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701 Goode St.

Bristol, VA 24201

**BRISTOL PUBLIC LIBRARY**

**AUDITED FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011**



*Certified Public Accountants and Consultants*

[www.BCScpa.com](http://www.BCScpa.com)

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2011

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
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June 30, 2011

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BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
DIRECTORY OF PRINCIPAL OFFICIALS  
June 30, 2011

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LIBRARY BOARD MEMBERS

Emily O'Quinn, President  
Pete Lauzon, Vice President  
Erin S. Downs, Treasurer  
Margaret Feierabend, Secretary  
Beverly Bowers  
Gayle Brown  
Ed Harlow  
Megan Hopkins  
Joyce Kistner  
David Lee  
Michael Parker  
Alex Thompson  
Katherine Wilson-Thompson

FOUNDATION BOARD MEMBERS

Bill Shanks, President  
Sid Oakley, Vice President  
Eric Reecher, Secretary  
Lois Clark, Treasurer  
Tom McGlothlin  
Robert Brien  
William Burris  
Tom Smith  
Jud Barry

OFFICIALS

Jud Barry, Library Executive Director  
Anita Foster-Machado, Foundation Executive Director

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bristol Public Library  
Bristol, Virginia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Bristol Public Library (the Library), a joint venture of the Cities of Bristol, TN and Bristol, VA, as of and for the fiscal year ended June 30, 2011, 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 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, the discretely presented component unit and each major fund of the Bristol Public Library, as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 November 28, 2011, on our consideration of the 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 on pages 4-5 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 State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bristol Public Library's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The 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.

*Blackburn, Childers and Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 28, 2011

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2011

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**Introduction**

This audit reports the financial activities of the Bristol Public Library, which for the purposes of this audit should be understood as a conflation of two distinct organizations: the Bristol Public Library, a governmental entity jointly owned by the two Cities of Bristol, TN and VA, and managed by a Board of Directors authorized by both States and duly appointed by each City; and the Bristol Public Library Foundation, a nonprofit organization formed as a 501(c)3 entity under the IRS tax code, and which exists solely to support the activities and programs of the Bristol Public Library. The Foundation is considered for reporting purposes a component unit of the Library. For purposes of this discussion, the two entities will be referred to as “the Library” and “the Foundation.”

The value of all property of the Bristol Public Library joint venture is reported by the two Cities that share in its ownership. Therefore, the assets and liabilities reported here are in the form of financial obligations for programs and services.

The following financial statement review presents the audit report from the management perspective.

**Financial Statement Review**

*Statement of Financial Position*

The combined net assets for the Library and the Foundation are \$1,308,525. This is the total of the Library’s net assets totaling \$65,720 and the Foundation’s net assets totaling \$1,242,805.

The governmental fund balance is \$165,085, which is an increase from last year’s \$146,319. The Foundation’s fund balance is \$1,142,905, compared with \$1,359,654 last year.

*Statement of Activities*

The Foundation:

- Realized revenues were \$125,212, compared with last year’s \$125,622. This is the first year since the expiration of pledges from the construction of the Main Library, and the last year of program funding through a grant from the Albert C. Noble Trust, an amount of \$1.27 million meant to be spent down for salaries and library programs. A track record for realized revenues is needed to help predict stable organizational costs in the future.
- Expenses were \$341,961, compared with last year’s \$367,755. Expenditures are being pared back to reflect the shrinking level of the Noble grant.
- This year was the first year since the capital campaign for the Main Library (2004-2005) that the Foundation has sought pledged donations. \$51,822 is expected to be collected in less than a year, after figuring an allowance for uncollectable pledges.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2011

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*Statement of Activities (Continued)*

The Library:

- Intergovernmental revenue for the Main Library fell:
  - Local government appropriations dropped from \$618,373 each to \$605,526 each.
  - State Library Aid (VA) fell from \$161,058 to \$131,511.
- The reserve fund continues a modest climb, going from \$146,319 to \$165,085.
- Charges for services increased a second straight year, from \$103,803 to \$107,381.
- Expenditure notes:
  - Main Library salaries dropped from \$898,120 to \$874,553.
  - Avoca salaries dropped from \$147,106 to \$144,956.
  - Literacy Academy salaries increased from \$69,866 to \$77,593.
  - Main Library books and materials dropped from \$131,527 to \$105,012.
  - Main Library utilities increased from \$156,747 to \$181,615.



BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Primary Government</u> Governmental Activities	<u>Component Unit</u> Library Foundation
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 258,458	-
Certificates of Deposit	28,177	-
Accounts Receivable	7,852	-
Other Assets	1,046	-
Interest Receivable	-	5,692
Pledges Receivable, Net	-	51,822
Prepaid Expenses	3,800	55,850
Restricted Assets		
Cash and Cash Equivalents	-	69,689
Certificates of Deposit	-	1,075,467
<b>TOTAL ASSETS</b>	<u>299,333</u>	<u>1,258,520</u>
<b>LIABILITIES</b>		
Accounts Payable	130,448	3,352
Accrued Wages and Payroll Taxes	-	2,302
Deferred Revenue	-	10,061
Compensated Absences		
Due in More Than One Year	103,165	-
<b>TOTAL LIABILITIES</b>	<u>233,613</u>	<u>15,715</u>
<b>NET ASSETS</b>		
Restricted, Expendable	-	1,242,805
Unrestricted	65,720	-
<b>TOTAL NET ASSETS</b>	<u>\$ 65,720</u>	<u>1,242,805</u>

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

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Library Foundation
Governmental Activities						
General Government	\$ 1,757,089	107,381	1,614,723	-	(34,985)	-
Total Governmental Activities	<u>1,757,089</u>	<u>107,381</u>	<u>1,614,723</u>	<u>0</u>	<u>(34,985)</u>	<u>0</u>
Component Unit						
Library Foundation	296,111	-	123,882	-	-	(172,229)
Total Component Unit	<u>296,111</u>	<u>0</u>	<u>123,882</u>	<u>0</u>	<u>0</u>	<u>(172,229)</u>
General Revenues						
					501	17,164
					13,232	-
Total General Revenues					<u>13,733</u>	<u>17,164</u>
					(21,252)	(155,065)
Net Assets - Beginning of Year					<u>86,972</u>	<u>1,397,870</u>
Net Assets - End of Year					<u>\$ 65,720</u>	<u>1,242,805</u>

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

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
GOVERNMENTAL FUND  
BALANCE SHEET  
June 30, 2011

	Total Governmental Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 258,458
Certificates of Deposit	28,177
Accounts Receivable	7,852
Other Assets	1,046
<b>TOTAL ASSETS</b>	<b>\$ 295,533</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 130,448
<b>TOTAL LIABILITIES</b>	<b>130,448</b>
<b>FUND BALANCES</b>	
Assigned to:	
Avoca	1,484
Literacy Academy	1,833
Main Library	161,768
<b>TOTAL FUND BALANCES</b>	<b>165,085</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid Expenses	3,800
Accrued Compensated Absences	(103,165)
Net Assets of Governmental Activities	<b>\$ 65,720</b>

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

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2011

	Total Governmental Fund
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REVENUES	
Intergovernmental Revenue	\$ 1,612,586
Charges for Fees and Services	107,381
Memorials and Donations	2,137
Revenue from Use of Money or Property	501
Miscellaneous	11,664
Other	1,568
	<hr/>
TOTAL REVENUES	1,735,837
	<hr/>
EXPENDITURES	
Salaries, Wages and Related Benefits	1,097,102
Professional and Legal Fees	7,840
Travel, Education and Insurance	16,890
Books and Materials	132,488
Maintenance and Security	203,909
Binding, Postage, and Printing	3,834
Utilities	191,321
Programs	12,217
Supplies	27,156
Miscellaneous	14,971
Capital Expenditures	8,025
Other	1,318
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TOTAL EXPENDITURES	1,717,071
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Excess of Revenues Over Expenditures	18,766
Fund Balance, Beginning of Year	146,319
	<hr/>
Fund Balance, End of Year	\$ 165,085
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The notes to the financial statements are an integral part of this statement.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
GOVERNMENTAL FUND  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011

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

Net Change in Fund Balances - Total Governmental Fund	\$ 18,766
Prepaid expenses that do require the use of current financial resources are reported as expenditures in the governmental fund.	(7,336)
Expenses reported in the statement of activities for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental fund.	<u>(32,682)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (21,252)</u></u>

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

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 1,616,827	1,612,586	(4,241)
Charges for Fees and Services	98,710	107,381	8,671
Memorials and Donations	2,000	2,137	137
Revenue from Use of Money or Property	1,500	501	(999)
Miscellaneous	1,024	13,232	12,208
<b>TOTAL REVENUES</b>	<b>1,720,061</b>	<b>1,735,837</b>	<b>15,776</b>
<b>EXPENDITURES</b>			
Salaries, Wages and Related Benefits	1,165,631	1,097,102	68,529
Professional and Legal Fees	8,100	7,840	260
Travel, Education and Insurance	19,350	16,890	2,460
Books and Materials	143,244	132,488	10,756
Maintenance and Security	197,941	203,909	(5,968)
Binding, Postage, Printing	5,815	3,834	1,981
Utilities	161,500	191,321	(29,821)
Programs	10,700	12,217	(1,517)
Supplies	29,464	27,156	2,308
Miscellaneous	6,800	16,289	(9,489)
Capital Expenditures	13,825	8,025	5,800
Foundation Receipts	(42,309)	-	(42,309)
<b>TOTAL EXPENDITURES</b>	<b>1,720,061</b>	<b>1,717,071</b>	<b>2,990</b>
Excess of Revenues Over Expenditures	-	18,766	18,766
Fund Balance, Beginning of Year	-	146,319	146,319
Fund Balance, End of Year	<u>\$ -</u>	<u>165,085</u>	<u>165,085</u>

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

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bristol Public Library (the “Library”) provides service to most of Washington County, Virginia and Sullivan County, Tennessee and is jointly owned and operated by the City of Bristol, Tennessee and the City of Bristol, Virginia (jointly referred to as the “Cities”). The Library has two separate library branches, the Main branch and the Avoca branch. Additionally, the Library operates a literacy branch, the Patricia Freedman Literacy Academy of Bristol (the “Literacy Academy”), which provides educational assistance programs for low-income and disadvantaged families. The Library is governed by a board consisting of members from the Cities and an at-large trustee.

During 2004, the Bristol Public Library Foundation (the “Foundation”) was formed as a non-profit organization to provide funding for the construction of a new Main Branch of the Library. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, “Determining Whether Certain Organizations Are Component Units,” based on the significance of the Foundation’s relationship with the Library, it is considered a component unit of the Library and is presented as a discretely presented component unit in the accompanying financial statements. The Foundation is governed by a board, of which 2 members must be appointed by the City of Bristol, Tennessee and City of Bristol, Virginia council. It is a legally separate entity from the Library.

The Foundation uses the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Separate financial statements are not prepared by the Foundation; therefore, a complete set of statements is included in the supplementary information for the Library.

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the non-fiduciary activities of the Library. *Government activities*, which normally are supported by intergovernmental revenues and taxes are reported separately. The Library has no *business-type* activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers, who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items which do not meet this definition are reported as *general revenues*.

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

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As of these financial statements, the Library has adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Library does not have any nonspendable amounts as of year-end.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Library, their highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Library.

Assigned – includes amounts that the Library intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Board or its designee.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first, unless legal requirements disallow it or unrestricted funds will be lost if not utilized. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Library has provided otherwise in its commitment or assignment actions.

The Library's net assets are categorized as unrestricted. The unrestricted category includes project funds which were established by the Board to set aside funds for future projects of the Library. The Foundation's net assets are categorized as restricted.



BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Foundation shows restricted gains, investment income and restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and reimbursements associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The government reports the following major governmental fund:

The *General Fund* is the Library's primary operating fund. It accounts for all financial resources of the government, except for those required to be accounted for in another fund.

In addition, the Library has the Avoca branch and the Literacy Academy, which operate as divisions of the operating fund.

The discretely presented component unit reports the following major governmental fund:

The *General Fund (Noble Fund)* is the Foundation's primary operating fund. It accounts for all financial resources of the entity.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

C. Cash

Cash includes deposits with financial institutions in checking accounts or certificates of deposit.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Capital Assets

Capital Assets are defined by the Library as equipment and furniture with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year and additions to the book collection. Capital assets are not recorded on the financial records of the Library, but are recorded on the financial records of the Cities of Bristol, TN and Bristol, VA in accordance with their respective ownership.

Capital assets are recorded at historical cost. Donated equipment and furniture items are recorded at estimated fair market value at the date of donation. The book collection value, prior to implementation of GASB 34 is based on actual cost. New additions to the collection amount have been recorded based upon actual costs.

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

Books, equipment and furniture are depreciated using the straight-line method over the estimated useful life of six years.

E. Restricted Assets

Restricted assets consist of donor-imposed purpose restrictions on funds donated to the Foundation. These assets are restricted primarily for library materials and programs.

F. Pledges Receivable

Pledges to give cash and other assets are reported at fair value at the date the promise is received. Conditional pledges are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at the present value of their estimated future cash flows. The rate used to compute the discount to present value was 2% for future pledges receivable. Amortization of discounts is included in pledges.

E. Allowance for Uncollectable Pledges

Pledges receivable are stated at the amount management expects to collect on outstanding balances. Balances still outstanding after all reasonable collection efforts have been made will be written off.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Compensated Absences

Library personnel policies make provisions for the granting of a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation leave and 25% of sick leave up to \$5,000 for employees with five years or more of service. The applicable share of employer related taxes payable on the eventual termination payments is also included. The Library's liability for the amount of leave earned by employees, but not taken at June 30, 2011, is recorded in the Statement of Net Assets and as a component of compensation and benefit expense in the Statement of Activities.

G. Advertising

All advertising costs are expensed as incurred.

H. Estimates

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

I. Budgets

The Library prepares an annual budget. The Foundation is not legally required to adopt a budget; however the Foundation Board does approve and operate based on a budget.

NOTE 2 - CASH AND CASH EQUIVALENTS

All of the cash and cash equivalents of the Library are 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. At year-end, the Library's carrying value of deposits was \$258,308 and the bank balance of deposits was \$280,667. All deposits were collateralized as public funds or insured by the FDIC. The Library does not have a policy for interest rate risk or other credit risk other than collateralization as public funds for amounts in excess of FDIC coverage.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

The carrying value of the Foundation's deposits with banks and savings institutions, including certificates of deposit, was \$1,145,116. Of the bank balance, \$1,135,085 was covered by FDIC and \$14,837 was uninsured and uncollateralized. The Foundation does not have deposit and investment policies that limit the entities' allowable deposits or investments. There are also no formal policies in regard to credit risk or interest rate risk for amounts in excess of FDIC coverage.

NOTE 3 - RESTRICTED ASSETS

In March of 2007, the Foundation received funds from the Albert C. Noble Trust and the Albert C. Noble Library Trust for the Albert C. Noble Enrichment Program. These funds were granted to the Foundation to promote a culture of literacy and lifelong learning in Bristol by increasing the use and appreciation of library services. The program will seek to expand community awareness and interest through a branding and marketing campaign and ongoing series of outreach services, programs, and special events. These funds are shown as restricted assets on the Foundation's financial statements.

NOTE 4 - CAPITAL ASSETS

Capital Assets are jointly-owned by the Cities of Bristol, TN and Bristol, VA and the respective ownership is reflected in the audit reports of the two cities and therefore, is not recorded as owned by the Library. The depreciation expense is also reflected in the statement of activities of the respective cities.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Capital Asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 48,000	-	-	48,000
Capital Assets, being depreciated:				
Building and Improvements	10,952,288	-	-	10,952,288
Library Books and Equipment	2,718,765	148,991	-	2,867,756
Total capital assets, being depreciated	<u>13,671,053</u>	<u>148,991</u>	<u>0</u>	<u>13,820,044</u>
Less accumulated depreciation for:				
Building and Improvements	(847,251)	(194,833)	-	(1,042,084)
Library Books and Equipment	(1,909,566)	(362,409)	-	(2,271,975)
Total accumulated depreciation	<u>(2,756,817)</u>	<u>(557,242)</u>	<u>0</u>	<u>(3,314,059)</u>
Total capital assets, being depreciated, net	<u>10,914,236</u>	<u>(408,251)</u>	<u>-</u>	<u>10,505,985</u>
Governmental activities capital assets, net	<u>\$10,962,236</u>	<u>(408,251)</u>	<u>0</u>	<u>10,553,985</u>

NOTE 5 - PLEDGES RECEIVABLE

Pledges Receivable were as follows as of June 30, 2011:

Expected to be Collected in:	
Less than One Year	\$ 54,550
Less:	
Allowance for Uncollectable Pledges	(1,637)
Discount to Net Present Value at 2%	<u>(1,091)</u>
	<u>\$ 51,822</u>

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 6 - BENEFIT PLAN

The Library's employees have been designated as employees of the City of Bristol, Virginia for the purpose of participating in the Virginia Retirement System ("VRS"). The VRS is a defined benefit pension plan and is available to all full-time, salaried employees of the Library. Separate actuarial information for the Library's employees is not available. Since the Library's employees are included with the City of Bristol, Virginia, additional information on the pension plan can be obtained from the City of Bristol, Virginia audit report. The Library's payroll for employees covered under the VRS was \$829,247. The Library made contributions of \$113,547 to the plan during fiscal year 2011. No employee contributions were made.

The Library also offers its employees, through the City of Bristol, Virginia, a deferred compensation plan created in accordance with Internal Revenue code 457 ("457 Plan"). The 457 Plan, available to all the Library's employees, permits them to defer a portion of their salary until future years. The Library incurs no costs related to the 457 Plan.

NOTE 7 - ECONOMIC DEPENDENCY

The Library receives a substantial amount of its support from state and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities.

NOTE 8 - RELATED PARTY TRANSACTIONS

Appropriations of \$1,211,052 were received from the City of Bristol, Virginia and City of Bristol, Tennessee (\$605,526 each) for the year ended June 30, 2011. In addition, the Avoca Branch received \$184,525 from the City of Bristol, Tennessee and \$15,000 from Sullivan County, Tennessee. The Literacy Academy received \$16,500 from the City of Bristol, Tennessee. The Literacy Academy also received Community Development Block Grants from the City of Bristol, Tennessee and the City of Bristol, Virginia in the amount of \$16,000 and \$29,500, respectively.

NOTE 9 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; natural disasters; and injuries of employees for which the Library carries commercial insurance purchased from independent third parties. The Library had no settlements in excess of insurance coverage in any of the prior three fiscal years.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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NOTE 10 - COMMITMENT AND CONTINGENCIES

In January 2006, the Library Board committed the Library to joining a shared library automated system housed at East Tennessee State University (ETSU) and offered to members of the Watauga Regional Library (Watauga). Headquartered in Johnson City, Tennessee, Watauga is a service of the State of Tennessee that provides services to public libraries in five counties of Northeast Tennessee, including Sullivan County. Since the Library serves Sullivan County residents, the Library qualifies for and has for a long time received Watauga services other than the shared automation system. In addition to the shared automated services, the Library will share software license costs with other Watauga members on the basis of the percentage of the total, shared database of participating library holdings that belong to each. The Library has 18.93% of the holdings in the shared database and is billed for ongoing software maintenance costs on the same basis. In addition, the Library pays a pro-rata share of ETSU server space and maintenance. The basis for this payment is \$.10 per item in the database that belongs to the Library on the date of invoicing.

## SUPPLEMENTARY INFORMATION



BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
COMPONENT UNIT - BRISTOL PUBLIC LIBRARY FOUNDATION  
BALANCE SHEET  
June 30, 2011

	Component Unit Library Foundation
<b>ASSETS</b>	
Interest Receivable	\$ 5,692
Pledges Receivable, Net	51,822
Restricted Assets	
Cash and Cash Equivalents	69,689
Certificates of Deposit	1,075,467
<b>TOTAL ASSETS</b>	<b>\$ 1,202,670</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 3,352
Accrued Payroll and Related Liabilities	2,302
Deferred Income	54,111
<b>TOTAL LIABILITIES</b>	<b>59,765</b>
<b>FUND BALANCES</b>	
Restricted for:	
Foundation	1,142,905
<b>TOTAL FUND BALANCES</b>	<b>1,142,905</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid Expenses	55,850
Deferred Income	44,050
Net Assets of Governmental Activities	<b>\$ 1,242,805</b>

See independent auditors' report.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
COMPONENT UNIT - BRISTOL PUBLIC LIBRARY FOUNDATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2011

	Component Unit Library Foundation
REVENUES	
Memorials and Donations	\$ 108,048
Revenue from Use of Money or Property	17,164
TOTAL REVENUES	125,212
EXPENDITURES	
Salaries, Wages and Related Benefits	133,821
Professional and Legal Fees	11,180
Travel, Education and Insurance	7,701
Binding, Postage, and Printing	9,204
Utilities	1,355
Supplies	6,160
Miscellaneous	29,755
Programs	105,499
Noble Program Expenses	37,286
TOTAL EXPENDITURES	341,961
Deficiency of Revenues Under Expenditures	(216,749)
Fund Balance, Beginning of Year	1,359,654
Fund Balance, End of Year	\$ 1,142,905

See independent auditors' report.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
COMPONENT UNIT - BRISTOL PUBLIC LIBRARY FOUNDATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011

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

Net Change in Fund Balances	\$ (216,749)
Prepaid expenses that do require the use of current financial resources are reported as expenditures in the governmental fund.	45,850
Governmental funds are not required to report pledges receivable income.	<u>15,834</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (155,065)</u></u>

See independent auditors' report.

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
SCHEDULE OF REVENUES AND EXPENDITURES BY DIVISIONS  
For the Fiscal Year Ended June 30, 2011

REVENUES	Main Library	Avoca Branch	Literacy Academy	Total
Local				
Intergovernmental Revenue				
City of Bristol, VA	\$ 605,526	-	-	605,526
City of Bristol, TN	605,526	184,525	16,500	806,551
Sullivan County, TN	-	15,000	-	15,000
State Library Aid	131,511	-	-	131,511
Grants	3,498	-	50,500	53,998
Charges for Fees and Services				
Fees and Fines	55,779	4,322	8,150	68,251
Gift Shop	21,866	-	-	21,866
Rent	3,989	-	-	3,989
Copy and Fax Machine Revenue	11,502	1,401	-	12,903
Programs	372	-	-	372
Memorials and Donations				
Memorial and Special Books	2,137	-	-	2,137
Revenue from Use of Money or Property				
Interest Income	501	-	-	501
Miscellaneous	11,609	1,623	-	13,232
<b>TOTAL REVENUES</b>	<b>\$ 1,453,816</b>	<b>206,871</b>	<b>75,150</b>	<b>1,735,837</b>
EXPENDITURES				
Salaries, Wages and Related Benefits	\$ 874,553	144,956	77,593	1,097,102
Professional and Legal Fees	5,740	1,350	750	7,840
Travel, Education and Insurance	16,665	225	-	16,890
Books and Materials	105,012	27,476	-	132,488
Maintenance and Security	191,137	12,772	-	203,909
Binding, Postage, and Printing	3,573	218	43	3,834
Utilities	181,615	9,452	254	191,321
Programs	10,229	1,988	-	12,217
Supplies	23,477	3,202	477	27,156
Miscellaneous	13,833	2,456	-	16,289
Capital Expenditures	6,528	1,497	-	8,025
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,432,362</b>	<b>205,592</b>	<b>79,117</b>	<b>1,717,071</b>

See independent auditors' report.

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*

To the Board of Directors  
Bristol Public Library  
Bristol, Virginia

We have audited the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Bristol Public Library (the "Library"), a joint venture of the cities of Bristol, TN and Bristol, VA, as of and for the year ended June 30, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 28, 2011. 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

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit 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 Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting: 2011-01. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the Library in a separate letter dated November 28, 2011.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Library's response and, accordingly, we express no opinion on it.

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

*Blackburn, Childers and Steagall, P.C.*  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 28, 2011

BRISTOL PUBLIC LIBRARY  
A JOINT VENTURE OF THE CITIES OF BRISTOL, TN AND BRISTOL, VA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2011

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FINANCIAL STATEMENT AUDIT FINDINGS

**2011-01 Significant Deficiency – Foundation - Pledges Receivable**

*Condition:* The pledges receivable account in the general ledger of the Foundation required a material audit adjustment at year-end.

*Criteria:* In order for the pledges receivable balance to be accurate and reliable, the Foundation must make adjustments for payments, write-offs and new pledge activity as it occurs.

*Effect:* The monthly financial reports prepared and given to the Foundation Board are not presenting accurate pledge balances. Therefore, assets and income may appear over or under stated on these monthly financial reports.

*Recommendation:* The Pledges Receivable database report is updated timely for new pledges and payments; however, the general ledger should also be updated and reviewed in order for the outstanding pledges to be properly recorded and reported.

*Management's Comments:* We are implementing a process to report quarterly to the bookkeeper (currently The Markland Group) all new pledges to the BPL Foundation. We do keep record of pledges in our database; however, we have not reported these to the bookkeeper to have them reflect in our General ledger. This process will correct the error.