

**BLUE RIDGE REGIONAL LIBRARY  
MARTINSVILLE, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

BLUE RIDGE REGIONAL LIBRARY  
FOR THE YEAR ENDED JUNE 30, 2017

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BLUE RIDGE REGIONAL LIBRARY  
FOR THE YEAR ENDED JUNE 30, 2017

Table of Contents

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|   | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report  | 1-2         |
| Management's Discussion and Analysis  | 3-7         |
| <br><b><u>Basic Financial Statements:</u></b>   |             |
| <b>Government-wide Financial Statements:</b>  |             |
| Exhibit 1 Statement of Net Position   | 8           |
| Exhibit 2 Statement of Activities   | 9           |
| <br><b>Fund Financial Statements:</b>   |             |
| Exhibit 3 Balance Sheet - Governmental Funds  | 10          |
| Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  | 11          |
| Exhibit 5 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities   | 12          |
| <br>Notes to Financial Statements   | <br>13-37   |
| <br><b><u>Required Supplementary Information:</u></b>   |             |
| Exhibit 6 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund  | 38          |
| Exhibit 7 Schedule of Library's Proportionate Share of the Net Pension Liability  | 39          |
| Exhibit 8 Schedule of Employer Contributions  | 40          |
| Exhibit 9 Notes to Required Supplementary Information   | 41          |
| <br><b><u>Other Supplementary Information:</u></b>  |             |
| <b>Supporting Schedules:</b>  |             |
| Schedule 1 General Fund - Schedule of Revenues - Budget and Actual  | 42          |
| Schedule 2 General Fund - Schedule of Expenditures - Budget and Actual  | 43-44       |
| <br><b><u>Compliance:</u></b>   |             |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 45-46       |

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

TO THE LIBRARY BOARD OF DIRECTORS  
BLUE RIDGE REGIONAL LIBRARY  
MARTINSVILLE, VIRGINIA

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Blue Ridge Regional Library, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Blue Ridge 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.

### *Auditors' 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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 auditors' 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of the Blue Ridge Regional Library, as of June 30, 2017, 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.

## *Others Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the schedules related to pension funding on pages 3-7, 38, and 39-41 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blue Ridge Regional Library's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the Blue Ridge 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 Blue Ridge Regional Library's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

November 15, 2017

### Blue Ridge Regional Library Martinsville, Virginia

The Management's Discussion and Analysis (MD&A) offers readers of the Library's financial statements a narrative overview and analysis of the Library's financial activities for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in our financial statements and notes to the financial statements (which immediately follow this discussion). The library follows the financial reporting requirements of GASB Statement No. 34 (*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*). Sections include this Management's Discussion and Analysis, the Government-wide Statement of Net Position, the Government-wide Statement of Activities, the concept of major fund reporting, and the reporting of infrastructure capital assets and long term debt liabilities in the governmental activities. These concepts are explained throughout this discussion and analysis.

### FINANCIAL HIGHLIGHTS

- The Blue Ridge Regional Library reported revenues that exceeded expenditures for the year ended June 30, 2017 by \$29,651.
- As of June 30, 2017, the Library's net position was \$(101,584).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Blue Ridge Regional Library's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Library's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating. However, this is just one indicator of financial health of the Library. Other indicators include the condition of the Library's systems and general economic conditions within the local and state governments.

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected fees, unpaid vendor invoices for items received by June 30, 2017, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2017.

The Library has no separately identified component units included in the government-wide financial statements.

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Blue Ridge Regional Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Library maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by fulltime positions. Capital outlays are approved by the Library on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget. Budgetary variances for the General Fund are discussed in some detail later in this section.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### **Statement of Net Position**

The Library's net position was \$(101,584) as of June 30, 2017. Of this amount, \$392,193 is accounted for by capital assets, which includes furniture and equipment and software. GASB Statement No. 34 requires that all capital assets be reported. The Library facilities at the Martinsville Branch are owned by the City of Martinsville, and the facilities at the Patrick County Branch are owned by Patrick County; these facilities are recorded on each jurisdiction's financial statements. The facilities at the Bassett and Ridgeway Branches are owned by the Library. The facilities at the Collinsville Branch are held under an operating lease.

Additionally, the Library must elect to either 1) depreciate these assets over their estimated useful life or 2) develop a system of asset management designed to maintain their condition perpetually and to report on their condition within the financial statements. The Library has elected the first method and will use the depreciation method on systems reporting.

The Library has \$737,398 in cash and investments. In addition, the Library had outstanding liabilities of \$1,410,629, which consist of accounts payable of \$53,384, compensated absences of \$54,916, and net pension liability of \$1,302,329. Refer to the notes to the financial statements for a more in depth discussion of compensated absences.

The largest portion of the Library's net position reflects its investment in capital assets. The Library's capital assets are used to provide services to citizens. Consequently, investments in capital assets are not available for future spending.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

**Statement of Activities - Changes in Net Position**

Total revenues for the Blue Ridge Regional Library were \$1,771,353 for the year ended June 30, 2017.

**FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS**

As noted earlier, the Blue Ridge Regional Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is financial analysis of the Library's governmental fund.

**Governmental Fund Revenue and Expense Analysis**

The Governmental Fund is the chief operating fund of the Library. The focus of the Library's Governmental Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table represents revenues compared to the prior year amounts.

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Participating localities               | \$ 1,281,920        | \$ 1,270,816        |
| Intergovernmental                      | 330,634             | 316,287             |
| Fines and costs                        | 41,087              | 46,926              |
| Revenue from use of money and property | 36,401              | 30,990              |
| Miscellaneous                          | <u>81,311</u>       | <u>127,915</u>      |
| Total revenues                         | <u>\$ 1,771,353</u> | <u>\$ 1,792,934</u> |

The following provides an explanation of revenues by source.

- Participating localities - This consists of funding from local governments. By formal contract the City of Martinsville and Henry and Patrick Counties agree to contribute local funds toward the mutual costs of operating the Library.
- Intergovernmental - Funds received from Library of Virginia state aid allocation.
- Fines and costs - Revenues from the daily fines on materials and the replacement of lost library cards.
- Revenue from use of money and property - Revenues from bank accounts and investments.
- Miscellaneous - Revenues from donations, set-off debt collection of past due accounts, and miscellaneous revenues.

## FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS (continued)

### Governmental Fund Revenue and Expense Analysis (continued)

The following provides an explanation of expenditures by category.

|                             | <u>2017</u>         | <u>2016</u>         |
|-----------------------------|---------------------|---------------------|
| Personnel                   | \$ 1,087,291        | \$ 1,113,029        |
| Materials                   | 201,689             | 185,636             |
| Internet and communications | 71,804              | 70,021              |
| Capital projects            | -                   | 38,475              |
| Other                       | 380,918             | 374,365             |
|                             | <u>\$ 1,741,702</u> | <u>\$ 1,781,526</u> |

- Personnel - This category includes all paid employees salary, wages and benefits including FICA, retirement, and health insurance.
- Materials - This includes all costs associated with purchasing and maintaining collection materials, including purchases of books, reference materials, periodicals, audio books and tapes as well as bindery repairs.
- Internet and Communications - This includes all the costs associated with Internet services for use by Library programs and patrons as well as telephone and FAX services.
- Other - This includes all other costs including occupancy, supplies, maintenance, and support expenses.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Blue Ridge Regional Library's total investment in capital assets for its governmental activities as of June 30, 2017, totaled \$392,193 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements as well as machinery and equipment.

### Long-Term Obligations

At June 30, 2017, Blue Ridge Regional Library had no long-term obligations other than that associated with *Accounting for Compensated Absences* as described in Note 5 of the accompanying Notes to Financial Statements.

## HISTORY

The history of the Library can be traced back to 1913 when a group of Martinsville Woman's Club members conceived the idea to buy books to be circulated during the year and then donated them to form a library. A similar group formed a Library in Patrick County in 1941 and they subsequently added a bookmobile in 1946. The Collinsville Library was formed in 1972.

These three libraries joined forces in 1974 to form the Blue Ridge Regional Library and the Martinsville City Council and the Boards of Supervisors for Henry and Patrick counties formalized this arrangement on May 29, 1975 with the adoption of a contractual agreement to operate a free public library for the use and benefit of the citizens of local areas. This group operated together until 1990 when a group of local citizens got together and constructed the Ridgeway Branch which is now part of the system.

In 1992, the Bassett Public Library became a part of the Blue Ridge Regional Library System. The Bassett Branch housed a great deal of historical and genealogical materials and was bursting at the seams. Funds were raised for the purchase of the building across the street and 1998 the newly purchased building became the "regular" library while the genealogy materials remained in the original building and operated as the Bassett Historical Center. In 2012, the Bassett Historical Center elected to separate from the Blue Ridge Regional Library. The Blue Ridge Regional Library and the Bassett Historical Center both continue to operate as separately governed and managed organizations.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Blue Ridge Regional Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Blue Ridge Regional Library, P.O. Box 5264, Martinsville, VA 24115-5264.

- Basic Financial Statements -

*Government-wide Financial Statements*

Statement of Net Position  
As of June 30, 2017

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Current assets:   |                                    |
| Cash and cash equivalents   | \$ 399,043                         |
| Investments   | <u>338,355</u>                     |
| Total Current Assets  | <u>\$ 737,398</u>                  |
| Noncurrent Assets:  |                                    |
| Capital assets (net of accumulated depreciation):                 |                                    |
| Land  | \$ 92,646                          |
| Buildings and improvements  | 267,773                            |
| Machinery and equipment   | <u>31,774</u>                      |
| Total Noncurrent Assets   | <u>\$ 392,193</u>                  |
| Total Assets  | <u>\$ 1,129,591</u>                |
| <b>Deferred Outflows of Resources</b>                             |                                    |
| Difference between actual and expected returns                    | \$ 99,831                          |
| Difference between actual and expected experience                 | 9,116                              |
| Pension contributions subsequent to measurement date              | <u>113,369</u>                     |
| Total deferred outflows of resources                              | <u>\$ 222,316</u>                  |
| Total assets and deferred outflows of resources                   | <u><u>\$ 1,351,907</u></u>         |
| <b>Liabilities</b>  |                                    |
| Current liabilities:  |                                    |
| Accounts payable  | \$ 53,384                          |
| Long-term obligations, current portion                            | <u>5,492</u>                       |
| Total current liabilities   | \$ 58,876                          |
| Noncurrent liabilities:   |                                    |
| Long-term obligations, net of current portion                     | <u>1,351,753</u>                   |
| Total Liabilities   | <u>\$ 1,410,629</u>                |
| <b>Deferred Inflows of Resources</b>                              |                                    |
| Difference between actual and expected experience                 | \$ 26,154                          |
| Differences in proportionate share of net pension liabilities     | <u>16,708</u>                      |
| Total deferred inflows of resources                               | <u>\$ 42,862</u>                   |
| <b>Net Position</b>   |                                    |
| Investment in capital assets                                      | \$ 392,193                         |
| Unrestricted  | <u>(493,777)</u>                   |
| Total net position  | <u>\$ (101,584)</u>                |
| Total liabilities, deferred inflows of resources and net position | <u><u>\$ 1,351,907</u></u>         |

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

Statement of Activities  
 For the Year Ended June 30, 2017

| Functions/Programs                     | Expenses     | Program Revenues           |  |  | Net (Expense)                             |
|--|--------------|----------------------------|--|--|---|
|  |              | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Revenue and<br>Changes in<br>Net Position |
|  |              |                            |  |  | Total                                     |
| Governmental Activities:               |              |                            |  |  |   |
| Library                                | \$ 1,795,411 | \$ 41,087                  | \$ 1,612,554                             | \$ -                                   | \$ (141,770)                              |
| General revenues:                      |              |                            |  |  |   |
| Revenue from use of money and property |              |                            |  | \$ 36,401                              |   |
| Miscellaneous                          |              |                            |  | 81,311                                 |   |
| Total general revenues                 |              |                            |  | \$ 117,712                             |   |
| Change in net position                 |              |                            |  | \$ (24,058)                            |   |
| Net position - beginning               |              |                            |  |  | (77,526)                                  |
| Net position - ending                  |              |                            |  | \$ (101,584)                           |   |

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

- Basic Financial Statements -

*Fund Financial Statements*

Balance Sheet  
 Governmental Funds  
 As of June 30, 2017

|   | General<br>Fund   | Capital<br>Projects<br>Fund | Total<br>Govern-<br>mental<br>Funds |
|---|-------------------|-----------------------------|-------------------------------------|
| <b>Assets:</b>                                  |                   |                             |                                     |
| Cash in bank - checking                         | \$ 271,438        | \$ 127,555                  | \$ 398,993                          |
| Petty cash                                      | 50                | -                           | 50                                  |
| Investments                                     | -                 | 338,355                     | 338,355                             |
| Total assets                                    | <u>\$ 271,488</u> | <u>\$ 465,910</u>           | <u>\$ 737,398</u>                   |
| <b>Liabilities:</b>                             |                   |                             |                                     |
| Accounts payable                                | \$ 53,384         | \$ -                        | \$ 53,384                           |
| Total liabilities                               | <u>\$ 53,384</u>  | <u>\$ -</u>                 | <u>\$ 53,384</u>                    |
| <b>Fund balances:</b>                           |                   |                             |                                     |
| Restricted:                                     |                   |                             |                                     |
| Computer replacement                            | \$ 117,872        | \$ -                        | \$ 117,872                          |
| Committed:                                      |                   |                             |                                     |
| Capital improvements - Expanding Knowledge 1985 | -                 | 126,606                     | 126,606                             |
| Capital improvements - Great Expectations 1988  | -                 | 338,370                     | 338,370                             |
| Capital improvements - Collinsville Building    | -                 | 934                         | 934                                 |
| Unassigned                                      | 100,232           | -                           | 100,232                             |
| Total fund balances                             | <u>\$ 218,104</u> | <u>\$ 465,910</u>           | <u>\$ 684,014</u>                   |
| Total liabilities and fund balance              | <u>\$ 271,488</u> | <u>\$ 465,910</u>           |                                     |

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

|   |                     |
|---|---------------------|
| When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole. | 392,193             |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.  |                     |
| Deferred inflows related to the measurement of net pension liability  | (42,862)            |
| Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability / asset in the next fiscal year and, therefore, are not reported in the funds.  | 113,369             |
| Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.  | (1,357,245)         |
| Deferred outflows related to measurement of net pension liability   | <u>108,947</u>      |
| Net position of General Government Activities   | <u>\$ (101,584)</u> |

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2017

|  | General<br>Fund          | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds |
|--|--------------------------|-----------------------------|--------------------------------|
| Revenues:  |                          |                             |                                |
| Fines and costs  | \$ 41,087                | \$ -                        | \$ 41,087                      |
| Revenue from use of money and property                       | 6,289                    | 30,112                      | 36,401                         |
| Miscellaneous  | 79,787                   | 1,524                       | 81,311                         |
| Participating localities                                     | 1,281,920                | -                           | 1,281,920                      |
| Intergovernmental  | 330,634                  | -                           | 330,634                        |
| Total revenues   | <u>\$ 1,739,717</u>      | <u>\$ 31,636</u>            | <u>\$ 1,771,353</u>            |
| Expenditures:  |                          |                             |                                |
| Cultural - library services                                  | <u>\$ 1,741,702</u>      | <u>\$ -</u>                 | <u>\$ 1,741,702</u>            |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (1,985)</u>        | <u>\$ 31,636</u>            | <u>\$ 29,651</u>               |
| Net changes in fund balance                                  | \$ (1,985)               | \$ 31,636                   | \$ 29,651                      |
| Fund balance at beginning of year                            | <u>220,089</u>           | <u>434,274</u>              | <u>654,363</u>                 |
| Fund balance at end of year                                  | <u><u>\$ 218,104</u></u> | <u><u>\$ 465,910</u></u>    | <u><u>\$ 684,014</u></u>       |

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

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund  
Balances - Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2017

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|   | <u>Governmental<br/>Funds</u>   |
|---|---------------------------------|
| Amounts reported for governmental activities in the Statement of Activities are different because:  |                                 |
| Net change in fund balances - total governmental funds  | \$ 29,651                       |
| 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 exceeds capital outlays in the current period. Details supporting this adjustment are as follows: |                                 |
| Depreciation expense  | \$ <u>(41,894)</u> (41,894)     |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the change in unavailable taxes.   |                                 |
| Change in deferred inflows related to the measurement of the net pension liability  | 62,661                          |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:  |                                 |
| Change in deferred outflows related to pension payments subsequent to measurement date  | \$ (22,555)                     |
| Change in net pension liability   | (123,512)                       |
| Change in compensated absences  | (6,880)                         |
| Change in difference between actual and expected returns  | 99,831                          |
| Change in difference between actual and expected experience   | (8,519)                         |
| Change in differences in proportionate share of net pension liabilities   | <u>(12,841)</u> <u>(74,476)</u> |
| Change in net position of governmental activities   | <u>\$ (24,058)</u>              |

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

# BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

### A. Organization and Purpose:

The Blue Ridge Regional Library was formed by contractual agreement adopted by the City Council of the City of Martinsville and the Boards of Supervisors for the Counties of Henry and Patrick dated May 29, 1975. The primary purpose of the Library is to establish, maintain, and operate a free public Library for the use and benefit of the citizens of local areas.

### B. Financial Reporting Entity:

The basic criteria for including organizations within the reporting entity, as set forth in GASB No. 14 and as amended by GASB No. 39, is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present the Blue Ridge Regional Library and include all operations of the Blue Ridge Regional Library.

The Library is a joint venture of the two counties and the city since its continued existence is dependent upon their operating contributions.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Management's Discussion and Analysis - GASB Statement No. 34 requires the 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).

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 but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Library.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Library. The Library will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense-the cost of "using up" capital assets-in the Statement of Activities. The net position of the Library will be broken down into three categories - 1) investment in capital assets; 2) restricted; and 3) unrestricted.

## BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (continued)

Statement of 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).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid and other items not properly included among program revenues are reported instead as general revenues.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a Library's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budget of the Library and have a keen interest in following the actual financial progress of their regional library over the course of the year. Many libraries revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, libraries will provide budgetary comparison information in their annual reports, along with the requirement to add the Library's original budget to the current comparison of final budget and actual results.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

## BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (continued)

Intergovernmental revenues, consisting primarily of contributions from participating localities, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the Library.

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.

##### 1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Library reports the following major governmental funds.

- a. General Fund - The General Fund is the primary operating fund of the Library. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from state and local contributions, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.
- b. Capital Projects Funds - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund for reporting purposes.

#### D. Capital Assets:

Capital assets, which include property, plant, and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of at least \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)**

D. Capital Assets: (continued)

Property, plant, and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>              | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 40           |
| Machinery and equipment    | 5-15         |
| Vehicles                   | 5-12         |

E. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Blue Ridge Regional Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Library.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

F. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Compensated Absences:

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

H. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation and less any outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

## BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)

#### I. Net Position Flow Assumption:

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

#### J. Accounts Receivable:

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts are recorded.

#### K. Collections and Books:

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Collections that are exhaustible and books used in the circulating Library have not been capitalized due to their individually insignificant amounts.

#### L. 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 Library's Retirement Plan and the additions to/deductions from the Library's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### M. Fund Equity:

The Library reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

## BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)

#### M. Fund Equity: (continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Library's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Library Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Library Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the Library strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% of the actual GAAP basis expenditures and other financing sources and uses.

#### N. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has multiple items that qualify for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. Remaining items consist of: differences between actual and expected experience, and differences in proportionate share of net pension liabilities. For more detailed information on this on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

## BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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### NOTE 2 - CONTRIBUTED SERVICES:

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Library. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

### NOTE 3 - DEPOSITS AND INVESTMENTS:

#### Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### Investments:

Statutes authorize the Library 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).

#### Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Library maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)**

Fair Value Measurements: (continued)

The Library has the following recurring fair value measurements as of June 30, 2017:

| <u>Investment Type</u> | <u>Fair Value Measurement Using</u> |  |
|------------------------|-------------------------------------|--|
|                        | <u>6/30/2017</u>                    | <u>Quoted Prices<br/>in Active Markets<br/>for Identical Assets:<br/>(Level 1)</u> |
| Mutual Fund            | \$ 338,355                          | \$ 338,355   |
| Total                  | \$ 338,355                          | \$ 338,355   |

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2017, there is no portion of the Library's portfolio that exceeds 5% of the total portfolio. At present the Library does not have a policy related to custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

| <u>Investment Type</u> | <u>Investment Maturities (in years)</u> |                             |
|------------------------|---|-----------------------------|
|                        | <u>Fair Value</u>                       | <u>Less Than<br/>1 Year</u> |
| Mutual Funds           | \$ 338,355                              | \$ 338,355                  |
| Total                  | \$ 338,355                              | \$ 338,355                  |

**NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:**

The Library follows these procedures in developing its annual budget for the upcoming fiscal year:

In December, the Board of Trustees' Budget and Finance Director and the Library's Director prepare a preliminary budget for the general fund that is submitted to the Board of Trustees for review before submission to the jurisdictions. In February or March, a revised budget is prepared and submitted to the Board of Trustees for approval. In June, the Board of Trustees formally adopts the final budget for the upcoming fiscal year.

**BLUE RIDGE REGIONAL LIBRARY**

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (continued)**

Amounts shown in the accompanying financial statements represent original appropriations authorized by the Board of Trustees; any additional and supplemental appropriations authorized during the year are shown in the final budget. Certain grants, contributions, in-kind support, capital projects, program revenues, and related expenditures are not budgeted items.

**NOTE 5 - LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligation transactions of the Library for the year ended June 30, 2017.

|                             | Balance<br>at July 1,<br>2016 | Increases         | Decreases         | Balance<br>at June 30,<br>2017 | Amounts<br>Due Within<br>One Year |
|-----------------------------|-------------------------------|-------------------|-------------------|--------------------------------|-----------------------------------|
| Compensated absences        | \$ 48,036                     | \$ 16,418         | \$ 9,538          | \$ 54,916                      | \$ 5,492                          |
| Net pension liability       | 1,178,817                     | 431,026           | 307,514           | 1,302,329                      | -                                 |
| Total Long Term Obligations | <u>\$ 1,226,853</u>           | <u>\$ 447,444</u> | <u>\$ 317,052</u> | <u>\$ 1,357,245</u>            | <u>\$ 5,492</u>                   |

**NOTE 6 - CAPITAL ASSETS:**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2017:

|   | Balance<br>July 1, 2016 | Additions          | Deletions   | Balance<br>June 30, 2017 |
|---|-------------------------|--------------------|-------------|--------------------------|
| Capital assets not being depreciated:       |                         |                    |             |                          |
| Land  | \$ 92,646               | \$ -               | \$ -        | \$ 92,646                |
| Total capital assets not being depreciated  | <u>\$ 92,646</u>        | <u>\$ -</u>        | <u>\$ -</u> | <u>\$ 92,646</u>         |
| Capital assets being depreciated:           |                         |                    |             |                          |
| Buildings and improvements                  | \$ 596,097              | \$ -               | \$ -        | \$ 596,097               |
| Machinery and equipment                     | 906,827                 | -                  | -           | 906,827                  |
| Total capital assets being depreciated      | <u>\$ 1,502,924</u>     | <u>\$ -</u>        | <u>\$ -</u> | <u>\$ 1,502,924</u>      |
| Accumulated depreciation:                   |                         |                    |             |                          |
| Buildings and improvements                  | \$ 310,912              | \$ 17,412          | \$ -        | \$ 328,324               |
| Machinery and equipment                     | 850,571                 | 24,482             | -           | 875,053                  |
| Total accumulated depreciation              | <u>\$ 1,161,483</u>     | <u>\$ 41,894</u>   | <u>\$ -</u> | <u>\$ 1,203,377</u>      |
| Total capital assets being depreciated, net | <u>\$ 341,441</u>       | <u>\$ (41,894)</u> | <u>\$ -</u> | <u>\$ 299,547</u>        |
| Net capital assets                          | <u>\$ 434,087</u>       | <u>\$ (41,894)</u> | <u>\$ -</u> | <u>\$ 392,193</u>        |

**BLUE RIDGE REGIONAL LIBRARY**

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN:**

*Plan Description*

All full-time, salaried permanent employees of the Library are automatically covered by a VRS Retirement Plan, a cost-sharing multiple employer plan. This is an agent multiple-employer plan 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:

| <b>RETIREMENT PLAN PROVISIONS</b>   |   |  |
|---|---|--|
| <b>PLAN 1</b>   | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>  |
| <p><b>About Plan 1</b><br/>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.</p> | <p><b>About Plan 2</b><br/>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.</p> | <p><b>About the Hybrid Retirement Plan</b><br/>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")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul> |

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |   |   |
|---|---|---|
| PLAN 1  | PLAN 2  | HYBRID RETIREMENT PLAN  |
| <p>About Plan 1 (Cont.)</p>   | <p>About Plan 2 (Cont.)</p>   | <p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>   |
| <p><b>Eligible Members</b><br/>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b><br/>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p><b>Eligible Members</b><br/>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.</p> <p><b>Hybrid Opt-In Election</b><br/>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p><b>Eligible Members</b><br/>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b><br/>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> |

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |   |   |
|--|---|---|
| PLAN 1   | PLAN 2  | HYBRID RETIREMENT PLAN  |
| <p><b>Hybrid Opt-In Election (Cont.)</b><br/>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.</p>   | <p><b>Hybrid Opt-In Election (Cont.)</b><br/>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.</p>   | <p><b>*Non-Eligible Members (Cont.)</b><br/>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.</p>  |
| <p><b>Retirement Contributions</b><br/>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 are paying the full 5% as of 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.</p> | <p><b>Retirement Contributions</b><br/>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 are paying the full 5% as of July 1, 2016.</p> | <p><b>Retirement Contributions</b><br/>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.</p> |

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |  |  |
|---|--|--|
| PLAN 1  | PLAN 2   | HYBRID RETIREMENT PLAN   |
| <p><b>Creditable Service</b><br/>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.</p> | <p><b>Creditable Service</b><br/>Same as Plan 1.</p> | <p><b>Creditable Service</b><br/><b><u>Defined Benefit Component:</u></b><br/>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.</p> <p><b><u>Defined Contributions Component:</u></b><br/>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |   |   |
|--|---|---|
| PLAN 1   | PLAN 2                                    | HYBRID RETIREMENT PLAN  |
| <p><b>Vesting</b><br/>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p><b>Vesting</b><br/>Same as Plan 1.</p> | <p><b>Vesting</b><br/><u><b>Defined Benefit Component:</b></u><br/>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.</p> <p><u><b>Defined Contributions Component:</b></u><br/>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> |

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |  |   |
|--|--|---|
| PLAN 1   | PLAN 2   | HYBRID RETIREMENT PLAN  |
| Vesting (Cont.)  | Vesting (Cont.)  | <p>Vesting (Cont.)<br/><u>Defined Contributions Component: (Cont.)</u><br/>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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p> |
| <p><b>Calculating the Benefit</b><br/>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.</p> | <p><b>Calculating the Benefit</b><br/>See definition under Plan 1.</p> | <p><b>Calculating the Benefit</b><br/><u>Defined Benefit Component:</u><br/>See definition under Plan 1.</p>  |

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |  |  |
|---|--|--|
| PLAN 1  | PLAN 2   | HYBRID RETIREMENT PLAN   |
| <p><b>Calculating the Benefit (Cont.)</b><br/>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.</p>   | <p><b>Calculating the Benefit (Cont.)</b></p>  | <p><b>Calculating the Benefit (Cont.)</b><br/><u>Defined Contribution Component:</u><br/>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.</p>  |
| <p><b>Average Final Compensation</b><br/>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>   | <p><b>Average Final Compensation</b><br/>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>  | <p><b>Average Final Compensation</b><br/>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>   |
| <p><b>Service Retirement Multiplier</b><br/><b>VRS:</b> 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%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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.</p> | <p><b>Service Retirement Multiplier</b><br/><b>VRS:</b> 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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p> | <p><b>Service Retirement Multiplier</b><br/><u>Defined Benefit Component:</u><br/><b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><u>Defined Contribution Component:</u><br/>Not applicable.</p> |

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |  |  |
|--|--|--|
| PLAN 1   | PLAN 2   | HYBRID RETIREMENT PLAN   |
| <p><b>Normal Retirement Age</b><br/>VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees: Age 60.</b></p>  | <p><b>Normal Retirement Age</b><br/>VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees: Same as Plan 1.</b></p>   | <p><b>Normal Retirement Age</b><br/><u><b>Defined Benefit Component:</b></u><br/>VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees: Not applicable.</b></p> <p><u><b>Defined Contribution Component:</b></u><br/>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>  |
| <p><b>Earliest Unreduced Retirement Eligibility</b><br/>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.</p> <p><b>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.</b></p> | <p><b>Earliest Unreduced Retirement Eligibility</b><br/>VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees: Same as Plan 1.</b></p> | <p><b>Earliest Unreduced Retirement Eligibility</b><br/><u><b>Defined Benefit Component:</b></u><br/>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.</p> <p><b>Political subdivisions hazardous duty employees: Not applicable.</b></p> <p><u><b>Defined Contribution Component:</b></u><br/>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p><b>Earliest Reduced Retirement Eligibility</b><br/>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>   | <p><b>Earliest Reduced Retirement Eligibility</b><br/>VRS: Age 60 with at least five years (60 months) of creditable service.</p>  | <p><b>Earliest Reduced Retirement Eligibility</b><br/><u><b>Defined Benefit Component:</b></u><br/>VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>   |

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |  |  |
|---|--|--|
| PLAN 1  | PLAN 2   | HYBRID RETIREMENT PLAN   |
| <p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>  | <p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>  | <p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b><br/>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/>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%.</p> <p><b><u>Eligibility:</u></b><br/>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.</p> <p>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.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/>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%.</p> <p><b><u>Eligibility:</u></b><br/>Same as Plan 1.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/><b><u>Defined Benefit Component:</u></b><br/>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b><br/>Not applicable.</p> <p><b><u>Eligibility:</u></b><br/>Same as Plan 1 and Plan 2.</p>                        |

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |  |   |
|--|--|---|
| PLAN 1   | PLAN 2   | HYBRID RETIREMENT PLAN  |
| <p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><u>Exceptions to COLA Effective Dates:</u><br/>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> <li>•</li> </ul> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><u>Exceptions to COLA Effective Dates:</u><br/>Same as Plan 1.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><u>Exceptions to COLA Effective Dates:</u><br/>Same as Plan 1 and Plan 2.</p> |

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |  |   |
|--|--|---|
| PLAN 1   | PLAN 2   | HYBRID RETIREMENT PLAN  |
| <p><b>Disability Coverage</b><br/>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>  | <p><b>Disability Coverage</b><br/>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> | <p><b>Disability Coverage</b><br/>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.</p> <p>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.</p>  |
| <p><b>Purchase of Prior Service</b><br/>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 toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p> | <p><b>Purchase of Prior Service</b><br/>Same as Plan 1.</p>  | <p><b>Purchase of Prior Service</b><br/><u>Defined Benefit Component:</u><br/>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><u>Defined Contribution Component:</u><br/>Not applicable.</p> |

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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**NOTE 7 - PENSION PLAN: (continued)**

*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.

The Library's contractually required contribution rate for the year ended June 30, 2017 was 16.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were \$113,369 and \$135,924 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the Library reported a liability of \$1,302,329 for its proportionate share of the net pension liability. The Library's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The Library's proportionate share of the same was calculated using retirement expense as of June 30, 2016 as a basis for allocation. At June 30, 2016 and 2015, the Library's proportion was 5.4% and 5.5%, respectively.

*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the Library's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

|                                       |  |
|---------------------------------------|--|
| Inflation                             | 2.5%   |
| Salary increases, including inflation | 3.5% - 5.35%   |
| Investment rate of return             | 7.0%, 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.

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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NOTE 7 - PENSION PLAN: (continued)

*Actuarial Assumptions - General Employees (Continued)*

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 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 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, 2015 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

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

*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                          | 1.00%                    | -1.50%  | -0.02%  |
| Total                         | 100.00%                  |   | 5.83%   |
|                               |                          | Inflation   | 2.50%   |
|                               |                          | *Expected arithmetic nominal return                 | 8.33%   |

\* 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%.

BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

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**NOTE 7 - PENSION PLAN: (continued)**

*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 City of Martinsville, Virginia 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.

*Sensitivity of the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Library's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Library'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:

|  | <u>Rate</u>    |                |                |
|--|----------------|----------------|----------------|
|  | <u>(6.00%)</u> | <u>(7.00%)</u> | <u>(8.00%)</u> |
| Library's proportionate share of Martinsville retirement<br>Plan Net Pension Liability (Asset) | \$ 1,905,038   | \$ 1,302,329   | \$ 794,869     |

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BLUE RIDGE REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 7 - PENSION PLAN: (continued)**

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

For the year ended June 30, 2017, the Library recognized pension expense of \$120,990. At June 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 9,116                                      | \$ 26,154                                    |
| Net difference between projected and actual earnings on pension plan investments                              | 99,831  | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | -   | 16,708                                       |
| Employer contributions subsequent to the measurement date   | <u>113,369</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 222,316</u>                             | <u>\$ 42,862</u>                             |

\$113,369 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. 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> |            |
|---------------------------|------------|
| 2017                      | \$ (7,609) |
| 2018                      | (15,532)   |
| 2019                      | 54,835     |
| 2020                      | 34,391     |
| Thereafter                | -          |

**NOTE 8 - LITIGATION:**

At June 30, 2017, there were no matters of litigation involving the Library which would materially affect the Library's financial position should any court decisions on pending matters not be favorable to the Library.

- Required Supplementary Information -

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund  
 For the Year Ended June 30, 2017

|  | <u>Budget</u>       | <u>Amended<br/>Budget</u> | <u>Actual</u>            | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|---------------------|---------------------------|--------------------------|---|
| Revenues:  |                     |                           |                          |   |
| Fines and costs  | \$ 45,000           | \$ 45,000                 | \$ 41,087                | \$ (3,913)                                  |
| Revenue from use of money and property                       | -                   | 5,200                     | 6,289                    | 1,089                                       |
| Miscellaneous  | 42,500              | 78,000                    | 79,787                   | 1,787                                       |
| Participating localities                                     | 1,281,920           | 1,281,920                 | 1,281,920                | -   |
| Intergovernmental  | 330,686             | 330,686                   | 330,634                  | (52)  |
| Total revenues   | <u>\$ 1,700,106</u> | <u>\$ 1,740,806</u>       | <u>\$ 1,739,717</u>      | <u>\$ (1,089)</u>                           |
| Expenditures:  |                     |                           |                          |   |
| Cultural - library services                                  | <u>\$ 1,700,106</u> | <u>\$ 1,740,806</u>       | <u>\$ 1,741,702</u>      | <u>\$ (896)</u>                             |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ -</u>         | <u>\$ -</u>               | <u>\$ (1,985)</u>        | <u>\$ (1,985)</u>                           |
| Net changes in fund balance                                  | \$ -                | \$ -                      | \$ (1,985)               | \$ (1,985)                                  |
| Fund balance at beginning of year                            | <u>-</u>            | <u>-</u>                  | <u>220,089</u>           | <u>220,089</u>                              |
| Fund balance at end of year                                  | <u><u>\$ -</u></u>  | <u><u>\$ -</u></u>        | <u><u>\$ 218,104</u></u> | <u><u>\$ 218,104</u></u>                    |

Schedule of Library's Proportionate Share of the Net Pension Liability

For the Years Ended June 30, 2015 through June 30, 2017

| Date<br>(1) | Proportion of<br>the Net Pension<br>Liability (NPL)<br>(2) | Proportionate<br>Share of the NPL<br>(3) | Covered<br>Employee Payroll<br>(4) | Proportionate<br>Share of the NPL<br>as a Percentage of<br>Covered Payroll<br>(3)/(4)<br>(5) | Pension Plan's<br>Fiduciary Net<br>Position as a<br>Percentage of Total<br>Pension Liability<br>(6) |
|-------------|--|--|------------------------------------|--|---|
| 2016        | 5.3715%  | \$ 1,302,329                             | \$ 720,318                         | 180.80%  | 74.76%  |
| 2015        | 5.3700%  | 1,178,817                                | 702,951                            | 167.70%  | 77.41%  |
| 2014        | 5.4400%  | 1,058,696                                | 765,874                            | 138.23%  | 78.66%  |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

\* The amounts presented have a measurement date of the previous fiscal year end.

## Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

| Date | Contributions in<br>Relation to                  |  |   | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|------|--|--|---|---|---|
|      | Contractually<br>Required<br>Contribution<br>(1) | Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) |   |   |
| 2017 | \$ 113,369                                       | \$ 113,369                                       | \$ -  | \$ 722,059                              | 15.70%  |
| 2016 | 135,924  | 135,924  | -   | 720,318                                 | 18.87%  |
| 2015 | 135,580  | 135,580  | -   | 702,951                                 | 18.87%  |
| 2014 | 141,457  | 141,457  | -   | 765,874                                 | 18.47%  |
| 2013 | 147,056  | 147,056  | -   | 796,188                                 | 18.47%  |
| 2012 | 163,791  | 163,791  | -   | 1,028,838                               | 15.92%  |
| 2011 | 150,449  | 150,449  | -   | 945,031                                 | 15.92%  |
| 2010 | 145,137  | 145,137  | -   | 994,770                                 | 14.59%  |
| 2009 | 152,802  | 152,802  | -   | 1,047,306                               | 14.59%  |
| 2008 | 145,734  | 145,734  | -   | 1,032,842                               | 14.11%  |

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 member for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced duty benefits. Because this was a new benefit and the number of new participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2014 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

- Other Supplementary Information -

*Supporting Schedules*

General Fund - Schedule of Revenues - Budget and Actual  
 For the Year Ended June 30, 2017

|  | <u>Budget</u>       | <u>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|---------------------|---------------------------|---------------------|---|
| Fines and costs                        | \$ 45,000           | \$ 45,000                 | \$ 41,087           | \$ (3,913)                                  |
| Revenue from use of money and property | \$ -                | \$ 5,200                  | \$ 6,289            | \$ 1,089                                    |
| Miscellaneous:                         |                     |                           |                     |   |
| Miscellaneous                          | \$ -                | \$ -                      | \$ 766              | \$ 766                                      |
| Donations                              | -                   | 19,500                    | 20,321              | 821   |
| Refunds                                | 42,500              | 58,500                    | 58,700              | 200   |
| Total miscellaneous                    | \$ 42,500           | \$ 78,000                 | \$ 79,787           | \$ 1,787                                    |
| Participating localities:              |                     |                           |                     |   |
| City of Martinsville                   | \$ 292,197          | \$ 292,197                | \$ 292,197          | \$ -  |
| Henry County                           | 722,368             | 722,368                   | 722,368             | -   |
| Patrick County                         | 267,355             | 267,355                   | 267,355             | -   |
| Total participating localities         | \$ 1,281,920        | \$ 1,281,920              | \$ 1,281,920        | \$ -  |
| Intergovernmental:                     |                     |                           |                     |   |
| Revenue from the Commonwealth:         |                     |                           |                     |   |
| Commonwealth of Virginia               | \$ 330,686          | \$ 330,686                | \$ 330,634          | \$ (52)                                     |
| Totals                                 | <u>\$ 1,700,106</u> | <u>\$ 1,740,806</u>       | <u>\$ 1,739,717</u> | <u>\$ (1,089)</u>                           |

## General Fund - Schedule of Expenditures - Budget and Actual

For the Year Ended June 30, 2017

|                                    | Original<br>Budget | Amended<br>Budget | Actual     | Variance<br>Positive<br>(Negative) |
|------------------------------------|--------------------|-------------------|------------|------------------------------------|
| Branch manager                     | \$ 113,671         | \$ 113,671        | \$ 153,371 | \$ (39,700)                        |
| Director salary                    | 61,606             | 61,606            | 61,606     | -                                  |
| Regional system services librarian | 36,840             | 36,840            | 70,053     | (33,213)                           |
| Branch librarians                  | 73,684             | 73,684            | 74,065     | (381)                              |
| Outreach assistants                | 38,356             | 38,356            | 37,796     | 560                                |
| Regional system personnel          | 93,323             | 93,323            | 60,110     | 33,213                             |
| Children's librarians              | 37,995             | 37,995            | 40,295     | (2,300)                            |
| Reference librarian                | 45,021             | 45,021            | 45,021     | -                                  |
| Courier                            | 8,647              | 8,647             | 10,849     | (2,202)                            |
| Administrative assistant           | 32,840             | 32,840            | 33,002     | (162)                              |
| Library assistants                 | 207,523            | 207,523           | 163,510    | 44,013                             |
| Custodians                         | 16,172             | 16,172            | 16,595     | (423)                              |
| Pages                              | 13,778             | 13,778            | 13,633     | 145                                |
| Electronic resources staff         | 43,930             | 43,930            | 43,930     | -                                  |
| Social security                    | 51,050             | 51,050            | 48,448     | 2,602                              |
| Medicare / FICA                    | 11,941             | 11,941            | 11,330     | 611                                |
| Retirement payments                | 132,589            | 113,389           | 113,369    | 20                                 |
| Disability insurance               | -                  | -                 | 448        | (448)                              |
| Group medical insurance            | 83,521             | 78,221            | 78,188     | 33                                 |
| State life insurance               | 9,275              | 9,275             | 9,202      | 73                                 |
| Workers compensation               | 3,404              | 3,404             | 2,470      | 934                                |
| Assistance service                 | 600                | 600               | 574        | 26                                 |
| Audit                              | 5,500              | 5,500             | 5,600      | (100)                              |
| Professional services              | 3,800              | 3,800             | 3,115      | 685                                |
| Building and grounds               | 50,594             | 34,294            | 37,287     | (2,993)                            |
| Fiscal services                    | 3,600              | 3,600             | 3,600      | -                                  |
| EDP maintenance                    | 37,000             | 37,000            | 34,912     | 2,088                              |
| Bibliographical services           | 20,846             | 20,846            | 20,389     | 457                                |
| Repairs and maintenance            | 5,000              | 5,000             | 3,291      | 1,709                              |
| Maintenance service contracts      | 5,240              | 5,240             | 5,506      | (266)                              |
| Advertising                        | 2,000              | 5,300             | 4,681      | 619                                |
| Electricity                        | 60,000             | 60,000            | 61,600     | (1,600)                            |
| Fuel                               | 9,700              | 9,700             | 8,609      | 1,091                              |
| Water                              | 2,650              | 2,650             | 2,511      | 139                                |

General Fund - Schedule of Expenditures - Budget and Actual

For the Year Ended June 30, 2017 (Continued)

|                                 | Original<br>Budget  | Amended<br>Budget   | Actual              | Variance<br>Positive<br>(Negative) |
|---------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Sewer                           | \$ 2,650            | \$ 2,650            | \$ 2,477            | \$ 173                             |
| Garbage                         | 750                 | 750                 | 684                 | 66                                 |
| Penalties and fines             | -                   | -                   | 27                  | (27)                               |
| Postal service                  | 5,850               | 5,850               | 5,478               | 372                                |
| Telephone                       | 6,880               | 6,880               | 8,552               | (1,672)                            |
| Internet access charge          | 56,712              | 56,712              | 57,768              | (1,056)                            |
| Insurance                       | 11,989              | 11,989              | 11,459              | 530                                |
| Lease/rental of equipment       | 6,400               | 6,400               | 5,700               | 700                                |
| Lease/rental of building        | 37,200              | 37,200              | 37,200              | -                                  |
| Travel                          | 2,000               | 2,000               | 1,501               | 499                                |
| Employee training               | 2,000               | 2,000               | 396                 | 1,604                              |
| Recruitment                     | 300                 | 300                 | 346                 | (46)                               |
| Membership                      | 2,500               | 2,500               | 2,351               | 149                                |
| Office supplies                 | 31,000              | 37,500              | 38,921              | (1,421)                            |
| Janitorial supplies             | 2,000               | 2,000               | 2,376               | (376)                              |
| Repair and maintenance supplies | 4,000               | 9,700               | 10,812              | (1,112)                            |
| Vehicle equipment and supplies  | 9,300               | 9,300               | 6,336               | 2,964                              |
| Computer supplies               | 2,500               | 2,500               | 3,743               | (1,243)                            |
| Other operating supplies        | -                   | -                   | 12,350              | (12,350)                           |
| Program supplies                | 4,073               | 4,073               | 8,446               | (4,373)                            |
| Books                           | 122,836             | 127,836             | 131,144             | (3,308)                            |
| E-Books                         | 15,500              | 22,500              | 19,825              | 2,675                              |
| Binding                         | 500                 | 500                 | 307                 | 193                                |
| Microfilm                       | 720                 | 720                 | 1,900               | (1,180)                            |
| Recordings and cassettes        | 22,000              | 28,500              | 28,184              | 316                                |
| Toys                            | -                   | 1,300               | 1,847               | (547)                              |
| Subscriptions                   | 12,500              | 12,500              | 11,883              | 617                                |
| Online resources                | 5,500               | 5,500               | 5,484               | 16                                 |
| Summer reading                  | -                   | 5,000               | 5,013               | (13)                               |
| Non-capital equipment           | 8,750               | 28,050              | 27,838              | 212                                |
| Capital Improvement             | -                   | 12,400              | -                   | 12,400                             |
| Capital outlay software         | 2,000               | 11,500              | 12,388              | (888)                              |
| Totals                          | <u>\$ 1,700,106</u> | <u>\$ 1,740,806</u> | <u>\$ 1,741,702</u> | <u>\$ (896)</u>                    |

- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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TO THE LIBRARY BOARD OF DIRECTORS  
BLUE RIDGE REGIONAL LIBRARY  
MARTINSVILLE, VIRGINIA

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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Blue Ridge Regional Library as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Blue Ridge Regional Library's financial statements and have issued our report thereon dated November 15, 2017.

### Internal Control over Financial Reporting

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

November 15, 2017