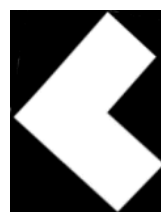


Southside Regional Library
Comprehensive Annual Financial Report
Year Ended June 30, 2015



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

Southside Regional Library

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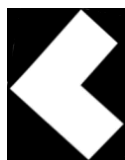
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FINANCIAL SECTION



**Creedle
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southside Regional Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Southside Regional Library as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southside Regional Library's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Southside Regional Library, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-6 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplementary information on pages 33-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of the Southside 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 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 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 Southside Regional Library's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
October 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Southside Regional Library presents the following discussion and analysis as an overview of the Southside Regional Library's financial activities for the fiscal year ending June 30, 2015. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Library's financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Library exceeded its liabilities by \$593,359.98.
- For the fiscal year, general and program revenues of the Library's governmental activities were \$819,403.79 and expenses amounted to \$758,540.96. The Library's total net position increased \$60,862.83.

Highlights for Fund Financial Statements

- As of June 30, 2015, the Library's Governmental Funds reported combined fund balances of \$101,021.24 an increase of \$17,118.39 in comparison with the prior year. Of the combined fund balances, 100 percent, or \$101,021.24, is available to meet the Library's current and future needs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual 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*.

The primary focus of local government financial statements consists of two kinds of statements, each with a different view of the Library's finances. The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on individual parts of the Library's government, reporting the Library's operations in more detail than the government-wide statements. The basic financial statements also contain notes to explain in greater detail, the information found in the financial statements.

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 parks, recreation, and 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. There are three kinds of funds:

Governmental Funds - Most of the Library's basic services are included in 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). The General Fund is the main operating account of the Library and, therefore, the largest of the Governmental Funds. All other Governmental Funds, which include Special Revenue Funds and Capital Projects Funds, are collectively referred to as nonmajor Governmental Funds.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The Library does not have any proprietary funds at this time.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the Library for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the Library's programs. The Library does not have any fiduciary funds at this time.

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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, 2015 and 2014

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 101,021.24	\$ 91,228.75
Net capital assets	674,428.84	669,903.00
Deferred Outflows of Resources	<u>28,474.90</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 803,924.98</u>	<u>\$ 761,131.75</u>
Liabilities		
Other liabilities	\$ 129,488.00	\$ 7,325.90
Long-term liabilities	<u>-</u>	<u>25,414.70</u>
Total Liabilities	129,488.00	32,740.60
Deferred Inflows of Resources	<u>81,077.00</u>	<u>-</u>
Net Position		
Net investment in capital assets	674,428.84	669,903.00
Unrestricted	<u>(81,068.86)</u>	<u>58,488.15</u>
Total Net Position	<u>593,359.98</u>	<u>728,391.15</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 803,924.98</u>	<u>\$ 761,131.75</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2015 and 2014:

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Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues		
Charges for services	\$ 58,968.04	\$ 60,026.99
Operating grants and contributions	713,326.68	700,849.00
General Revenues	<u>47,109.07</u>	<u>31,735.54</u>
Total Revenues	819,403.79	792,611.53
Expenses		
Parks, recreation, and cultural	<u>758,540.96</u>	<u>767,520.04</u>
Total Expenses	<u>758,540.96</u>	<u>767,520.04</u>
Increase in Net Position	60,862.83	25,091.49
Beginning Net Position (Restated)	<u>532,497.15</u>	<u>703,299.66</u>
Ending Net Position	<u>\$ 593,359.98</u>	<u>\$ 728,391.15</u>

Governmental activities increased the Library's net position by \$60,862.83 accounting for 100 percent of the total increase in net position for fiscal year 2015. Revenues from governmental activities totaled \$819,529.78. Operating grants and contributions comprise the largest source of these revenues, totaling \$713,326.68 or 87.04 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$802,411.39. Parks, recreation, and cultural continue to be the Library's only program.

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, 2015 and 2014

	<u>2015</u>		<u>2014</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Parks, recreation, and cultural	\$ 758,540.96	\$ 13,753.76	\$ 767,520.04	\$ (6,644.05)
Total	<u>\$ 758,540.96</u>	<u>\$ 13,753.76</u>	<u>\$ 767,520.04</u>	<u>\$ (6,644.05)</u>

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As of June 30, 2015, the Library's Governmental Funds reported a combined ending fund balance of \$101,021.24, an increase of \$17,118.39 in comparison with the prior year. Of the fund balance, 100 percent, or \$101,021.24, is available for spending at the Library's discretion (unassigned fund balance). The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 12.59 percent of total fund expenditures.

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						
General Fund						
For the Fiscal Years Ended June 30, 2015 and 2014						
	<u>Original Budget</u>	<u>2015 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2014 Final Budget</u>	<u>Actual</u>
Revenues						
State aid	\$ 189,973.00	\$ 189,973.00	\$ 190,095.68	\$ 178,618.00	\$ 178,618.00	\$ 178,618.00
Intergovernmental	522,231.00	522,231.00	522,231.00	522,231.00	522,231.00	522,231.00
Fines, copies, faxes, and other	51,500.00	42,070.00	45,803.86	41,400.00	46,445.00	46,580.19
Charges for services	14,927.00	14,905.00	14,343.43	12,531.00	14,046.00	13,446.80
Miscellaneous	-	50.00	47,055.81	11,500.00	30,665.00	31,129.09
Total	778,631.00	769,229.00	819,529.78	766,280.00	792,005.00	792,005.08
Expenditures	778,631.00	769,229.00	802,411.39	766,280.00	801,135.00	802,374.82
Excess (Deficiency) of Revenues Over Expenditures	-	-	17,118.39	-	(9,130.00)	(10,369.74)
Prior Year Surplus	-	-	-	-	9,130.00	-
Change in Fund Balance	\$ -	\$ -	\$ 17,118.39	\$ -	\$ -	\$ (10,369.74)

Actual revenues were \$50,300.78 more than final budget amounts, while actual expenditures were \$33,182.39 or 4.32 percent more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2015, the Library's net investment in capital assets totals \$674,428.84 which is net capital assets less related debt.

During fiscal year 2015, the Library's net capital assets (including additions, decreases, and depreciation) increased \$4,525.84 or .68 percent, as summarized below:

Change in Capital Assets			
Governmental Activities			
	<u>Balance July 1, 2014</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2015</u>
Furniture and equipment	\$ 400,661.20	\$ 50,771.42	\$ 451,432.62
Books	2,523,310.08	(36,662.42)	2,486,647.66
Total Capital Assets	2,923,971.28	14,109.00	2,938,080.28
Less: Accumulated depreciation and amortization	(2,254,068.28)	(9,583.16)	(2,263,651.44)
Net Capital Assets	\$ 669,903.00	\$ 4,525.84	\$ 674,428.84

Long-Term Debt

As of June 30, 2015, the Library's long-term obligations total \$-0-.

More detailed information on the Library's long-term obligations is presented in Note 1E to the financial statements.

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 Sylvia Leigh Lambert, 1294 Jefferson Street, P.O. Box 10, Boydton, Virginia 23917, telephone 434-738-6580, or visit the Library's website at www.srlib.org.

BASIC FINANCIAL STATEMENTS

Southside Regional Library

Statement of Net Position

At June 30, 2015

Assets

Cash and cash equivalents	\$ 101,021.24
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Capital Assets

Capital assets, net of accumulated depreciation	674,428.84
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Deferred Outflows of Resources

Deferred outflows - pension liability	<u>28,474.90</u>
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Total Assets and Deferred Outflows of Resources	<u>\$ 803,924.98</u>
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Liabilities

Accounts payable and accrued expenses	\$ -
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Long-term liabilities

Net pension liability	<u>129,488.00</u>
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Total Liabilities	129,488.00
-------------------	------------

Deferred Inflows of Resources

Deferred inflows - pension liability	81,077.00
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Net Position

Net investment in capital assets	674,428.84
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Unrestricted	<u>(81,068.86)</u>
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Total Net Position	<u>593,359.98</u>
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Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 803,924.98</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Southside Regional Library

Statement of Activities

For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
				<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
Parks, recreation, and cultural	\$ 758,540.96	\$ 58,968.04	\$ 713,326.68	\$ 13,753.76
Total Governmental Activities	\$ 758,540.96	\$ 58,968.04	\$ 713,326.68	13,753.76
General Revenues				
Interest income				3.14
Miscellaneous				47,105.93
Total General Revenues				47,109.07
Change in Net Position				60,862.83
Net Position - Beginning of Year (Restated)				532,497.15
Net Position - End of Year				\$ 593,359.98

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

Southside Regional Library

Balance Sheet

Governmental Funds

As of June 30, 2015

Assets

Cash held by County Treasurer	\$ 79,930.11
Cash in checking accounts	<u>21,091.13</u>
Total Assets	<u>\$ 101,021.24</u>

Liabilities

Accrued salaries	\$ -
Payroll taxes payable	<u>-</u>
Total Liabilities	-

Fund Balance

Unassigned	<u>101,021.24</u>
Total Fund Balance	<u>101,021.24</u>
Total Liabilities and Fund Balance	<u>\$ 101,021.24</u>

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

Southside Regional Library

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

At June 30, 2015

Total Fund Balances for Governmental Funds		\$ 101,021.24
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	\$ 674,428.84	
Total Capital Assets		674,428.84
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions	28,474.90	
Deferred inflows of resources related to pensions	<u>(81,077.00)</u>	
Total Deferred Outflows and Inflows of Resources		(52,602.10)
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:		
Net pension liability	(129,488.00)	
Compensated absences	<u>-</u>	
Total		<u>(129,488.00)</u>
Total Net Position of Governmental Activities		<u>\$ 593,359.98</u>

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

Southside Regional Library

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

As of June 30, 2015

Revenues

State contributions	\$ 190,095.68
County appropriations	507,366.00
Town appropriations	14,865.00

Miscellaneous Income

Fines	\$ 9,352.33	
Copies and faxes	32,266.15	
Reimbursements	14,343.43	
Books sold, lost, or damaged	3,006.13	
Other	<u>2,179.25</u>	
Total Miscellaneous Income		61,147.29
Donations		46,052.67
Interest income		<u>3.14</u>
Total Revenues		819,529.78

Expenditures

Payroll and Related Expenses

Salaries and wages	448,077.43	
Payroll taxes and other fringes	36,281.85	
Retirement expense	28,474.90	
Health insurance	<u>23,921.64</u>	
Total Payroll and Related Expenses		536,755.82

Materials

Books	72,343.77	
Periodicals	10,275.39	
A/V materials	14,393.81	
Electronic format materials	1,249.21	
Microform	<u>1,060.50</u>	
Total Materials		99,322.68

Supplies	17,272.73
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Furniture and Equipment

Library furniture and equipment	15,196.90	
Computer hardware	<u>37,643.88</u>	
Total Furniture and Equipment		52,840.78

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

Miscellaneous

Building maintenance and cleaning	16,109.83
Automobile	1,272.50
Travel	987.66
Insurance	4,515.00
Telephone and postage	23,192.17
Other contract services	6,251.75
Computer services	26,338.22
Computer software	3,097.27
Professional fees	5,467.50
Continuing education	215.00
Miscellaneous	<u>8,772.48</u>
 Total Expenditures	 <u>802,411.39</u>
 Excess (Deficiency) of Revenues Over Expenditures	 17,118.39
 Fund Balance - Beginning of Year	 <u>83,902.85</u>
 Fund Balance - End of Year	 <u><u>\$ 101,021.24</u></u>

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

Southside 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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 17,118.39
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

4,525.84

Government funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	\$ 28,474.90	
Cost of benefits earned net of employee contributions	<u>(14,671.00)</u>	
		13,803.90

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Compensated absences	<u>25,414.70</u>	
Net Adjustment		<u>25,414.70</u>

Change in Net Position of Governmental Activities	<u><u>\$ 60,862.83</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Southside Regional Library

Notes to the Financial Statements

Year Ended June 30, 2015

1 Summary of Significant Accounting Policies

Narrative Profile

The Southside Regional Library (the “Library”) has branches located in Boynton, Chase City, Clarksville, Kenbridge, South Hill, and Victoria. The Library is governed by a five-member Board of Trustees appointed by the Board of Supervisors in Mecklenburg and Lunenburg Counties. The Board consists of three members from Mecklenburg County and two members from Lunenburg County, each serving terms of four years. The purpose of the Library is to provide its communities with materials and services to help residents obtain information meeting their educational, vocational, cultural, personal, and recreational needs. Special emphasis is placed on stimulating children’s interests as well as promoting all users’ appreciation for reading and lifelong learning. The Library functions as an essential part of the community.

The financial statements of the Southside 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 new requirements and a new 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 the 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: In June 2012, the 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.

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 reporting model focuses on either the Library as a whole or major individual funds (within 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.

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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 Library's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Library has no fiduciary funds at this time. The following is a brief description of the specific funds used by the Library in fiscal year 2015:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary Funds. 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 Funds are:

a. 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.

b. Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Library does not have any Special Revenue Funds at this time.

c. Debt Service Funds

The Library does not account for its debt service in a separate fund. The debt is paid from the General Fund. There is no debt this year.

d. Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. The Library does not have any Capital Projects Funds at this time.

2. *Proprietary Funds*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

a. Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of Enterprise Funds is that the cost of providing services to the general public be financed or recovered through user charges. The Library does not have any Enterprise Funds at this time.

b. Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Library's government on a cost-reimbursement basis. The Library does not use Internal Service Funds at this time.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. The Library has no Fiduciary Funds at this time.

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 government-wide Statements of Net Position and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The fund financial statements of the General, Special Revenue, and Capital Projects 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. 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.

Budgetary Data

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. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2015, as adopted, appropriated, and legally amended.

E. Compensated Absences

Library employees earn vacation and sick leave based on time worked. Employees receive no accumulated sick leave upon termination. Vacation leave is paid up to a maximum of 36 days based upon the number of years of service.

F. Pensions

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.

G. 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.

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 Federal Depository Insurance.

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, 2015.

3 **Claims, Judgments, and Compensated Absences**

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Library has accrued the liability arising from outstanding claims, judgments, and 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 36 days based upon the number of years of service. The Southside Regional Library paid out all compensated absences as of June 30, 2015.

4 **Pension Plan**

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by 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 are paying 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 a 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, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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.

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

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

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. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

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

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after 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. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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 creditable service. 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

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

Creditable Service

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.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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, creditable service 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 creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined 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 calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

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 creditable service 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 is not required by law until age 70 1/2.

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 creditable service or at age 50 with at least 30 years of creditable service.

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

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

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

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 creditable service or when their age and service 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 creditable service.

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 creditable service or when their age and service 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 Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

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 and Plan 2

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 under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

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.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

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.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2013 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	5
Inactive members:	
Vested inactive members	1
Non-vested inactive members	1
Inactive members active elsewhere in VRS	<u>-</u>
Total inactive members	2
Active members	<u>10</u>
Total covered employees	<u><u>17</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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 5.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$28,474.90 and \$34,189.12 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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, 2013, 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, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U. S. Equity	19.50%	6.46%	1.26%
Developed Non U. S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	<u>1.00%</u>	-1.50%	<u>-0.02%</u>
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 1,390,818.00	\$ 1,160,735.00	\$ 230,083.00
Changes for the Year			
Service cost	33,515.00	-	33,515.00
Interest	94,775.00	-	94,775.00
Differences between expected and actual experience	-	-	-
Contributions - employer	-	34,189.00	(34,189.00)
Contributions - employee	-	14,012.00	(14,012.00)
Net investment income	-	181,667.00	(181,667.00)
Benefit payments, including refunds of employee contributions	(73,782.00)	(73,782.00)	-
Administrative expenses	-	(992.00)	992.00
Other changes	-	9.00	(9.00)
Net Changes	54,508.00	155,103.00	(100,595.00)
Balances at June 30, 2014	<u>\$ 1,445,326.00</u>	<u>\$ 1,315,838.00</u>	<u>\$ 129,488.00</u>

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

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	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
Political subdivision's			
Net Pension Liability	\$272,563.00	\$129,488.00	\$6,590.00

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of \$14,671. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	81,077.00
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 81,077.00</u>

\$28,474.90 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	20,269.00
2017	20,269.00
2018	20,269.00
2019	20,270.00
Thereafter	-

5 Surety Bond Information

The following bonds were in effect as of June 30, 2015:

<u>Name</u>	<u>Surety</u>	<u>Amount</u>
Library Employees	Virginia Municipal Liability Pool	\$ 10,000.00

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6 Local Government Contributions

County of Mecklenburg	\$ 357,092.00
County of Lunenburg	150,274.00
Town of Boydton	700.00
Town of Chase City	3,500.00
Town of Clarksville	1,900.00
Town of South Hill	4,000.00
Town of Kenbridge	1,765.00
Town of Victoria	<u>3,000.00</u>
Total Local Government Contributions	<u>\$ 522,231.00</u>

7 Expenditures of State Aid

State aid payments were budgeted and expended as follows:

	<u>Budget</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Difference</u>
Books and materials	\$ 91,528.00	\$ 91,528.00	\$ 90,940.60	\$ 587.40
Salaries and fringes	51,135.00	51,135.00	51,135.00	-
Equipment	31,085.00	31,085.00	31,879.86	(794.86)
Other	1,096.00	1,096.00	1,095.84	0.16
Supplies	9,104.00	9,104.00	9,107.63	(3.63)
Contractual services	<u>6,025.00</u>	<u>6,025.00</u>	<u>5,936.75</u>	<u>88.25</u>
Total	<u>\$ 189,973.00</u>	<u>\$ 189,973.00</u>	<u>\$ 190,095.68</u>	<u>\$ (122.68)</u>

8 Capital Assets

Primary Government

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Other Capital Assets				
Furniture, equipment, and vehicles	\$ 400,661.20	\$ 52,628.41	\$ 1,856.99	\$ 451,432.62
Books	<u>2,523,310.08</u>	<u>86,737.58</u>	<u>123,400.00</u>	<u>2,486,647.66</u>
Total Other Capital Assets	2,923,971.28	139,365.99	125,256.99	2,938,080.28
Less: Accumulated depreciation for				
Furniture, equipment, and vehicles	292,743.28	32,520.16	1,731.00	323,532.44
Books	<u>1,961,325.00</u>	<u>102,194.00</u>	<u>123,400.00</u>	<u>1,940,119.00</u>
Total Accumulated Depreciation	<u>2,254,068.28</u>	<u>134,714.16</u>	<u>125,131.00</u>	<u>2,263,651.44</u>
Other Capital Assets, Net	<u>669,903.00</u>	<u>4,651.83</u>	<u>125.99</u>	<u>674,428.84</u>
Net Capital Assets	<u>\$ 669,903.00</u>	<u>\$ 4,651.83</u>	<u>\$ 125.99</u>	<u>\$ 674,428.84</u>

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9 Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68--*Accounting and Financial Reporting 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. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

10 Restatement of Net Position

The following table reflects the restatement of net position due to the implementation of GASB No. 68:

Restatement of Net Position

Beginning balance, June 30, 2014	\$ 728,391.15
Net pension liability July 1	(230,083.00)
Affect of prior year 2014 contributions	<u>34,189.00</u>
Restated Net Position, July 1, 2014	<u>\$ 532,497.15</u>

11 Subsequent Events

Lunenburg County withdrew itself from the Southside Regional Library effective July 1, 2015. As a result, the Southside Regional Library ceased to be a separate entity. As of July 1, 2015, they became a "department" under the jurisdiction of Mecklenburg County.

More information about the Mecklenburg County Library can be found online at www.mecklib.org and www1.youseemore.com/mecklib/.

REQUIRED SUPPLEMENTARY INFORMATION

Southside Regional Library

Budgetary Comparison Schedule

As of June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State aid	\$ 189,973.00	\$ 189,973.00	\$ 190,095.68	\$ 122.68
County appropriations	507,366.00	507,366.00	507,366.00	-
Town appropriations	14,865.00	14,865.00	14,865.00	-
Miscellaneous	-	1,000.00	1,000.00	-
Fines, copies, faxes, and other	51,500.00	42,070.00	45,803.86	3,733.86
E-Rate reimbursement	14,927.00	13,905.00	14,343.43	438.43
Donations	-	50.00	46,052.67	46,002.67
Interest income	-	-	3.14	3.14
Total Revenues	778,631.00	769,229.00	819,529.78	50,300.78
Expenditures				
Payroll	552,289.00	541,661.00	536,755.82	4,905.18
Materials	96,543.00	93,664.00	99,322.68	(5,658.68)
Supplies	9,800.00	15,038.00	17,272.73	(2,234.73)
Furniture and equipment	20,000.00	45,054.00	52,840.78	(7,786.78)
Building maintenance	3,800.00	3,910.00	16,109.83	(12,199.83)
Automobile	700.00	1,081.00	1,272.50	(191.50)
Travel	1,900.00	988.00	987.66	0.34
Insurance	5,000.00	4,515.00	4,515.00	-
Professional fees	8,000.00	5,240.00	5,467.50	(227.50)
Postage	2,350.00	2,600.00	2,483.10	116.90
Telephone	18,658.00	20,421.00	20,709.07	(288.07)
Contractual services	23,000.00	6,340.00	6,251.75	88.25
Computer services	20,000.00	23,380.00	26,338.22	(2,958.22)
Computer software	1,000.00	3,097.00	3,097.27	(0.27)
Continuing education	500.00	215.00	215.00	-
Miscellaneous	15,091.00	2,025.00	8,772.48	(6,747.48)
Total Expenditures	778,631.00	769,229.00	802,411.39	(33,182.39)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	17,118.39	\$ 17,118.39
Fund Balance - Beginning of Year			83,902.85	
Fund Balance - End of Year			\$ 101,021.24	

Southside Regional Library

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

Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 33,515
Interest	94,775
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, including refunds of employee contributions	(73,782)
Net change in total pension liability	54,508
Total pension liability - beginning	1,390,818
Total pension liability - ending (a)	<u>\$ 1,445,326</u>
 Plan fiduciary net position	
Contributions - employer	\$ 34,189
Contributions - employee	14,012
Net investment income	181,667
Benefit Payments, including refunds of employee contributions	(73,782)
Administrative expense	(992)
Other	9
Net change in plan fiduciary net position	155,103
Plan fiduciary net position - beginning	1,160,735
Plan fiduciary net position - ending (b)	<u>\$ 1,315,838</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 129,488</u>
 Plan fiduciary net position as a percentage of the total Pension liability	91.04%
 Covered--employee payroll	\$ 289,071
 Political subdivision's net pension liability as a percentage of covered-employee payroll	44.80%

Southside Regional Library

Schedule of Employer Contributions

For the Year Ended June 30, 2015

Date	Contributions in Relation to			Employer's		Contributions as a % of Covered Employee Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered Employee Payroll (4)		
2015	\$ 28,475	\$ 28,475	\$ -	\$ 289,071		9.85%

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

Column 3 – Employer's covered employee payroll amount for the fiscal year ended June 30, 2015

Southside Regional Library

Notes to Required Supplemental Information

For the Year Ended June 30, 2015

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

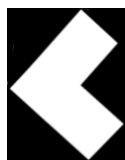
All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

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

To the Board of Trustees
Southside 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 the Southside Regional Library, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southside Regional Library's basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southside Regional Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southside Regional Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southside 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southside 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing 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.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
October 21, 2015