

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Basic Financial Statements

June 30, 2013

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

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## INDEPENDENT AUDITOR'S REPORT

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**The Board of Trustees  
Bristol Public Library  
Bristol, Virginia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the major fund of the Bristol Public Library, a joint venture of the Cities of Bristol, TN and Bristol, VA (the "Library"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 unit, and the major fund, of the Bristol Public Library, a joint venture of the Cities of Bristol, TN and Bristol, VA, as of June 30, 2013, and the respective changes in financial position, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the Bristol Public Library, a joint venture of the Cities of Bristol, TN and Bristol, VA implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinions are not modified with respect to this matter.

### ***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 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The component unit – Bristol Public Library Foundation balance sheet, component unit – Bristol Public Library Foundation statement of revenues, expenditures, and changes in fund balance, and schedule of revenues and expenditures by division – governmental funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The component unit – Bristol Public Library Foundation balance sheet, component unit – Bristol Public Library Foundation statement of revenues, expenditures, and changes in fund balance, and schedule of revenues and expenditures by division – governmental funds are the responsibility of management and were derived from and relate 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 component unit – Bristol Public Library Foundation balance sheet, component unit – Bristol Public Library Foundation statement of revenues, expenditures, and changes in fund balance, and schedule of revenues and expenditures by division – governmental funds are 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 22, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 22, 2013

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Management's Discussion and Analysis

June 30, 2013

Management's discussion and analysis of the financial performance of the Bristol Public Library (the "Library") is intended to provide the readers of these financial statements with an overview of the Library's financial activities for the year ended June 30, 2013. This statement reports the financial activities of the Bristol Public Library, which for the purposes of this statement 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, (the "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.

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.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 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. 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.

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 as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**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 Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The sole fund of the Library is considered a governmental fund.

Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Management's Discussion and Analysis

June 30, 2013

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-21 of this report.

**Government-wide Financial Analysis**

Summary of the Library's Net Position  
June 30, 2013 and 2012

	<b>Governmental activities</b>	
	<b>2013</b>	<b>2012</b>
Assets:		
Current and other assets	\$ 250,975	\$ 242,382
Total assets	250,975	242,382
Liabilities:		
Current liabilities	172,032	164,356
Total liabilities	172,032	164,356
Net position:		
Unrestricted	78,943	78,026
Total net position	\$ 78,943	\$ 78,026

The Bristol Public Library's assets exceeded its liabilities by \$78,943 (net position) at June 30, 2013. Total net position of \$78,943 consists of unrestricted net position. Unrestricted net position is available to fund future library operations.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Management's Discussion and Analysis

June 30, 2013

Summary of Changes in the Library's Net Position  
Years ended June 30, 2013 and 2012

	<b>Governmental activities</b>	
	<b>2013</b>	<b>2012</b>
Revenues:		
Program revenue		
Charges for services	\$ 85,933	\$ 91,597
Operating grants and contributions	474,063	468,862
General revenue		
Cities' appropriations	1,349,956	1,283,100
Unrestricted investment earnings	420	460
Other general revenue	39,256	32,021
Total revenues	<u>1,949,628</u>	<u>1,876,040</u>
Expenses:		
Public services	1,120,766	1,039,720
Information technology	233,620	231,891
Administration	167,895	168,007
Maintenance and operations	426,430	424,116
Total expenses	<u>1,948,711</u>	<u>1,863,734</u>
Change in net position	917	12,306
Net position, beginning of year	<u>78,026</u>	<u>65,720</u>
Net position, end of year	<u>\$ 78,943</u>	<u>\$ 78,026</u>

**The Library's net position** increased \$917 from fiscal year 2013 activities.

**Total Library revenues** of \$1,949,628 increased \$73,588 from the prior year due primarily to an increase in the cities' budgeted appropriations.

**Total Library expenses** of \$1,948,711 increased \$84,977 without any notable changes in individual expenses from the prior year.



**BRISTOL PUBLIC LIBRARY**  
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Management's Discussion and Analysis

June 30, 2013

The Library improved its governmental fund balance by \$16,152, from \$176,305 to \$192,457. As shown on page 12 (Budget-Actual), this was accomplished by managing expenditures during a year of a significant drop in intergovernmental revenue, most of which happened as a result of a shortfall in Virginia State Aid.

The Literacy academy component of the governmental fund shows a negative balance due to a decision not to fund a staff credentialing initiative by drawing on the Foundation's restricted fund designated for the Literacy academy. In this report, Foundation funds designated for the Literacy academy are included as part of a single restricted fund with a balance of \$742,767. This amount includes monies designated both for the Literacy academy and for capital improvements. In its own reporting, the Foundation Board separates out and maintains distinctions in the designations.

The Foundation's program revenues were \$39,612, compared with last year's \$117,118. This was the first year of operation without funds from the Albert C. Noble Trust, a grant of \$1.27 million that was spent between 2008 and 2013 for salaries and library programs. Due to the shortfall in revenues, the Foundation was unable to sustain outlays for two staff positions past the end of the report year.

The Foundation's expenses were \$269,495, compared with last year's \$391,699.

The Foundation's net pledges receivable within one year is \$7,972.

**Fund Analysis**

There are no significant differences in activity between the financial statements at the fund level and the government wide level.

**Budgetary Highlights**

Miscellaneous revenues for the Library include funds for architectural fees related to the formulation of plans for an interior revision project of significant scope at the Main Library. Planning for this project will continue in FY14.

**Requests for Information**

The financial statements are designed to provide a general overview of the Library's finances. Questions concerning any of the information provided should be addressed to the Executive Director, Bristol Public Library, 701 Goode Street, Bristol, VA 24201.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)  
Statement of Net Position  
June 30, 2013

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Library Foundation</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 207,983	\$ -
Certificates of deposit	28,670	-
Accounts receivable	4,135	-
Interest receivable	-	643
Due from component unit	4,403	-
Due from other government	5,229	-
Pledges receivable, net	-	7,972
Prepaid expenses	555	-
Restricted assets		
Cash and cash equivalents	-	498,823
Certificates of deposit	-	250,895
<b>Total assets</b>	<u>250,975</u>	<u>758,333</u>
<b>Liabilities</b>		
Accounts payable	40,390	-
Accrued wages and payroll taxes	17,573	3,191
Due to primary government	-	4,403
Compensated absences		
Due in less than one year	114,069	-
<b>Total liabilities</b>	<u>172,032</u>	<u>7,594</u>
<b>Net Position</b>		
Restricted, expendable	-	750,739
Unrestricted	78,943	-
<b>Total net position</b>	<u>\$ 78,943</u>	<u>\$ 750,739</u>

The accompanying notes are an integral part of these financial statements.

**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, 2013

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Library Foundation
<u>Functions/Programs</u>	<u>Expenses</u>					
Governmental Activities:						
Public services	\$ 1,120,766	\$ 69,631	\$ 474,063	\$ -	\$ (577,072)	\$ -
Information technology	233,620	-	-	-	(233,620)	-
Administration	167,895	-	-	-	(167,895)	-
Maintenance and operations	426,430	16,302	-	-	(410,128)	-
Total governmental activities	<u>\$ 1,948,711</u>	<u>\$ 85,933</u>	<u>\$ 474,063</u>	<u>\$ -</u>	<u>\$ (1,388,715)</u>	<u>\$ -</u>
Component unit:						
Library Foundation	\$ 269,495	\$ -	\$ 39,612	\$ -	\$ -	\$ (229,883)
Total component unit	<u>\$ 269,495</u>	<u>\$ -</u>	<u>\$ 39,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (229,883)</u>
General revenues:						
Cities' appropriations					1,349,956	-
Unrestricted investment earnings					420	3,638
Other general revenue					39,256	-
Total general revenues					<u>1,389,632</u>	<u>3,638</u>
Change in net position					917	(226,245)
Net position, beginning of year					78,026	976,984
Net position, end of year					<u>\$ 78,943</u>	<u>\$ 750,739</u>

The accompanying notes are an integral part of these financial statements.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)  
Balance Sheet  
Governmental Fund  
June 30, 2013

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 207,983
Certificates of deposit	28,670
Accounts receivable, net of allowances	4,135
Due from component unit	4,403
Due from other government	<u>5,229</u>
Total assets	<u><u>\$ 250,420</u></u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 40,390
Accrued salaries and related payments	<u>17,573</u>
Total liabilities	<u>57,963</u>
<b>Fund balances:</b>	
Assigned to:	
Avoca	8,289
Literacy academy	(1,986)
Main Library	<u>186,154</u>
Total fund balances	192,457
Amounts reported for governmental activities in the statement of net position are different because:	
Prepaid expenses are not reported in the funds.	555
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds	<u>(114,069)</u>
Net position of the governmental activities	<u><u>\$ 78,943</u></u>

The accompanying notes are an integral part of these financial statements.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the fiscal year ended June 30, 2013

	<b>General Fund</b>
Revenues:	
Intergovernmental revenue	\$ 1,822,924
Charges for fees and services	41,728
Memorials and donations	1,095
Fines and forfeitures	44,205
Miscellaneous	39,676
Total Revenues	<u>1,949,628</u>
Expenditures:	
Public services	1,112,339
Information technology	231,864
Administration	166,049
Maintenance and operations	423,224
Total Expenditures	<u>1,933,476</u>
Net change in fund balance	16,152
Fund balance, beginning of year	<u>176,305</u>
Fund balance, end of year	<u><u>\$ 192,457</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 16,152
Expenses reported in the statement of activities for compensated absences do not require the use of current financial resources and, therefore, are are not reported as expenditures in the governmental fund.	<u>(15,235)</u>
Change in net position of governmental activities	<u><u>\$ 917</u></u>

The accompanying notes are an integral part of these financial statements.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)  
**Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget to Actual**  
**General Fund**  
For the fiscal year ended June 30, 2013

	<b>Budget</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 1,839,118	\$ 1,839,118	\$ 1,822,924	\$ (16,194)
Charges for fees and services	43,437	43,437	41,728	(1,709)
Memorials and donations	2,000	2,000	1,095	(905)
Fines and forfeitures	44,540	44,540	44,205	(335)
Miscellaneous	25,612	25,612	39,676	14,064
<b>Total revenues</b>	<b>1,954,707</b>	<b>1,954,707</b>	<b>1,949,628</b>	<b>(5,079)</b>
<b>Expenditures:</b>				
Public services	1,114,386	1,114,386	1,112,339	2,047
Information technology	236,493	236,493	231,864	4,629
Administration	172,607	172,607	166,049	6,558
Maintenance and operations	431,221	431,221	423,224	7,997
<b>Total expenditures</b>	<b>1,954,707</b>	<b>1,954,707</b>	<b>1,933,476</b>	<b>21,231</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>16,152</b>	<b>\$ 16,152</b>
<b>Fund balance, beginning of year</b>			<b>176,305</b>	
<b>Fund balance, end of year</b>			<b>\$ 192,457</b>	

**The accompanying notes are an integral part of these financial statements.**

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2013

**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 operated 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. It is included as a component unit because it is a tax exempt organization, the economic resources held by the Foundation are held for the direct benefit of the Library, the Library has the ability to access a majority of the economic resources held by the Foundation, and the economic resources held by the Foundation are significant to the Library. 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 councils. It is a legally separate entity from the Library.

The Foundation, for its fund statements, uses the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Separate financial statements are not prepared by the Foundation.

**A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements (i.e. the statement of net position 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 Foundation, as a discretely presented component unit, is reported separately in the government-wide statements to emphasize that it is legally separate from the Library.

**BRISTOL PUBLIC LIBRARY**  
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Notes to the Basic Financial Statements

June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) interest income that is restricted for use on a particular function or segment. Unrestricted interest income and other items not included among program revenues 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.

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 legislations.

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

*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. Through resolution, the Board of Trustees has authorized the Board of Trustees or the Executive Director to assign fund balances.

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



**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considered 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 considered 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 position is categorized as unrestricted. The unrestricted category includes project funds which are established by the Board to set aside funds for future projects of the Library. The Foundation's net position is categorized as restricted.

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 considered measurable and available. Revenues are considered *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 usual accrual accounting except debt related costs and other long-term liabilities which are recorded as expenditures when due. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant certifications and requirements have been met and the amounts are considered available.

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 measureable 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 General Fund.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

B. Cash and cash equivalents

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

C. 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 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.

D. 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.

E. 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 flow. The rate used to compute the discount to present value was 2% for future pledges receivable. Amortization of discounts is included in pledges.

F. Allowance for Uncollectible 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 Basic Financial Statements

June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. 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 is paid out upon termination. 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 20, 2013, is recorded in the Statement of Net Position and as a component of compensation and benefit expense in the Statement of Activities.

**H. Prepaid Assets**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The payments are being recorded as expenditures on the fund level for the governmental funds under the purchase method.

**I. 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.

**J. 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.

**K. Deferred Outflows/Inflows of Resources**

The Library implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Deferred outflows/inflows of resources (Continued)**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or 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 Foundation has one type of item that qualifies for reporting in this category. This item arises only under a modified accrual basis of accounting and, accordingly, the item, unavailable revenue from donations, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**NOTE 2 - LEGAL COMPLIANCE - BUDGETS**

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. No individual amendments were made during the current year. The budget was adopted on a basis consistent with generally accepted accounting principles (GAAP).

**NOTE 3 – 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, including certificates of deposit, was \$236,653 and the bank balance of deposits was \$434,557. All deposits were collateralized as public funds or insurance 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.

The carrying value of the Foundation's deposits with banks and savings institutions, including certificates of deposit, was \$749,718. Of the bank balance, \$9,422 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.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2013

**NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)**

At June 30, 2013, the Library had the following investments in certificates of deposit:

<u>Investment</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Certificate of deposit	9/8/2014	N/A	\$ 6,000
Certificate of deposit	5/18/2014	N/A	22,670
			<u>\$ 28,670</u>

At June 30, 2013, the Foundation had the following investments included in restricted cash and cash equivalents and restricted certificates of deposit:

<u>Investment</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Certificate of deposit	11/8/2013	N/A	\$ 100,872
Certificate of deposit	6/3/2014	N/A	150,023
Money market	N/A	N/A	228,119
Money market	N/A	N/A	258,078
			<u>\$ 737,092</u>

**NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable were as follows as of June 30, 2013:

Expected to be collected in:

Less than one year \$ 10,700

Less:

Allowance for uncollectible pledges (1,637)

Discount to Net Present Value at 2% (1,091)

\$ 7,972

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2013

**NOTE 5 – LONG-TERM LIABILITIES**

The following is a summary of long-term debt activity for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 99,422</u>	<u>\$ 74,989</u>	<u>\$ 60,342</u>	<u>\$ 114,069</u>	<u>\$ 114,069</u>

These liabilities are paid by the General Fund.

**NOTE 6 – BENEFIT PLAN**

The Library's employees have been designated 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's financial statements. The Library's payroll for employees covered under the VRS was \$893,657. The Library made contributions of \$120,075 to the plan during the fiscal year 2013 equal to the required contribution. 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 received 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 \$1,349,956 were received from the City of Bristol, Virginia and City of Bristol, Tennessee (\$674,978 and \$674,978, respectively) for the year ended June 30, 2013. In addition, the Avoca Branch received \$185,058 from the City of Bristol, Tennessee and \$15,000 from Sullivan County, Tennessee. The Literacy Academy received \$32,500 from the City of Bristol, Tennessee. The Literacy Academy also received \$20,915 from the City of Bristol, Virginia.

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2013

**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 or omissions; job-related illness or injuries to 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.

**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.

**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, 2013

	<u>Component Unit</u> <u>Library</u> <u>Foundation</u>
<b>Assets</b>	
Interest receivable	\$ 643
Pledges receivable, net	7,972
Restricted assets:	
Cash and cash equivalents	498,823
Certificates of deposit	<u>250,895</u>
Total assets	<u>\$ 758,333</u>
 <b>Liabilities Deferred Inflows of Resources, and Fund Balances</b>	
Liabilities:	
Due to primary government	\$ 4,403
Accrued payroll and related liabilities	<u>3,191</u>
Total liabilities	<u>7,594</u>
Deferred inflows of resources:	
Unavailable revenue - donations	<u>7,972</u>
Total deferred inflows of resources	<u>7,972</u>
Fund balances:	
Restricted for:	
Foundation	<u>742,767</u>
Total fund balances	<u>742,767</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	<u>7,972</u>
Net position of the governmental activities	<u>\$ 750,739</u>



**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 Balance  
For the fiscal year ended June 30, 2013

	<u>Component Unit</u> <u>Library</u> <u>Foundation</u>
Revenues:	
Memorials and donations	\$ 51,890
Revenue from use of money or property	<u>3,638</u>
Total Revenues	<u>55,528</u>
Expenditures	
Current:	
Culture and recreation	237,455
Capital outlay	<u>14,540</u>
Total Expenditures	<u>251,995</u>
Net change in fund balance	(196,467)
Fund balance, beginning of year	<u>939,234</u>
Fund balance, end of year	<u>\$ 742,767</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (196,467)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(12,278)
Expenses reported in the statement of activities for prepaid expenses do not require the use of current financial resources and therefore, are not reported as expenditures in government funds.	<u>(17,500)</u>
Change in net position of governmental activities	<u>\$ (226,245)</u>

**BRISTOL PUBLIC LIBRARY**  
(a joint venture of the cities of Bristol, TN and Bristol, VA)  
Schedule of Revenues and Expenditures by Division - Governmental Funds  
For the fiscal year ended June 30, 2013

	Main Library	Avoca Branch	Literacy Academy	Total
Revenues:				
Local				
Intergovernmental revenue				
City of Bristol, VA	\$ 674,978	\$ -	\$ 20,915	\$ 695,893
City of Bristol, TN	674,978	185,058	32,500	892,536
Sullivan County, TN	-	15,000	-	15,000
State Library Aid	133,243	-	-	133,243
Other	30,441	-	55,811	86,252
Charges for fees and services				
Gift shop	21,935	-	-	21,935
Rent	2,065	-	-	2,065
Copy and fax machine revenue	13,062	1,393	-	14,455
Other	1,848	-	1,425	3,273
Memorials and donations	595	500	-	1,095
Fines and forfeitures	42,183	2,022	-	44,205
Miscellaneous	35,212	2,332	2,132	39,676
Total Revenues	<u>\$ 1,630,540</u>	<u>\$ 206,305</u>	<u>\$ 112,783</u>	<u>\$ 1,949,628</u>
Expenditures:				
Public services	\$ 793,573	\$ 201,600	\$ 117,166	\$ 1,112,339
Information technology	231,864	-	-	231,864
Administration	166,049	-	-	166,049
Maintenance and operations	423,224	-	-	423,224
Total Expenditures	<u>\$ 1,614,710</u>	<u>\$ 201,600</u>	<u>\$ 117,166</u>	<u>\$ 1,933,476</u>



CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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**The Board of Trustees  
Bristol Public Library  
Bristol, 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 unit, and the major fund of the Bristol Public Library, a joint venture of the Cities of Bristol, TN and Bristol, VA (the "Library") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated November 22, 2013. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2013-001, 2013-002, 2013-003, and 2013-004 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **Library's Response to Findings**

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Library's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the Library'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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 22, 2013

## BRISTOL PUBLIC LIBRARY

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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#### Section I – Summary of Auditor’s Results

##### Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

  X   yes          no

Significant deficiencies identified?

      yes      X   none reported

Noncompliance material to financial statements noted?

      yes      X   no

##### Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2013 due to the Library not expending federal grants in excess of \$500,000.

**BRISTOL PUBLIC LIBRARY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II – Financial Statement Findings and Responses**

**2013-001 Foundation Fund Balance**

**Criteria:** Internal controls should be in place to ensure that the fund balance of the Foundation is recorded in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the Foundation's fund balance transactions.

**Context/Cause:** During our testing of fund balance, an audit adjustment was required to correct the fund balance. The nature of the adjustment is as follows:

- An audit adjustment of \$27,406 was needed to adjust the fund balance of the Foundation and other related accounts to the correct amount. The adjustment was the result of prior year audit entries not being posted correctly.

**Effects:** An audit adjustment of \$27,406 was needed to adjust the fund balance of the Foundation and other related accounts to the correct amount.

**Recommendation:** We recommend the Foundation carefully review the posting of audit adjustments and the agreement of fund balance to the financial statements to ensure they are reported in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. In the future Foundation books will be maintained by the Library. We believe that this will provide the necessary degree of internal control to prevent a recurrence.

**2013-002 Foundation Pledges Receivable**

**Criteria:** Internal controls should be in place to ensure that the pledges receivable transactions of the Foundation are recorded in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the Foundation's pledges receivables transactions.

## **BRISTOL PUBLIC LIBRARY**

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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#### **Section II – Financial Statement Findings and Responses**

##### **2013-002 Foundation Pledges Receivable (Continued)**

**Context/Cause:** During our testing of pledges receivable, an audit adjustment was required to adjust pledges receivable and related accounts. The nature of the adjustment is as follows:

- An audit adjustment of \$46,139 was needed to adjust the pledges receivable and related deferred income and revenue of the Foundation to the correct amount. The adjustment was the result of the balance not being properly adjusted during the year.

**Effects:** An audit adjustment of \$46,139 was needed to adjust the pledges receivable and related deferred income and revenue of the Foundation to the correct amount.

**Recommendation:** We recommend the Foundation carefully review its pledges receivable to ensure they the balance is properly adjusted during the year and is recorded in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. In the future Foundation books will be maintained by the Library. We believe that this will provide the necessary degree of internal control to prevent a recurrence.

##### **2013-003 Foundation Interest Receivable**

**Criteria:** Internal controls should be in place to ensure that the receivable transactions of the Foundation are recorded in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the Foundation's interest receivables transactions.

**Context/Cause:** During our testing of interest receivable, an audit adjustment was required to adjust current year balances. The nature of the adjustment is as follows:

- An audit adjustment of \$4,962 was needed to adjust the interest receivable and related revenue of the Foundation to the correct amount. The adjustment was the result of the prior year's balance not being properly adjusted during the year.

## **BRISTOL PUBLIC LIBRARY**

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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#### **Section II – Financial Statement Findings and Responses**

##### **2013-003 Foundation Interest Receivable (Continued)**

**Effects:** An audit adjustment of \$4,962 was needed to adjust the interest receivable and related revenue of the Foundation to the correct amount.

**Recommendation:** We recommend the Foundation carefully review its interest receivable to ensure the balance is properly adjusted during the year and is in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. In the future Foundation books will be maintained by the Library. We believe that this will provide the necessary degree of internal control to prevent a recurrence.

##### **2013-004 Foundation Accounts Payable and Accrued Expenses/Expenditures**

**Criteria:** Internal controls should be in place to ensure that the accounts payable and accrued expense transactions of the Foundation are recorded in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the Foundation's accounts payable and accrued expense transactions.

**Context/Cause:** During our testing of expenses/expenditures, two audit adjustments were required to adjust accounts payable and accrued expense. The nature of the adjustments is as follows:

- An audit adjustment of \$11,913 was needed to adjust the amount due to the Library and related expenses/expenditures of the Foundation to the correct amount. The adjustment was the result of the Foundation not accruing liabilities at year end.
- An audit adjustment of \$2,648 was needed to adjust the accounts payable and related expenses/expenditures of the Foundation to the correct amount. The adjustment was the result of the Foundation not reversing a prior year audit entry.

**Effects:** Audit adjustments of \$11,913 and \$2,648 were needed to adjust the liabilities and related expenses/expenditures of the Foundation to the correct amount.



**BRISTOL PUBLIC LIBRARY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Section II – Financial Statement Findings and Responses**

**2013-004 Foundation Accounts Payable and Accrued Expenditures (Continued)**

***Recommendation:*** We recommend the Foundation carefully review its transactions subsequent to year-end to ensure they are reporting liabilities in the proper reporting period and in accordance with generally accepted accounting principles.

***Auditee's Response:*** We concur with the finding. In the future Foundation books will be maintained by the Library. We believe that this will provide the necessary degree of internal control to prevent a recurrence.