                                   | -                                    | 276,902                        | 1.19%                                       |

**For Reference Only:**

Column 1 – Employer contribution rate multiplied by the employer’s covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Employer’s covered payroll amount for the fiscal year

## Meherrin Regional Library

### Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2025

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### Non-Largest Ten Locality Employers – 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 from 75 to 80 for all |
| Withdrawal Rates  | Adjusted rates to better fit experience at each age and service decrement through 9 years of service   |
| Disability Rates  | No change  |
| Salary Scale  | No change  |
| Line of Duty Disability   | No change  |
| Discount Rate   | No change  |

**Meherrin Regional Library**

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability  
and Related Ratios  
(expressed in thousands)

|  | <u>2024</u>             | <u>2023</u>             | <u>2022</u>             | <u>2021</u>             | <u>2020</u>             | <u>2019</u>             | <u>2018</u>             | <u>2017</u>             |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Total HIC OPEB liability</b>  |                         |                         |                         |                         |                         |                         |                         |                         |
| Service cost   | \$ 207                  | \$ 199                  | \$ 1,891                | \$ 269                  | \$ 383                  | \$ 348                  | \$ 299                  | \$ 1,150                |
| Interest   | 2,345                   | 1,987                   | 1,789                   | 1,593                   | 1,587                   | 1,563                   | 1,251                   | 1,266                   |
| Changes in benefit terms   | -                       | -                       | -                       | -                       | -                       | -                       | -                       | -                       |
| Difference between expected and actual experience  | (6,683)                 | 4,950                   | 1,191                   | 1,769                   | (662)                   | (515)                   | 3,548                   | -                       |
| Changes of assumptions   | -                       | -                       | 1,661                   | (919)                   | -                       | 560                     | -                       | (2,346)                 |
| Benefit payments   | <u>(1,850)</u>          | <u>(1,834)</u>          | <u>(1,968)</u>          | <u>(1,421)</u>          | <u>(1,016)</u>          | <u>(553)</u>            | <u>(707)</u>            | <u>136</u>              |
| <b>Net change in total HIC OPEB liability</b>  | <b>(5,981)</b>          | <b>5,302</b>            | <b>4,564</b>            | <b>1,291</b>            | <b>292</b>              | <b>1,403</b>            | <b>4,391</b>            | <b>206</b>              |
| <b>Total HIC OPEB liability - beginning</b>  | <b><u>35,461</u></b>    | <b><u>30,159</u></b>    | <b><u>25,595</u></b>    | <b><u>24,304</u></b>    | <b><u>24,012</u></b>    | <b><u>22,609</u></b>    | <b><u>18,218</u></b>    | <b><u>18,012</u></b>    |
| <b>Total HIC OPEB liability - ending (a)</b>   | <b><u>\$ 29,480</u></b> | <b><u>\$ 35,461</u></b> | <b><u>\$ 30,159</u></b> | <b><u>\$ 25,595</u></b> | <b><u>\$ 24,304</u></b> | <b><u>\$ 24,012</u></b> | <b><u>\$ 22,609</u></b> | <b><u>\$ 18,218</u></b> |
| <br>   |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Plan fiduciary net position</b>   |                         |                         |                         |                         |                         |                         |                         |                         |
| Contributions - employer   | \$ 1,447                | \$ 1,281                | \$ 975                  | \$ 1,032                | \$ 1,012                | \$ 1,064                | \$ 1,552                | \$ 1,580                |
| Net investment income  | 2,033                   | 1,250                   | 47                      | 4,562                   | 344                     | 1,043                   | 1,025                   | 1,385                   |
| Benefit payments   | (1,850)                 | (1,834)                 | (1,968)                 | (1,421)                 | (1,016)                 | (553)                   | (707)                   | 136                     |
| Administrator charges  | (28)                    | (30)                    | (36)                    | (53)                    | (34)                    | (23)                    | (25)                    | (25)                    |
| Other  | <u>(1)</u>              | <u>22</u>               | <u>399</u>              | <u>-</u>                | <u>-</u>                | <u>(1)</u>              | <u>(67)</u>             | <u>62</u>               |
| <b>Net change in plan fiduciary net position</b>   | <b>1,601</b>            | <b>689</b>              | <b>(583)</b>            | <b>4,120</b>            | <b>306</b>              | <b>1,530</b>            | <b>1,778</b>            | <b>3,138</b>            |
| <b>Plan fiduciary net position - beginning</b>   | <b><u>21,808</u></b>    | <b><u>21,119</u></b>    | <b><u>21,702</u></b>    | <b><u>17,582</u></b>    | <b><u>17,276</u></b>    | <b><u>15,746</u></b>    | <b><u>13,968</u></b>    | <b><u>10,830</u></b>    |
| <b>Plan fiduciary net position - ending (b)</b>  | <b><u>\$ 23,409</u></b> | <b><u>\$ 21,808</u></b> | <b><u>\$ 21,119</u></b> | <b><u>\$ 21,702</u></b> | <b><u>\$ 17,582</u></b> | <b><u>\$ 17,276</u></b> | <b><u>\$ 15,746</u></b> | <b><u>\$ 13,968</u></b> |
| <br>   |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Political subdivision's net HIC OPEB liability - ending (a) - (b)</b>                 | <b><u>\$ 6,071</u></b>  | <b><u>\$ 13,653</u></b> | <b><u>\$ 9,040</u></b>  | <b><u>\$ 3,893</u></b>  | <b><u>\$ 6,722</u></b>  | <b><u>\$ 6,736</u></b>  | <b><u>\$ 6,863</u></b>  | <b><u>\$ 4,250</u></b>  |
| <br>   |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>       | <b>79.41%</b>           | <b>61.50%</b>           | <b>70.03%</b>           | <b>84.79%</b>           | <b>72.34%</b>           | <b>71.95%</b>           | <b>69.64%</b>           | <b>76.67%</b>           |
| <br>   |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Covered payroll</b>   | <b>\$ 286,931</b>       | <b>\$ 256,223</b>       | <b>\$ 263,399</b>       | <b>\$ 279,138</b>       | <b>\$ 273,594</b>       | <b>\$ 287,629</b>       | <b>\$ 254,449</b>       | <b>\$ 259,015</b>       |
| <br>   |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Political subdivision's net HIC OPEB liability as a percentage of covered payroll</b> | <b>2.12%</b>            | <b>5.33%</b>            | <b>3.43%</b>            | <b>1.39%</b>            | <b>2.46%</b>            | <b>2.34%</b>            | <b>2.70%</b>            | <b>1.64%</b>            |

**Meherrin Regional Library**

Schedule of Employer Contributions

Health Insurance Credit - Political Subdivisions

For the Years Ended June 30, 2016 through 2025

| Date | Contributions in Relation to            |   |                                      | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|---|---|--------------------------------------|--------------------------------|---|
|      | Contractually Required Contribution (1) | Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) |                                |   |
| 2025 | \$ 1,533                                | \$ 1,533                                | \$ -                                 | \$ 306,570                     | 0.50%                                       |
| 2024 | 1,435                                   | 1,435                                   | -                                    | 286,931                        | 0.50%                                       |
| 2023 | 1,281                                   | 1,281                                   | -                                    | 256,223                        | 0.50%                                       |
| 2022 | 975                                     | 975                                     | -                                    | 263,399                        | 0.37%                                       |
| 2021 | 1,033                                   | 1,033                                   | -                                    | 279,138                        | 0.37%                                       |
| 2020 | 1,012                                   | 1,012                                   | -                                    | 273,594                        | 0.37%                                       |
| 2019 | 1,064                                   | 1,064                                   | -                                    | 287,629                        | 0.37%                                       |
| 2018 | 1,552                                   | 1,552                                   | -                                    | 254,449                        | 0.61%                                       |
| 2017 | 1,580                                   | 1,580                                   | -                                    | 259,015                        | 0.61%                                       |
| 2016 | 1,634                                   | 1,634                                   | -                                    | 276,902                        | 0.59%                                       |

**For Reference Only:**

Column 1 – Employer contribution rate multiplied by the employer’s covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Employer’s covered payroll amount for the fiscal year

## Meherrin Regional Library

### Notes to Required Supplementary Information – HIC OPEB

For the Year Ended June 30, 2025

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### Non-Largest Ten Locality Employers - 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 from 75 to 80 for all |
| Withdrawal Rates  | Adjusted rates to better fit experience at each age and service decrement through 9 years of service   |
| Disability Rates  | No change  |
| Salary Scale  | No change  |
| Line of Duty Disability   | No change  |
| Discount Rate   | No change  |

# COMPLIANCE SECTION



**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 Trustees  
Meherrin Regional Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities of Meherrin Regional Library, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Meherrin Regional Library's basic financial statements and have issued our report thereon dated November 12, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Meherrin Regional Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meherrin Regional Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Meherrin Regional Library's internal control.

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

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

### Report on Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Credle, Jones & Associates, P.C.*

Credle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 12, 2025