

# WILLIAMSBURG REGIONAL LIBRARY

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FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014



**WILLIAMSBURG REGIONAL LIBRARY**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

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WILLIAMSBURG REGIONAL LIBRARY  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

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<u>Financial Section</u>	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-8
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	9
Exhibit 2 Statement of Activities	10
 Fund Financial Statements:	
Exhibit 3 Balance Sheet–Governmental Fund	11
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	12
Exhibit 5 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Governmental Fund	13
Exhibit 6 Reconciliation of Schedule of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	14
Notes to Financial Statements	15-25
 <u>Required Supplementary Information:</u>	
Exhibit 7 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual	26
 <u>Other Supplementary Information:</u>	
Schedule 1 Schedule of Expenditures–Budget and Actual–Governmental Funds	27
 <u>Compliance Section:</u>	
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>	28-29

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*FINANCIAL SECTION*

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## *Independent Auditors' Report*

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To The Board of Trustees  
Williamsburg Regional Library  
Williamsburg, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, and each major fund of Williamsburg Regional Library as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Williamsburg 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; 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 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.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, and each major fund of the Williamsburg Regional Library as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and budgetary comparison information on page 26, 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Williamsburg 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 7, 2014, on our consideration of the 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 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 Williamsburg Regional Library's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia  
November 7, 2014

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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, 2014. 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 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 Williamsburg Regional Library reported expenditures that exceeded revenues by \$3,997 for the year ended June 30, 2014.
- The library used carryover funds for the following projects.
  - Purchasing a new Mobile Library Services Outreach vehicle at a cost of \$90,331.
  - Upgrading all library personal computers to Windows 7 and Office 2010 at a cost of \$34,101.
  - Replacing staff task chairs at the James City County and Williamsburg Library at a cost of \$20,212.
  - Replacing the James City County Library HVAC expansion tanks at a cost of \$14,765.
  - Repairing and painting the Williamsburg Library Theatre walls and ceiling at a cost of \$14,250.
  - Enhancing the library's collections with the purchase of a search tool to combine catalog and database searches at a cost of \$13,950.
  - Conducting a national Library Director Search for a cost of \$4,766.
  - Purchasing mobility scooters for the James City County and Williamsburg Library at a cost of \$3,300.
- As of June 30, 2014, the Williamsburg Regional Library had a net position of \$1,437,051.

## **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 position presents information on all of the Library's assets and liabilities, with the difference between the two 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 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 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, 2014, 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, 2014.

**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 Position**

As noted earlier, net position may serve over time as a useful indicator of a library's financial position. The Library's net position totaled \$1,437,051 at June 30, 2014. The following discussion reflects the condensed Government-Wide Statement of Net Position:

The Williamsburg Regional Library's total assets were \$2,196,696 as of June 30, 2014. Of this amount, \$170,871 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 \$2,001,059 is accounted for in cash and investments.

At June 30, 2014, the Library had outstanding liabilities of \$759,645. Refer to the notes to the financial statements for a more in depth discussion of compensated absences.

Included in liabilities are \$79,560 accounts payable, \$31,714 in accrued liabilities, and approximately \$7,263 in deposits payable to customers.

The largest portion of the Library's net position 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, 2014, the Library had positive balances in all categories of net position, for the Library as a whole.

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

Total revenues for the Williamsburg Regional Library were \$6,456,028 for the year ended June 30, 2014. 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 the 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.

	2014	2013
Local participating governments	\$ 5,677,065	\$ 5,445,939
State grant	301,402	280,194
Other grants	92,969	95,077
Contributions	203,571	231,860
Fines	89,639	91,829
Fees - facility, equipment, technical	54,530	54,985
Programs	29,918	30,813
Interest	1,404	2,130
Other	5,530	13,489
Total revenues	<u>\$ 6,456,028</u>	<u>\$ 6,246,316</u>

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.

	2014	2013
Personnel	\$ 4,694,688	\$ 4,634,591
Materials	543,384	539,055
Operations	1,221,953	1,158,792
Total revenues	<u>\$ 6,460,025</u>	<u>\$ 6,332,438</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, ebooks, and audio books 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, 2014, amounts to \$170,871 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment.

### **Long-Term Debt**

At June 30, 2014, 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.

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*BASIC FINANCIAL STATEMENTS*

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*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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**Williamsburg Regional Library**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Component Units</b>		
	<b>Governmental Activities</b>	<b>Friends of Williamsburg Regional Library</b>	<b>Williamsburg Regional Library Foundation</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 826,842	\$ 339,550	\$ 51,966
Investments	1,174,217	-	1,923,971
Receivables (net of allowance for uncollectibles):			
Accounts receivable	6,756	9,613	17,230
Prepaid items	18,010	-	-
Capital assets (net of accumulated depreciation)	170,871	-	-
Total assets	<u>\$ 2,196,696</u>	<u>\$ 349,163</u>	<u>\$ 1,993,167</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 79,560	\$ 7,923	\$ 2,019
Accrued liabilities	31,714	-	-
Advance user fees	7,263	-	-
Due to other governmental units	287,192	-	-
Long-term liabilities:			
Due within one year	35,392	-	-
Due in more than one year	318,524	-	-
Total liabilities	<u>\$ 759,645</u>	<u>\$ 7,923</u>	<u>\$ 2,019</u>
<b>NET POSITION</b>			
Investment in capital assets	\$ 170,871	\$ -	\$ -
Restricted:			
Williamsburg Regional Library Foundation	-	-	493,073
Unrestricted	1,266,180	341,240	1,498,075
Total net position	<u>\$ 1,437,051</u>	<u>\$ 341,240</u>	<u>\$ 1,991,148</u>
 Total Liabilities and Net Position	 <u>\$ 2,196,696</u>	 <u>\$ 349,163</u>	 <u>\$ 1,993,167</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, 2014**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Revenue and Net (Expense) Changes in Net Position</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>
<b>LIBRARY OPERATIONS:</b>						
<b>Governmental Activities:</b>						
Personnel	\$ 4,682,731	\$ -	\$ 4,321,006	\$ (361,725)	\$ -	\$ -
Materials	543,384	-	301,402	(241,982)	-	-
Operations	1,176,965	174,087	1,356,059	353,181	-	-
Total governmental activities	\$ 6,403,080	\$ 174,087	\$ 5,978,467	\$ (250,526)	\$ -	\$ -
<b>COMPONENT UNITS:</b>						
Friends of Williamsburg Regional Library	\$ -	\$ -	\$ -	\$ -	\$ 115,749	\$ -
Williamsburg Regional Library Foundation	-	-	-	-	-	31,949
Total component units	\$ -	\$ -	\$ -	\$ -	\$ 115,749	\$ 31,949
General revenues:						
Other grants				\$ 92,969	\$ -	\$ -
Contributions				203,571	-	-
Interest				1,404	473	42,912
Miscellaneous				5,530	135,785	246,643
Total general revenues				\$ 303,474	\$ 136,258	\$ 289,555
Change in net position				\$ 52,948	\$ 20,509	\$ 257,606
Net position - beginning				1,384,103	320,731	1,733,542
Net position - ending				\$ 1,437,051	\$ 341,240	\$ 1,991,148

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

*FUND FINANCIAL STATEMENTS*

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**Williamsburg Regional Library  
Balance Sheet  
Governmental Fund  
June 30, 2014**

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**ASSETS**

Cash and cash equivalents	\$	826,842
Investments		1,174,217
Receivables (net of allowance for uncollectibles):		
Accounts receivable		6,756
Prepaid items		18,010
Total assets	\$	<u><u>2,025,825</u></u>

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable	\$	79,560
Accrued liabilities		31,714
Due to other governmental units		287,192
Advance users fees		7,263
Total liabilities	\$	<u><u>405,729</u></u>

Fund balances:

Nonspendable	\$	18,010
Committed:		36,479
Assigned:		985,025
Unassigned		580,582
Total fund balances	\$	<u><u>1,620,096</u></u>
Total liabilities and fund balances	\$	<u><u>2,025,825</u></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 Position**  
**June 30, 2014**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 1,620,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	170,871
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(353,916)
Net position of governmental activities	<u>\$ 1,437,051</u>

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**  
**Governmental Fund**  
**For the Year Ended June 30, 2014**

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**REVENUES**

Local participating governments	\$ 5,677,065
State grant	301,402
Other grants	92,969
Contributions	203,571
Fines	89,639
Fees-facility, equipment, technical	54,530
Programs	29,918
Interest	1,404
Miscellaneous	5,530
Total revenues	<u>\$ 6,456,028</u>

**EXPENDITURES**

Personnel	\$ 4,694,688
Materials	543,384
Operations	1,221,953
Total expenditures	<u>\$ 6,460,025</u>

Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,997)</u>
Net change in fund balances	\$ (3,997)
Fund balances - beginning	<u>1,624,093</u>
Fund balances - ending	<u><u>\$ 1,620,096</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 Fund  
To the Statement of Activities  
For the Year Ended June 30, 2014**

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

Net change in fund balances - total governmental funds	\$	(3,997)
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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 outlay exceeded depreciation in the current period.

Capital outlay	\$ 96,006		
Depreciation expense	<u>(51,018)</u>		44,988

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 compensated absences		11,957
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Change in net position of governmental activities	<u>\$</u>	<u>52,948</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, 2014

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#### *Note 1—Summary of Significant Accounting Policies:*

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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). The agreement was last revisited in September 2013 to include the County of York (York) in the circulation based funding formula. York card holders receive reduced card privileges as York's funding is calculated at a reduced amount. The Library also receives funding from the Commonwealth of Virginia 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.

#### Financial Statement Presentation

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 Position and the Statement of Activities) 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 Position - The Statement of Net Position is designed to display the 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) net investment in capital assets; 2) restricted; and 3) unrestricted.

## WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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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. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a governmental unit's reporting entity for basic financial statements 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 its reporting entity. These financial statements present the Williamsburg Regional Library and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

#### B. Individual Component Units

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.

##### Discretely Presented 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

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### 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.

#### C. 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, 2014 (Continued)

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

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C. 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.

D. 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.

E. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost.

F. 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 the asset's life 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

G. 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.

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

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H. 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.

I. Retirement Plan

Regular full-time employees of the Library participate in the Virginia Retirement System (VRS) through the County. Therefore, employees are not a separate cost pool of VRS and no separate actuarial information is available with regard to the Library's participation in VRS. Detailed disclosures regarding the County's participation in VRS and related actuarial information can be found in the County's annual financial statements.

J. 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.

K. 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, 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.

L. 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 future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Library does not have any deferred outflows of resources as of June 30, 2014.

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 does not have any deferred inflows of resources as of June 30, 2014.

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

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M. 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 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.

N. Fund Equity

The Williamsburg Regional 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;
- 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).

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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N. Fund Equity (Continued)

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

<u>Balance Sheet - Governmental Fund</u>	
<u>Fund Balance Section</u>	
	<u>General Fund</u>
Fund Balances:	
Nonspendable:	
Prepaid items	\$ 18,010
Committed:	
Collections	\$ 29,202
Programs	7,277
Total Committed Fund Balance	<u>\$ 36,479</u>
Assigned:	
Board reserve	\$ 500,000
State aid reserve	300,000
Catalog upgrade	74,925
Technology improvements	87,000
Library system enhancements	23,100
Total Assigned Fund Balance	<u>\$ 985,025</u>
Unassigned	\$ 580,582
Total Fund Balances	<u>\$ 1,620,096</u>

*Note 2—Stewardship, Compliance, and Accounting:*

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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, 2014 (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

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 the 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 the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investment

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

The Library 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, 2014 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Rated Debt Investments' Value	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 1,174,217</u>
Total	<u>\$ 1,174,217</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 Library (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.

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2014 (Continued)

*Note 4—Due to Other Governments:*

At June 30, 2014, the Library has amounts due to other governments as follows:

Other Local Governments:	
County of James City	\$ <u>287,192</u>
Total due to other governments	\$ <u><u>287,192</u></u>

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets subject to depreciation:				
Piano	\$ 25,000	\$ -	\$ -	\$ 25,000
Furniture and fixtures	1,802,892	3,300	300	1,805,892
Computers	387,046	2,375	8,751	380,670
Mobile Library Services vehicle	116,007	-	-	116,007
Audio visual	79,686	-	2,600	77,086
Theatrical	90,294	-	-	90,294
Vehicles	172,910	90,331	-	263,241
Total capital assets subject to depreciation	\$ <u>2,673,835</u>	\$ <u>96,006</u>	\$ <u>11,651</u>	\$ <u>2,758,190</u>
Accumulated depreciation:				
Piano	\$ 25,000	\$ -	\$ -	\$ 25,000
Furniture and fixtures	1,752,769	18,672	300	1,771,141
Computers	341,285	17,766	8,751	350,300
Mobile Library Services vehicle	87,972	11,601	-	99,573
Audio visual	77,722	1,473	2,600	76,595
Theatrical	90,294	-	-	90,294
Vehicles	172,910	1,506	-	174,416
Total accumulated depreciation	\$ <u>2,547,952</u>	\$ <u>51,018</u>	\$ <u>11,651</u>	\$ <u>2,587,319</u>
Total capital assets, net	\$ <u><u>125,883</u></u>	\$ <u><u>44,988</u></u>	\$ <u><u>-</u></u>	\$ <u><u>170,871</u></u>

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2014 (Continued)

*Note 6—Long Term Obligations:*

The following is a summary of long-term obligation transactions of the Library for the year ended June 30, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Compensated absences	\$ 365,873	\$ -	\$ 11,957	\$ 353,916	\$ 35,392
Total Long Term Obligations	<u>\$ 365,873</u>	<u>\$ -</u>	<u>\$ 11,957</u>	<u>\$ 353,916</u>	<u>\$ 35,392</u>

*Note 7—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. 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—Operating Leases:*

The Library has various lease agreements for communication and office equipment. Rent expense under operating leases was \$5,651 for the year ended June 30, 2014.

Future minimum annual rent commitments as of June 30, 2014; under non-cancelable operating leases are as follows:

2015	\$ 3,035
2016	3,035
2017	<u>3,035</u>
Total	<u>\$ 9,105</u>

WILLIAMSBURG REGIONAL LIBRARY

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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*Note 9–Upcoming Pronouncements:*

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The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Library has not determined the impact of this pronouncement on its financial statements.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**Williamsburg Regional Library**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local participating governments	\$ 5,677,065	\$ 5,677,065	\$ 5,677,065	\$ -
State grant	301,402	301,402	301,402	-
Other grants	-	-	92,969	92,969
Contributions	-	-	203,571	203,571
Fines	95,000	95,000	89,639	(5,361)
Fees-facility, equipment, technical	62,000	62,000	54,530	(7,470)
Programs	-	-	29,918	29,918
Interest	2,500	2,500	1,404	(1,096)
Miscellaneous	4,000	4,000	5,530	1,530
Total revenues	<u>\$ 6,141,967</u>	<u>\$ 6,141,967</u>	<u>\$ 6,456,028</u>	<u>\$ 314,061</u>
<b>EXPENDITURES</b>				
Personnel	\$ 4,890,549	\$ 4,890,549	\$ 4,694,688	\$ 195,861
Materials	436,318	436,318	543,384	(107,066)
Operations	1,103,904	1,103,904	1,221,953	(118,049)
Total expenditures	<u>\$ 6,430,771</u>	<u>\$ 6,430,771</u>	<u>\$ 6,460,025</u>	<u>\$ (29,254)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (288,804)</u>	<u>\$ (288,804)</u>	<u>\$ (3,997)</u>	<u>\$ 284,807</u>
Net change in fund balances	\$ (288,804)	\$ (288,804)	\$ (3,997)	\$ 284,807
Fund balances - beginning	288,804	288,804	1,624,093	1,335,289
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,620,096</u>	<u>\$ 1,620,096</u>

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*OTHER SUPPLEMENTARY INFORMATION*

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**Williamsburg Regional Library**  
**Schedule of Expenditures - Budget and Actual - Governmental Fund**  
**For the Year Ended June 30, 2014**

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**PERSONNEL**

Salaries	\$ 2,851,497
Wages	611,932
Benefits	1,231,259
Total personnel	<u>\$ 4,694,688</u>

**MATERIALS**

Collection	\$ 543,384
Total materials	<u>\$ 543,384</u>

**OPERATIONS**

Bindery	\$ 516
Communications	45,400
Postage	17,925
Memberships	7,685
Miscellaneous	56,557
Insurance	34,257
Advertising	8,655
Equipment acquisitions	245,887
Equipment services	33,492
Travel and training	30,046
Programs	215,745
Contractual services	195,912
Computer catalog services	45,762
Printing	3,264
Supplies	76,807
Building maintenance and supplies	24,113
Utilities	161,080
Financial services	18,850
Total operations	<u>\$ 1,221,953</u>
Total expenditures	<u>\$ 6,460,025</u>

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*COMPLIANCE SECTION*

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# 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 Board of Trustees  
Williamsburg Regional Library  
Williamsburg, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component units, and each major fund of Williamsburg Regional Library as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Williamsburg Regional Library, Virginia's basic financial statements, and have issued our report thereon dated November 7, 2014.

### Internal Control Over Financial Reporting

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

Richmond, Virginia  
November 7, 2014