

WILLIAMSBURG REGIONAL LIBRARY

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION

WILLIAMSBURG REGIONAL LIBRARY

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

WILLIAMSBURG REGIONAL LIBRARY
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To The Board of Trustees
Williamsburg Regional Library
Williamsburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, and the major fund of Williamsburg Regional Library, as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Williamsburg Regional Library as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012, on our consideration of Williamsburg 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Williamsburg Regional Library's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 30, 2012

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, 2012. 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 implemented 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 Assets, 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 Williamsburg Regional Library reported revenues that exceeded expenditures by \$84,909 for the year ended June 30, 2012.
- The library used carryover funds for the following projects.
 - Supplementing the travel and training budget with an additional \$10,438 to support staff attendance at the Public Library Association national conference.
 - Installing four additional digital display signage systems throughout both library buildings at a cost of \$21,534.
 - Supplementing the collection budget by purchasing additional e-book titles in the amount of \$24,428.
 - Replacing and upgrading the Integrated Library System server at a cost of \$25,075.
 - Developing plans for the James City County Library staff area renovation at a cost of \$13,000.
- As of June 30, 2012, the Williamsburg Regional Library had net assets of \$1,528,964.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Williamsburg 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 assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net assets 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 the 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2012, 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, 2012.

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 Williamsburg 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. Personal services are budgeted by full-time positions. Capital outlays are approved by the locality 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. Major fund budgetary variance statements are included with the basic financial statements. Non-major fund information follows the notes to the financial statements. 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 Assets**

As noted earlier, net assets may serve over time as a useful indicator of a library's financial position. The Library's net assets totaled \$1,528,964 at June 30, 2012. The following discussion reflects the condensed Government-Wide Statement of Net Assets:

The Williamsburg Regional Library's total assets were \$2,256,637 as of June 30, 2012. Of this amount, \$152,033 is accounted for by capital assets, which includes furniture & equipment and software. GASB Statement No. 34 requires that all capital assets be reported. The Library's facilities are individually owned by the City of Williamsburg and James City County and recorded on each jurisdiction's financial statements.

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.

Of the remaining Library assets, approximately \$890,695 is accounted for in cash and investments.

At June 30, 2012, the Library had outstanding liabilities of \$727,673. Refer to the notes to the financial statements for a more in depth discussion of compensated absences.

Included in liabilities are \$82,355 accounts payable, \$38,626 in accrued liabilities, and approximately \$8,636 in deposits payable to customers.

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

At June 30, 2012, the Library had positive balances in all categories of net assets, for the Library as a whole.

Statement of Activities - Changes in Net Assets

Total revenues for the Williamsburg Regional Library were \$6,124,301 for the year ended June 30, 2012. Governmental activities provided the majority of the revenues.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As noted earlier, the Williamsburg 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.

	2012	2011
Local participating governments	\$ 5,324,355	\$ 5,287,372
State grant	276,023	297,085
Other grants	149,751	80,692
Contributions	168,956	205,994
Fines	101,047	107,399
Fees - facility, equipment, technical	56,573	60,604
Programs	40,085	35,352
Interest	1,982	3,009
Other	5,529	5,630
Total revenues	\$ 6,124,301	\$ 6,083,137

The following provides an explanation of revenues by source.

- Local Participating Governments – This consists of funding from local governments. By formal contract the City of Williamsburg and James City County agree to contribute local funds toward the mutual costs of operating the Library on the basis of circulation by residency. York County also provides local government support.
- State Grant – Funds received from Library of Virginia state aid allocation.
- Other Grants – Funds received from other sources to fund programs.
- Contributions – Support from general solicitations, in-kind giving, and Friends of WRL and WRL Foundation grants and donations.
- Capital Projects – Funding from local governments for capital improvements.
- Fines – Revenues from the daily fines on materials and the replacement of lost library cards.
- Fees – Revenues from the use of meeting rooms and printing from copy machines and Internet stations.
- Programs – Revenues from programs and concert tickets.
- Interest – Revenues from bank accounts and investments in Local Government Investment Pool.
- Other – Revenues from the Library's discards and donations, set-off debt collection of past due accounts, and miscellaneous revenue and donations.

The following table represents expenditures compared to prior year amount.

	2012	2011
Personnel	\$ 4,412,632	\$ 4,297,765
Materials	498,957	540,394
Operations	1,127,803	964,613
Total expenditures	<u>\$ 6,039,392</u>	<u>\$ 5,802,772</u>

The following provides an explanation of expenditures by category:

- Personnel – This category includes all paid employees' salaries, 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.
- Operations – This includes all the costs associated with maintaining the Library's systems, including building maintenance, utilities, communications, computer catalog services, insurance, contractual services, supplies, postage, printing, programs, equipment and equipment repair, vehicle maintenance and financial and human services fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Williamsburg Regional Library's total investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$152,033 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment.

Long-Term Debt

At June 30, 2012, Williamsburg Regional Library has no long-term debt.

Requests for Information

This financial report is designed to provide a general overview of Williamsburg 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 Finance Director, Williamsburg Regional Library, 7770 Croaker Road, Williamsburg, VA 23188.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Williamsburg Regional Library
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Component Units</u>	
		<u>Friends of Williamsburg Regional Library</u>	<u>Williamsburg Regional Library Foundation</u>
ASSETS			
Cash and cash equivalents	\$ 890,695	\$ 341,631	\$ 167,005
Investments	1,171,102	-	1,410,634
Receivables (net of allowance for uncollectibles):			
Accounts receivable	27,675	10,874	7,560
Prepaid expenses	15,132	-	-
Capital assets (net of accumulated depreciation)	152,033	-	-
Total assets	<u>\$ 2,256,637</u>	<u>\$ 352,505</u>	<u>\$ 1,585,199</u>
LIABILITIES			
Accounts payable	\$ 82,355	\$ 8,670	\$ 67
Accrued liabilities	38,626	-	-
Advance user fees	8,636	-	-
Due to other governmental units	264,772	-	-
Long-term liabilities:			
Due within one year	33,328	-	-
Due in more than one year	299,956	-	-
Total liabilities	<u>\$ 727,673</u>	<u>\$ 8,670</u>	<u>\$ 67</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 152,033	\$ -	\$ -
Restricted for:			
Williamsburg Regional Library Foundation	-	-	456,643
Unrestricted (deficit)	1,376,931	343,835	1,128,489
Total net assets	<u>\$ 1,528,964</u>	<u>\$ 343,835</u>	<u>\$ 1,585,132</u>
 Total Liabilities and Net Assets	 <u>\$ 2,256,637</u>	 <u>\$ 352,505</u>	 <u>\$ 1,585,199</u>

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

**Williamsburg Regional Library
Statement of Activities
For the Year Ended June 30, 2012**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Revenue and Net (Expense) Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary</u>	<u>Component Units</u>	
				<u>Governmental Activity</u>	<u>Friends of Williamsburg Regional Library</u>	<u>Williamsburg Regional Library Foundation</u>
LIBRARY OPERATIONS:						
Personnel	\$ 4,407,672	\$ -	\$ 4,067,456	\$ (340,216)	\$ -	\$ -
Materials	498,957	-	371,325	(127,632)	-	-
Operations	1,211,980	197,705	1,280,804	266,529	-	-
Total governmental activities	<u>\$ 6,118,609</u>	<u>\$ 197,705</u>	<u>\$ 5,719,585</u>	<u>\$ (201,319)</u>	<u>\$ -</u>	<u>\$ -</u>
COMPONENT UNITS:						
Friends of Williamsburg Regional Library	\$ -	\$ -	\$ -	\$ -	\$ 139,100	\$ -
Williamsburg Regional Library Foundation	-	-	-	-	-	13,413
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,100</u>	<u>\$ 13,413</u>
General revenues:						
Other grants				\$ 149,751	\$ -	\$ -
Contributions				49,749	-	-
Interest				1,982	1,106	23,455
Other				5,529	141,364	412,554
Total general revenues				<u>\$ 207,011</u>	<u>\$ 142,470</u>	<u>\$ 436,009</u>
Change in net assets				5,692	3,370	422,596
Net assets - beginning				1,523,272	340,465	1,162,536
Net assets - ending				<u>\$ 1,528,964</u>	<u>\$ 343,835</u>	<u>\$ 1,585,132</u>

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

FUND FINANCIAL STATEMENTS

**Williamsburg Regional Library
Balance Sheet
Governmental Fund
June 30, 2012**

ASSETS

Cash and cash equivalents	\$ 890,695
Investments	1,171,102
Receivables (net of allowance for uncollectibles):	
Accounts receivable	27,675
Prepaid expenses	15,132
Total assets	<u>\$ 2,104,604</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 82,355
Accrued liabilities	38,626
Due to other governmental units	264,772
Advance users fees	8,636
Total liabilities	<u>\$ 394,389</u>

Fund balances:

Nonspendable:

Prepaid items	<u>\$ 15,132</u>
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Committed to:

Collections	\$ 17,198
Programs	25,743
Total Committed Fund Balance	<u>\$ 42,941</u>

Assigned to:

Board reserve	\$ 500,000
State aid reserve	300,000
Building renovations	186,987
Library system enhancements	84,000
ILS upgrade	74,925
E-books & readers	40,457
Computer software upgrades	37,936
Vehicle repair & replacement	36,000
Training funds	9,562
Total Assigned Fund Balance	<u>\$ 1,269,867</u>

Unassigned Fund Balance

Total fund balances	<u>\$ 382,275</u>
Total liabilities and fund balances	<u>\$ 1,710,215</u>
	<u>\$ 2,104,604</u>

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

**Williamsburg Regional Library
 Reconciliation of the Balance Sheet of Governmental Fund
 To the Statement of Net Assets
 June 30, 2012**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 1,710,215
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	152,033
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(333,284)
Net assets of governmental activities	\$ 1,528,964

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

Williamsburg Regional Library
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2012

REVENUES

Local participating governments	\$ 5,324,355
State grant	276,023
Other grants	149,751
Contributions	168,956
Fines	101,047
Fees-facility, equipment, technical	56,573
Programs	40,085
Interest	1,982
Miscellaneous	5,529
Total revenues	<u>\$ 6,124,301</u>

EXPENDITURES

Personnel	\$ 4,412,632
Materials	498,957
Operations	1,127,803
Total expenditures	<u>\$ 6,039,392</u>

Excess (deficiency) of revenues over (under) expenditures	<u>\$ 84,909</u>
Net change in fund balances	\$ 84,909
Fund balances - beginning	<u>1,625,306</u>
Fund balances - ending	<u><u>\$ 1,710,215</u></u>

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

**Williamsburg Regional Library
 Reconciliation of Schedule of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds	\$	84,909
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlay	\$	44,913	
Depreciation expense		<u>(129,090)</u>	(84,177)

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:

Decrease in accrued leave		4,960
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Change in net assets of governmental activities	\$	<u><u>5,692</u></u>
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The notes to the financial statements are an integral part of this statement.

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012

Note 1—Summary of Significant Accounting Policies:

The Williamsburg Regional Library (the Library) was organized under a 1977 agreement (the Agreement) between the City of Williamsburg (the City) and the County of James City (the County) and receives funding from the City and the County. The Library also receives funding from the Commonwealth of Virginia, York County and private sources. The County provides payroll and human resources administration, and the City is the fiscal agent and is responsible for maintaining certain financial records of the Library. The Agreement was last revised in February 2, 2010.

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 and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the Library'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 Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Library and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported mainly by intergovernmental activities.

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

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 1—Summary of Significant Accounting Policies: (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 patrons 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.

A. Individual Component Unit Disclosures

As required by Generally Accepted Accounting Principles (GAAP), these statements present the funds, activities and functions of the Library (the primary government) as well as its component units. The component units discussed below are reported separately from the Library's reporting entity.

Component Units

Friends of Williamsburg Regional Library

Friends of Williamsburg Regional Library (Friends) is a non-stock, not-for-profit Virginia corporation organized to promote interest in and attract financial support for the Library through book sales and membership dues. Friends fiscal year of January 1 to December 31 differs from the Library's fiscal year of July 1 to June 30. Friends is included as part of the governmental activities and reported as a discretely presented component unit because it is organized solely to support the Library. A copy of the separately issued financial statements for Friends may be obtained by writing to Friends, 7770 Croaker Road, Williamsburg, Virginia 23188 or by calling (757) 259-4040.

Williamsburg Regional Library Foundation

Williamsburg Regional Library Foundation (the Foundation) is a non-stock, not-for-profit Virginia corporation organized to promote interest and attract financial support for the Library through gifts and contributions from outside sources. The Foundation's fiscal year of January 1 to December 31 differs from the Library's fiscal year of July 1 to June 30. The Foundation is included as part of the governmental activities and reported as a discretely presented component unit because it is organized solely to support the Library. A copy of the separately issued financial statements for the Foundation may be obtained by writing to the Foundation, 7770 Croaker Road, Williamsburg, Virginia 23188 or by calling (757) 259-4040.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided 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 library. 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.

Intergovernmental revenues, consisting primarily of 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.

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Library reports only one fund as a major governmental fund - the General Fund.

The General Fund is the primary operating fund of the Library. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from state, local distributions, charges for services, and interest income.

C. Cash and 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.

Investments for the Library are reported at fair value.

D. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Investments maturing in three months or less of the date acquired are reported in the accompanying financial statements as cash and cash equivalents.

E. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as land, buildings, and equipment with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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>
Bookmobile	10
Furniture, Equipment, and Vehicles	3-5

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Compensated Absences

Regular full-time and regular part-time employees are granted vacation, sick leave, and compensation time benefits in varying amounts to specified maximums depending on tenure with the Library. All pay for compensated absences is accrued when incurred in the government-wide financial statements.

G. 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.

H. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The Library's policy is to fund pension cost as it accrues.

I. 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.

J. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

K. Fund Equity

Beginning with fiscal year 2011, the Williamsburg Regional Library implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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;
- 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 Board of Trustees 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 Board of Trustees 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 Williamsburg Regional Library strives to maintain an unassigned fund balance to be used for unanticipated emergencies of at least 35% of the actual GAAP basis expenditures and other financing sources and uses.

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

K. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

Balance Sheet - Governmental Funds
Fund Balance Section

	<u>General Fund</u>
Fund Balances:	
Nonspendable:	
Prepaid items	\$ 15,132
Committed to:	
Collections	\$ 17,198
Programs	25,743
Total Committed Fund Balance	<u>\$ 42,941</u>
Assigned to:	
Board reserve	\$ 500,000
State aid reserve	300,000
Building renovations	186,987
Library system enhancements	84,000
ILS upgrade	74,925
E-books & readers	40,457
Computer software upgrades	37,936
Vehicle repair & replacement	36,000
Training funds	9,562
Total Assigned Fund Balance	<u>\$ 1,269,867</u>
Unassigned Fund Balance	\$ 382,275
Total Fund Balances	<u>\$ 1,710,215</u>

Note 2—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' Finance Committee, the Library's 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 June, the Board of Trustees formally adopts the final budget for the upcoming fiscal year.

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 2—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 3—Deposits and Investments:

Deposits

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

Investment

The Library has been authorized by the City and County to invest temporarily idle cash in the State Treasurer's Local Government Investment Pool. Statutes applicable to both the City and County authorize this investment.

Credit Risk of Debt Securities

The Library's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	
Local Government Investment Pool	\$	<u>1,171,102</u>
Total	\$	<u><u>1,171,102</u></u>

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not Securities and Exchange Commission (SEC) registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due to/from Other Governments:

At June 30, 2012, the Library has amounts due to other governments as follows:

Other Local Governments:		
County of James City	\$	<u>264,772</u>
Total due to other governments	\$	<u><u>264,772</u></u>

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2012:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not subject to depreciation:				
Piano	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets subject to depreciation:				
Furniture and fixtures	\$ 1,762,314	\$ -	\$ -	\$ 1,762,314
Computers	435,411	44,913	37,805	442,519
Mobile Library Services vehicle	116,007	-	-	116,007
Audio visual	79,686	-	-	79,686
Theatrical	90,294	-	-	90,294
Vehicles	172,910	-	-	172,910
Total capital assets subject to depreciation	<u>\$ 2,656,622</u>	<u>\$ 44,913</u>	<u>\$ 37,805</u>	<u>\$ 2,663,730</u>
Less: accumulated depreciation	<u>\$ 2,445,412</u>	<u>\$ 129,090</u>	<u>\$ 37,805</u>	<u>\$ 2,536,697</u>
Total capital assets subject to depreciation, net	<u>\$ 211,210</u>	<u>\$ (84,177)</u>	<u>\$ -</u>	<u>\$ 127,033</u>
Total capital assets, net	<u>\$ 236,210</u>	<u>\$ (84,177)</u>	<u>\$ -</u>	<u>\$ 152,033</u>

Note 6—Long Term Obligations:

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2012:

	<u>Amounts</u> <u>Payable at</u> <u>July 1,</u> <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts</u> <u>Payable at</u> <u>June 30,</u> <u>2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 338,244	\$ 28,864	\$ 33,824	\$ 333,284	\$ 33,328
Total Long Term Debt	<u>\$ 338,244</u>	<u>\$ 28,864</u>	<u>\$ 33,824</u>	<u>\$ 333,284</u>	<u>\$ 33,328</u>

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7 – Defined Benefit Pension Plan:

All full-time, salaried, regular employees of the Library must participate in the Virginia Retirement System (VRS). Benefits vest after five years of service. Employees are vested after 5 years of credited service. Their participation is reported together with the employees of the County of James City. VRS is administered by the Commonwealth of Virginia, which bills the County for the employer's share of contributions. The contributions are actuarially determined every two years by VRS actuaries using the entry age normal cost method. The Library currently pays employee and employer contributions. VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of the benefit dependent upon length of service and earnings. Because Library employees are included with employees of the County, pension data is not separately available.

Note 8 – Leases:

The Library has various lease agreements for communication and office equipment. Rent expense under operating leases was \$15,173 for the year ended June 30, 2012.

Future minimum annual rent commitments as of June 30, 2012; under non-cancelable operating leases are as follows:

2013	<u>\$ 10,533</u>
Total	<u><u>\$ 10,533</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Williamsburg Regional Library
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local participating governments	\$ 5,324,355	\$ 5,324,355	\$ 5,324,355	\$ -
State grant	292,808	292,808	276,023	(16,785)
Other grants	-	-	149,751	149,751
Contributions	-	-	168,956	168,956
Fines	114,000	114,000	101,047	(12,953)
Fees-facility, equipment, technical Programs	61,000	61,000	56,573	(4,427)
Interest	-	-	40,085	40,085
Miscellaneous	5,000	5,000	1,982	(3,018)
Total revenues	<u>\$ 5,802,163</u>	<u>\$ 5,802,163</u>	<u>\$ 6,124,301</u>	<u>\$ 322,138</u>
EXPENDITURES				
Personnel	\$ 4,601,192	\$ 4,601,192	\$ 4,412,632	\$ 188,560
Materials	403,162	403,162	498,957	(95,795)
Operations	797,809	797,809	1,127,803	(329,994)
Total expenditures	<u>\$ 5,802,163</u>	<u>\$ 5,802,163</u>	<u>\$ 6,039,392</u>	<u>\$ (237,229)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,909</u>	<u>\$ 84,909</u>
Net change in fund balances	\$ -	\$ -	\$ 84,909	\$ 84,909
Fund balances - beginning	-	-	1,625,306	1,625,306
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,710,215</u>	<u>\$ 1,710,215</u>

OTHER SUPPLEMENTARY INFORMATION

**Williamsburg Regional Library
Schedule of Expenditures
For the Year Ended June 30, 2012**

PERSONNEL

Salaries	\$ 2,612,397
Wages	673,132
Benefits	1,127,103
Total personnel	<u>\$ 4,412,632</u>

MATERIALS

Collection	\$ 498,957
Total materials	<u>\$ 498,957</u>

OPERATIONS

Bindery	\$ 1,293
Communications	49,375
Postage	16,965
Memberships	6,724
Miscellaneous	38,922
Insurance	37,535
Advertising	6,306
Equipment acquisitions	126,806
Equipment services	26,799
Travel and training	33,908
Programs	261,937
Contractual services	188,028
Computer catalog services	37,862
Printing	5,255
Supplies	69,287
Building maintenance and supplies	32,532
Utilities	175,211
Financial services	13,058
Total operations	<u>\$ 1,127,803</u>
Total expenditures	<u>\$ 6,039,392</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Board of Trustees
Williamsburg Regional Library
Williamsburg, Virginia

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Williamsburg Regional Library as of and for the year ended June 30, 2012, which collectively comprise the Williamsburg Regional Library's basic financial statements and have issued our report thereon dated October 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Williamsburg Regional Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Williamsburg Regional Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Williamsburg Regional Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Williamsburg Regional Library's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Williamsburg Regional Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

This report is intended solely for the information and use of management, the Board of Trustees and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 30, 2012