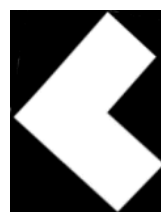


***Meherrin Regional Library***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2016***



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

## Meherrin Regional Library

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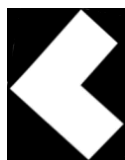
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## **FINANCIAL SECTION**



**Creedle  
Jones  
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*A Professional Corporation*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Meherrin Regional Library

### Report on the Financial Statements

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, 2016, 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.

### 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 Meherrin Regional Library, as of June 30, 2016, 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.

### **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 1-5 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 supplemental information on pages 32-36 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 September 29, 2016, 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 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 Meherrin 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  
September 29, 2016

## 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, 2016. We encourage readers to read this discussion and analysis in conjunction with the Library's basic financial statements.

### Financial Highlights

#### Highlights for Government-Wide Financial Statements

- 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 \$558,213.
- For the fiscal year, general and program revenues of the Library's governmental activities were \$615,877 and expenses amounted to \$598,037. The Library's total net position increased \$17,840.

#### Highlights for Fund Financial Statements

- As of June 30, 2016, the Library reported a fund balance of \$59,408 a decrease of \$8,095 in comparison with the prior year. The entire amount of the combined fund balances 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*.

### 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. 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). The General Fund is the main operating account of the Library.

## 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, 2016 and 2015

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current and other assets	\$ 86,517	\$ 90,884
Net capital assets	540,073	548,357
<b>Deferred Outflows of Resources</b>	<u>22,661</u>	<u>22,452</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 649,251</u>	<u>\$ 661,693</u>
<b>Liabilities</b>		
Other liabilities	\$ 9,865	\$ 8,432
Long-term liabilities	<u>33,060</u>	<u>31,009</u>
Total Liabilities	42,925	39,441
<b>Deferred Inflows of Resources</b>	48,113	81,879
<b>Net Position</b>		
Net investment in capital assets	540,073	548,357
Unrestricted	<u>18,140</u>	<u>(7,984)</u>
Total Net Position	<u>558,213</u>	<u>540,373</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 649,251</u>	<u>\$ 661,693</u>

## Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2016 and 2015:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 40,924	\$ 39,242
Operating grants and contributions	570,703	537,457
Investment earnings	23	25
Miscellaneous	<u>4,227</u>	<u>-</u>
Total Revenues	615,877	576,724
<b>Expenses</b>		
Parks, recreation, and cultural	<u>598,037</u>	<u>585,147</u>
Total Expenses	<u>598,037</u>	<u>585,147</u>
Increase (Decrease) in Net Position	17,840	(8,423)
Beginning Net Position	<u>540,373</u>	<u>548,796</u>
Ending Net Position	<u>\$ 558,213</u>	<u>\$ 540,373</u>

Governmental activities increased the Library's net position by \$17,840. Revenues from governmental activities totaled \$615,877. Operating grants and contributions comprise the largest source of these revenues, totaling \$570,703 or 92.67 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$598,037. 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, 2016 and 2015

	<u>2016</u>		<u>2015</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	\$ 598,037	\$ 13,590	\$ 585,147	\$ (8,448)
Total	<u>\$ 598,037</u>	<u>\$ 13,590</u>	<u>\$ 585,147</u>	<u>\$ (8,448)</u>



## FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As of June 30, 2016, the Library's Governmental Fund reported an ending fund balance of \$59,408 a decrease of \$8,095 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						
General Fund						
For the Fiscal Years Ended June 30, 2016 and 2015						
	<u>2016</u>			<u>2015</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	\$ 608,908	\$ 622,304	\$ 615,854	\$ 612,356	\$ 608,561	\$ 576,724
Total	608,908	622,304	615,854	612,356	608,561	576,724
<b>Expenditures</b>	<u>608,908</u>	<u>622,304</u>	<u>623,972</u>	<u>612,356</u>	<u>608,561</u>	<u>583,653</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(8,118)	-	-	(6,929)
<b>Other Financing Sources (Uses)</b>	-	-	23	-	-	-
Change in Fund Balance	\$ -	\$ -	\$ (8,095)	\$ -	\$ -	\$ (6,929)

Final budget amounts exceeded actual revenue amounts by \$6,450, while actual expenditure amounts exceeded final budget amounts by \$1,668.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

As of June 30, 2016, the Library's net investment in capital assets totals \$540,073, which is net capital assets less related debt.

During fiscal year 2016, the Library's net capital assets (including additions, decreases, and depreciation) decreased \$8,284, or 1.51 percent, as summarized below:

## Change in Capital Assets

### Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Furniture and equipment	\$ 320,787	\$ 8,194	\$ 328,981
Books	<u>1,732,643</u>	<u>(176,082)</u>	<u>1,556,561</u>
Total Capital Assets	2,053,430	(167,888)	1,885,542
Less: Accumulated depreciation and amortization	<u>1,505,073</u>	<u>159,604</u>	<u>1,345,469</u>
Net Capital Assets	<u>\$ 548,357</u>	<u>\$ (8,284)</u>	<u>\$ 540,073</u>

### Long-Term Debt

As of June 30, 2016, the Library's long-term obligations total \$33,060.

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
<b>Governmental Activities</b>			
Compensated absences	<u>\$ 31,009</u>	<u>\$ 2,051</u>	<u>\$ 33,060</u>

More detailed information on the Library's long-term obligations is presented in Note 9 to the financial statements.

### NEXT YEAR'S BUDGET AND RATES

The fiscal year 2017 proposed budget anticipates General Fund revenues and expenditures to be \$619,569, a 0.44 percent decrease over the fiscal year 2016 budget. Revenues are comprised primarily of contributions from counties at 63.77 percent and state aid comprising 21.66 percent. The Library's salaries continue to be the largest expenditure area at 56.79 percent 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 Polly Duffey, 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, 2016

### Assets

Cash and cash equivalents	\$ 69,273
---------------------------	-----------

### Capital Assets

Net capital assets	540,073
--------------------	---------

### Other Assets

Net pension asset	17,244
-------------------	--------

### Deferred Outflows of Resources

Deferred outflows - pension liability	<u>22,661</u>
---------------------------------------	---------------

Total Assets and Deferred Outflows of Resources	<u>\$ 649,251</u>
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### Liabilities

Accounts payable and accrued expenses	\$ 9,865
---------------------------------------	----------

Compensated absences	<u>33,060</u>
----------------------	---------------

Total Liabilities	42,925
-------------------	--------

### Deferred Inflows of Resources

Deferred inflows - pension liability	48,113
--------------------------------------	--------

### Net Position

Net investment in capital assets	540,073
----------------------------------	---------

Unrestricted	<u>18,140</u>
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Total Net Position	<u>558,213</u>
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Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 649,251</u>
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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, 2016

<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>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Parks, recreation, and cultural	\$ 598,037	\$ 40,924	\$ 570,703	\$ 13,590
Total Governmental Activities	<u>\$ 598,037</u>	<u>\$ 40,924</u>	<u>\$ 570,703</u>	13,590
<b>General Revenues</b>				
Miscellaneous				4,227
Investment earnings				<u>23</u>
Total General Revenues				<u>4,250</u>
Change in Net Position				17,840
Net Position - Beginning of Year				<u>540,373</u>
Net Position - End of Year				<u>\$ 558,213</u>

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

**Meherrin Regional Library**

Balance Sheet

As of June 30, 2016

**Assets**

Cash held by County Treasurer	\$ 69,273
-------------------------------	-----------

Total Assets	<u>\$ 69,273</u>
--------------	------------------

**Liabilities**

Accrued liabilities	\$ 9,865
---------------------	----------

Total Liabilities	9,865
-------------------	-------

**Fund Balance**

Unassigned	<u>59,408</u>
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Total Fund Balance	<u>59,408</u>
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Total Liabilities and Fund Balance	<u>\$ 69,273</u>
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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, 2016

Total Fund Balances for Governmental Funds	\$	59,408
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	\$	<u>540,073</u>
Total Capital Assets		540,073
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		22,661
Deferred inflows of resources related to pensions		<u>(48,113)</u>
Total Deferred Outflows and Inflows of Resources		(25,452)
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		(33,060)
Net pension (liability) asset		<u>17,244</u>
Total		<u>(15,816)</u>
Total Net Position of Governmental Activities	\$	<u><u>558,213</u></u>

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, 2016**Revenues**

Local government contributions	\$ 394,277
Grant from Commonwealth of Virginia	133,837
Other grants	35,976
Copies	4,827
Faxes	13,875
Fines and fees	8,905
Lost or damaged books	5,184
Gifts and donations	6,613
Computer printouts	6,264
Other sales	1,869
Miscellaneous	4,227
Total Revenues	615,854

**Expenditures**

Salaries and wages	339,213
Payroll taxes and fringe benefits	96,897
Administrative service/support	4,921
Advertising	57
Audit	6,650
Automation system	16,662
Books	38,928
Capital outlay	8,194
Children's enhancement fund	320
Computer hardware	4,450
Copy machine	5,667
Dues and associations	2,007
Furniture and equipment	571
Insurance	4,290
Internet access	25,607
Management software/support	5,456
Miscellaneous	598
Network administration	4,000
Non-print	6,704
Office supplies	9,803
Periodical subscriptions	4,229
Postage	909
Professional development	4,757
Programs and projects	7,207
Repairs and maintenance	14,193
Software	6,119
Telephone	4,049
Vehicle fuel and repairs	1,514
Total Expenditures	623,972

Excess (Deficiency) of Revenues Over Expenditures (8,118)

**Other Financing Sources (Uses)**

Interest income	23
Total Other Financing Sources (Uses)	23

Net Change in Fund Balance	(8,095)
Fund Balance - Beginning of Year	67,503
Fund Balance - End of Year	\$ 59,408

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (8,095)
--	------------

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 depreciation expense exceeded capital outlays in the current period.

(8,284)

Governmental 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	\$ 22,661
Cost of benefits earned net of employee contributions	<u>13,609</u>

36,270

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>(2,051)</u>
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Net Adjustment	<u>(2,051)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 17,840</u></u>
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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, 2016

## 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.

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 2016:

#### *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 is 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.

#### *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. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2016, as adopted, appropriated, and legally amended.

**E. 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.

**F. 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.

**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.

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## **H. Adoption of New GASB Statements**

During the fiscal year ended June 30, 2016, the Library adopted the following GASB statements:

- Statement No. 72, "Fair Value Measurement and Application"
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"
- Statement No. 77, "Tax Abatement Disclosures"

The adoption of these statements had no effect on the current financial statements.

## **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, 2016.

## **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 \$33,060 for the governmental activities.

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## 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 pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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## 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, 2014 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	8
Inactive members:	
Vested inactive members	3
Non-vested Inactive members	2
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	9
Active members	<u>8</u>
Total covered employees	<u><u>25</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, 2016 was 8.21% 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 \$22,661 and \$22,452 for the years ended June 30, 2016 and June 30, 2015, respectively.

### **Net Pension Liability**

The political subdivisions net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

### **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, 2014, 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, 2015.



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, 2014 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>		5.83%
	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%.

### 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***

		<b><u>Increase (Decrease)</u></b>	
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 1,331,522	\$ 1,346,471	\$ (14,949)
<b>Changes for the Year</b>			
Service cost	29,363	-	29,363
Interest	92,364	-	92,364
Differences between expected and actual experience	(26,274)	-	(26,274)
Contributions - employer	-	22,452	(22,452)
Contributions - employee	-	13,673	(13,673)
Net investment income	-	62,468	(62,468)
Benefit payments, including refunds of employee contributions	(24,080)	(24,080)	-
Administrative expenses	-	(831)	831
Other changes	-	(14)	14
Net Changes	<u>71,373</u>	<u>73,668</u>	<u>(2,295)</u>
Balances at June 30, 2015	<u>\$ 1,402,895</u>	<u>\$ 1,420,139</u>	<u>\$ (17,244)</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:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's Net Pension Liability	\$ 168,956	\$ (17,244)	\$(172,410)

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$(36,270). At June 30, 2016, 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	\$ -	\$ 12,446
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	35,667
Employer contributions subsequent to the measurement date	<u>22,661</u>	<u>-</u>
Total	<u>\$ 22,661</u>	<u>\$ 48,113</u>

\$22,661 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 fiscal year ending June 30, 2017. 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,**

2017	\$ (26,481)
2018	(14,035)
2019	14,034
2020	6,437
2021	-
Thereafter	-

## 5 Surety Bond Information

The following bonds were in effect as of June 30, 2016:

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

## 6 Local Government Contributions

County of Brunswick	\$ 187,892
County of Greenville	111,436
City of Emporia	<u>94,949</u>
Total Local Government Contributions	<u>\$ 394,277</u>

## 7 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	\$ 56,016	\$ 55,980	\$ (36)
Salaries and fringes	33,459	33,459	-
Internet access	9,008	9,008	-
Equipment	4,400	4,450	50
Furniture	1,062	571	(491)
Supplies	8,128	8,436	308
Other	17,264	17,264	-
Contractual services	2,000	2,169	169
Fellowship	2,500	2,500	-
	<u>\$ 133,837</u>	<u>\$ 133,837</u>	<u>\$ -</u>

## 8 Capital Assets

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

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Furniture and equipment	\$ 320,787	\$ 8,194	\$ -	\$ 328,981
Books	1,732,643	38,928	(215,010)	1,556,561
Total Capital Assets	2,053,430	47,122	(215,010)	1,885,542
Less: Accumulated depreciation and amortization	1,505,073	55,406	(215,010)	1,345,469
Net Capital Assets	<u>\$ 548,357</u>	<u>\$ (8,284)</u>	<u>\$ -</u>	<u>\$ 540,073</u>

## 9 Long-Term Debt

### GOVERNMENTAL ACTIVITIES

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

<u>Year Ended June 30, 2016</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Compensated absences	\$ 33,060	\$ -

### Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
Compensated absences	\$ 31,009	\$ 2,051	\$ -	\$ 33,060	\$ 33,060

## 10 Postemployment Healthcare Plan

### Plan Description

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be \$1.50 per year of creditable service, which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees are eligible to receive a maximum monthly credit of \$45.

If an eligible employee has worked for more than one employer in VRS, for the purpose of this valuation, their most current (or last) employer assumes full liability for that employee.

Following are disclosures for the Library's postemployment benefits:

### Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Liability (AAL)</u> <u>Projected</u> <u>Unit Credit</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a)/(b)</u>	<u>Covered</u> <u>Payroll*</u> <u>(c)</u>	<u>UAAL as a</u> <u>% of</u> <u>Covered Payroll</u> <u>(b-a)/(c)</u>
<b>6/30/2015</b>	<b>\$ 9,132</b>	<b>\$ 16,514</b>	<b>\$ 7,382</b>	<b>55.30%</b>	<b>\$ 275,135</b>	<b>2.68%</b>
6/30/2014	7,183	15,063	7,880	47.69%	267,121	2.95%
6/30/2013	4,953	13,839	8,886	35.79%	267,121	3.33%

\*Annual salaries for valuations after 6/30/2010 consist of only those employees with an actuarial accrued liability with the Meherrin Regional Library and do not include the salary for the constitutional officers, employees of constitutional officers, general registrars, employees of general registrars, and local social service employees. Annual salaries for the valuation prior to 6/30/2011 consist of all employees within the Meherrin Regional Library, including constitutional officers, employees of constitutional officers, general registrars, employees of general registrars, and local social service employees, whose actuarial accrued liability is not with the Meherrin Regional Library.

Summary of actuarial assumptions and methods is as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	19 - 28 Years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment rate of return*	7.00%
Payroll Growth Rate	3.00%

\*Includes inflation of 2.50%

# **REQUIRED SUPPLEMENTARY INFORMATION**

## Meherrin Regional Library

## Budgetary Comparison Schedule

As of June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Local government contributions	\$ 391,223	\$ 394,277	\$ 394,277	\$ -
Grant from Commonwealth of Virginia	133,680	133,837	133,837	-
Other grants	24,414	26,414	35,976	9,562
Rental of general property	50	50	-	(50)
Copies	5,525	5,525	4,827	(698)
Faxes	12,000	12,000	13,875	1,875
Computer printouts	5,600	5,600	6,264	664
Other sales	1,966	1,966	1,869	(97)
Fines and fees	10,100	10,100	8,905	(1,195)
Lost or damaged books	5,150	5,150	5,184	34
Gifts and donations	3,200	7,423	6,613	(810)
Miscellaneous	5,840	5,840	4,227	(1,613)
Reserve funds	10,160	14,122	-	(14,122)
Total Revenues	608,908	622,304	615,854	(6,450)
<b>Expenditures</b>				
Salaries and wages	344,979	345,241	339,213	6,028
Payroll taxes and fringe benefits	101,771	101,508	96,897	4,611
Administrative service/support	4,200	4,200	4,921	(721)
Advertising	300	300	57	243
Automation system	17,652	17,652	16,662	990
Books	37,865	37,982	38,928	(946)
Capital outlay	-	-	8,194	(8,194)
Children's enhancement fund	5,841	5,841	320	5,521
Computer hardware	4,400	4,400	4,450	(50)
Contingency/reserve	3,013	2,102	-	2,102
Copy machine	5,500	5,500	5,667	(167)
Dues and associations	1,250	1,250	2,007	(757)
Furniture and equipment	1,062	1,062	571	491
Insurance	5,000	5,000	4,290	710
Internet access	15,374	17,374	25,607	(8,233)
Management software/support	5,154	5,154	5,456	(302)
Miscellaneous	300	300	598	(298)
Network administration	4,000	4,000	4,000	-
Non-print	6,520	6,520	6,704	(184)
Office supplies	8,718	8,718	9,803	(1,085)
Periodical subscriptions	4,577	4,577	4,229	348
Postage	1,400	1,400	909	491
Professional development	4,598	4,598	4,757	(159)
Professional fees	6,650	6,650	6,650	-
Programs and projects	3,113	3,113	7,207	(4,094)
Public relations	50	50	-	50
Repairs and maintenance	635	12,412	14,193	(1,781)
Software	6,936	6,936	6,119	817
Telephone	5,050	5,464	4,049	1,415
Vehicle fuel and repairs	3,000	3,000	1,514	1,486
Total Expenditures	608,908	622,304	623,972	(1,668)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(8,118)	(8,118)
<b>Other Financing Sources (Uses)</b>				
Interest income	-	-	23	23
Total Other Financing Sources (Uses)	-	-	23	23
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(8,095)	<u>\$ (8,095)</u>
Fund Balance - Beginning of Year			67,503	
Fund Balance - End of Year			<u>\$ 59,408</u>	



## Meherrin Regional Library

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

Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 29,363	\$ 28,877
Interest	92,364	86,008
Changes of benefit terms	-	-
Differences between expected and actual experience	(26,274)	-
Changes in assumptions	-	-
Benefit Payments, including refunds of employee contributions	<u>(24,080)</u>	<u>(24,085)</u>
<b>Net change in total pension liability</b>	<b>71,373</b>	90,800
<b>Total pension liability - beginning</b>	<b><u>1,331,522</u></b>	<b><u>1,240,722</u></b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 1,402,895</u></b>	<b><u>\$ 1,331,522</u></b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 22,452	\$ 29,170
Contributions - employee	13,673	13,356
Net investment income	62,468	183,168
Benefit Payments, including refunds of employee contributions	(24,080)	(24,085)
Administrative expense	(831)	(962)
Other	<u>(14)</u>	<u>9</u>
<b>Net change in plan fiduciary net position</b>	<b>73,668</b>	200,656
<b>Plan fiduciary net position - beginning</b>	<b><u>1,346,471</u></b>	<b><u>1,145,815</u></b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 1,420,139</u></b>	<b><u>\$ 1,346,471</u></b>
 <b>Political subdivision's net pension liability - ending (a) - (b)</b>	<b><u>\$ (17,244)</u></b>	<b><u>\$ (14,949)</u></b>
 <b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>101.23%</b>	101.12%
 <b>Covered payroll</b>	<b>\$ 275,135</b>	\$267,121
 <b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>-6.27%</b>	-5.60%

## Meherrin Regional Library

### Schedule of Employer Contributions

For the Years Ended June 30, 2007 through 2016

Date	Contributions in Relation to					Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		as a % of Covered Payroll (5)	
<b>2016</b>	<b>\$ 22,661</b>	<b>\$ 22,661</b>	<b>\$ -</b>	<b>\$ 276,021</b>		<b>8.21%</b>	
2015	22,452	22,452	-	273,466		8.21%	
2014	29,170	29,170	-	267,121		10.92%	
2013	29,170	29,170	-	267,121		10.92%	
2012	21,911	21,911	-	200,650		10.92%	
2011	25,397	25,397	-	231,939		10.95%	
2010	29,410	29,410	-	270,559		10.87%	
2009	29,249	29,249	-	269,079		10.87%	
2008	16,464	16,464	-	235,543		6.99%	
2007	23,123	23,123	-	272,353		8.49%	

#### For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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, 2016

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

**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

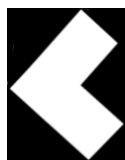
**All Others (Non 10 Largest) – Non-LEOS:**

- 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*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
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American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## **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 the Meherrin Regional Library, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Meherrin Regional Library's basic financial statements and have issued our report thereon dated September 29, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Meherrin 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 Meherrin Regional Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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.  
Certified Public Accountants

South Hill, Virginia  
September 29, 2016