

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

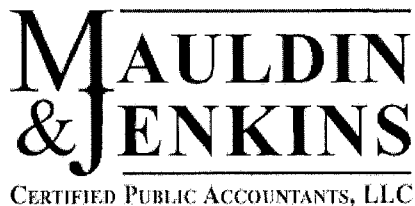
Basic Financial Statements

June 30, 2012

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

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees Bristol Public Library

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, 2012, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 as of June 30, 2012, and the respective changes in financial position thereof and the 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 March 14, 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* 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 3 through 6) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements. The Supplemental Information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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 Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 14, 2013

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

Management's Discussion and Analysis

June 30, 2012

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, 2012. 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, (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 assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported 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 7-8 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 9-11 of this report.

BRISTOL PUBLIC LIBRARY
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Management's Discussion and Analysis

June 30, 2012

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 12-19 of this report.

Government-wide Financial Analysis

Summary of the Library's Net Assets
June 30, 2012 and 2011

	Governmental activities	
	2012	2011
Assets:		
Current and other assets	\$ 242,382	\$ 299,333
Total assets	242,382	299,333
Liabilities:		
Current liabilities	164,356	233,613
Total liabilities	164,356	233,613
Net assets:		
Unrestricted	78,026	65,720
Total net assets	\$ 78,026	\$ 65,720

The Bristol Public Library's assets exceeded its liabilities by \$78,026 (net assets) at June 30, 2012. Total net assets of \$78,026 consist of unrestricted net assets. Unrestricted net assets are 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, 2012

Summary of Changes in the Library's Net Assets
Years ended June 30, 2012 and 2011

	Governmental activities	
	2012	2011
Revenues:		
Program revenue		
Charges for services	\$ 91,597	\$ 107,381
Operating grants and contributions	468,862	1,614,723
General revenue		
Cities' appropriations	1,283,100	-
Unrestricted investment earnings	460	501
Other general revenue	32,021	13,232
Total revenues	<u>1,876,040</u>	<u>1,735,837</u>
Expenses:		
General government	-	1,757,089
Public services	1,039,720	-
Information Technology	231,891	-
Administration	168,007	-
Maintenance and operations	424,116	-
Total expenses	<u>1,863,734</u>	<u>1,757,089</u>
Change in net assets	12,306	(21,252)
Net assets, beginning of year	<u>65,720</u>	<u>86,972</u>
Net assets, end of year	<u><u>\$ 78,026</u></u>	<u><u>\$ 65,720</u></u>

The Library changed the way in which revenues and expenses are classified in the current year as compared to the prior year even though the sources of those revenues and expenses are comparable to the prior year.

The Library's net assets increased \$12,306 from fiscal year 2012 activities.

Total Library revenues of \$1,876,040 increased \$140,203 from the prior year due.

Total Library expenses of \$1,863,734 increased \$106,645 without any notable changes in individual expenses from the prior year.

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Management's Discussion and Analysis

June 30, 2012

The Foundation's program revenues were \$117,118, compared with last year's \$125,212. This year saw the final use of funds from 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 program revenues is needed to help predict stable organizational costs in the future.

The Foundation's expenses were \$391,699, compared with last year's \$341,961.

The Foundation's net pledges receivable within one year is \$24,622.

Fund Analysis

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

Budgetary Highlights

Information Technology's excess of expenditures over appropriations of will be recouped with a Federal E-rate reimbursement during FY13.

Maintenance and operations excess of expenditures over appropriations is mostly due to mid-year capital maintenance activity that was reimbursed as shown in the intergovernmental revenue budget versus actual variance.

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 Assets
June 30, 2012

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Library Foundation</u>
Assets		
Cash and cash equivalents	\$ 183,919	\$ -
Certificates of deposit	28,413	-
Accounts receivable	11,647	1,786
Interest receivable	-	951
Due from component unit	16,315	-
Due from other government	945	-
Pledges receivable, net	-	24,622
Prepaid expenses	1,143	17,500
Restricted assets		
Cash and cash equivalents	-	474,001
Certificates of deposit	-	477,336
	<hr/>	<hr/>
Total assets	242,382	996,196
	<hr/>	<hr/>
Liabilities		
Accounts payable	51,234	2,648
Accrued wages and payroll taxes	13,700	249
Due to primary government	-	# 16,315
Compensated absences		
Due in less than one year	99,422	-
	<hr/>	<hr/>
Total liabilities	164,356	19,212
	<hr/>	<hr/>
Net Assets		
Restricted, expendable	-	976,984
Unrestricted	78,026	-
	<hr/>	<hr/>
Total net assets	\$ 78,026	\$ 976,984
	<hr/>	<hr/>

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, 2012

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		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	\$ 1,039,720	\$ 75,354	\$ 468,862	\$ -	\$ (495,504)	\$ -
Information technology	231,891	-	-	-	(231,891)	-
Administration	168,007	-	-	-	(168,007)	-
Maintenance and operations	424,116	16,243	-	-	(407,873)	-
Total governmental activities	<u>\$ 1,863,734</u>	<u>\$ 91,597</u>	<u>\$ 468,862</u>	<u>\$ -</u>	<u>\$ (1,303,275)</u>	<u>\$ -</u>
Component unit:						
Library Foundation	\$ 391,699	\$ -	\$ 117,118	\$ -	\$ -	\$ (274,581)
Total component unit	<u>\$ 391,699</u>	<u>\$ -</u>	<u>\$ 117,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (274,581)</u>
General revenues:						
Cities' appropriations					1,283,100	-
Unrestricted investment earnings					460	8,760
Other general revenue					32,021	-
Total general revenues					<u>1,315,581</u>	<u>8,760</u>
Change in net assets					12,306	(265,821)
Net assets, beginning of year					65,720	1,242,805
Net assets, end of year					<u>\$ 78,026</u>	<u>\$ 976,984</u>

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

BRISTOL PUBLIC LIBRARY
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Balance Sheet
Governmental Fund
June 30, 2012

	General Fund
Assets	
Cash and cash equivalents	\$ 183,919
Certificates of deposit	28,413
Accounts receivable	11,647
Due from component unit	16,315
Due from other government	945
	<u> </u>
Total assets	<u><u>\$ 241,239</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 51,234
Accrued salaries and related payments	13,700
	<u> </u>
Total liabilities	<u>64,934</u>
Fund balances:	
Assigned to:	
Avoca	3,584
Literacy academy	2,397
Main Library	170,324
	<u> </u>
Total fund balances	\$ 176,305
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid expenses are not reported in the funds.	\$ 1,143
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds	<u>(99,422)</u>
	<u> </u>
Net assets of the governmental activities	<u><u>\$ 78,026</u></u>

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

BRISTOL PUBLIC LIBRARY
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Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2012

	General Fund
Revenues:	
Intergovernmental revenue	\$ 1,747,242
Charges for fees and services	45,442
Memorials and donations	4,720
Fines and forfeitures	46,155
Miscellaneous	32,481
	<hr/>
Total Revenues	1,876,040
	<hr/>
Expenditures:	
Public services	1,041,811
Information technology	232,357
Administration	165,683
Maintenance and operations	424,969
	<hr/>
Total Expenditures	1,864,820
	<hr/>
Net change in fund balance	11,220
	<hr/>
Fund balance, beginning of year	165,085
	<hr/>
Fund balance, end of year	\$ 176,305
	<hr/>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 11,220
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.	<hr/>
	1,086
	<hr/>
Change in net assets of governmental activities	\$ 12,306
	<hr/>

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, 2012

	Original	Budget Final	Actual	Variance
Revenues:				
Intergovernmental revenue	\$ 1,723,694	\$ 1,723,694	\$ 1,747,242	\$ 23,548
Charges for fees and services	48,710	48,710	45,442	(3,268)
Memorials and donations	2,000	2,000	4,720	2,720
Fines and forfeitures	44,540	44,540	46,155	1,615
Miscellaneous	25,478	25,478	32,481	7,003
Total revenues	<u>1,844,422</u>	<u>1,844,422</u>	<u>1,876,040</u>	<u>31,618</u>
Expenditures:				
Public services	1,048,547	1,048,547	1,041,811	6,736
Information technology	230,491	230,491	232,357	(1,866)
Administration	169,547	169,547	165,683	3,864
Maintenance and operations	395,837	395,837	424,969	(29,132)
Total expenditures	<u>1,844,422</u>	<u>1,844,422</u>	<u>1,864,820</u>	<u>(20,398)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	11,220	<u>\$ 11,220</u>
Fund balance, beginning of year			<u>165,085</u>	
Fund balance, end of year			<u>\$ 176,305</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)

Notes to the Basic Financial Statements

June 30, 2012

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 council. 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 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 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
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and 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 properly 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 assets are 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 assets are 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 operates as divisions of the General Fund.

BRISTOL PUBLIC LIBRARY
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Notes to the Basic Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2012

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. 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, 2012, is recorded in the Statement of Net Assets 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.

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). The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2012.

Information technology	\$ 1,866
Maintenance and operations	29,132

BRISTOL PUBLIC LIBRARY
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Notes to the Basic Financial Statements

June 30, 2012

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 \$212,332 and the bank balance of deposits was \$402,716. 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 \$951,337. Of the bank balance, \$7,422 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.

At June 30, 2012, 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	9/8/2013	N/A	\$ 6,000
Certificate of deposit	5/18/2013	N/A	22,413
			<u>\$ 28,413</u>

At June 30, 2012, 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	10/8/2012	N/A	\$ 227,814
Certificate of deposit	11/8/2012	N/A	100,321
Certificate of deposit	6/3/2013	N/A	149,201
Money market	N/A	N/A	202,186
Money market	N/A	N/A	257,069
			<u>\$ 936,591</u>

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

Notes to the Basic Financial Statements

June 30, 2012

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable were as follows as of June 30, 2012:

Expected to be collected in:

Less than one year	\$ 27,350
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Less:

Allowance for uncollectible pledges	(1,637)
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Discount to Net Present Value at 2%	<u>(1,091)</u>
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	<u><u>\$ 24,622</u></u>
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NOTE 5 – LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 103,165</u>	<u>\$ 61,144</u>	<u>\$ 64,887</u>	<u>\$ 99,422</u>	<u>\$ 99,422</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 financial statements. The Library's payroll for employees covered under the VRS was \$696,212. The Library made contributions of \$112,732 to the plan during the fiscal year 2012. 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.

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

Notes to the Basic Financial Statements

June 30, 2012

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 \$1,283,100 were received from the City of Bristol, Virginia and City of Bristol, Tennessee (\$640,995 and \$642,105, respectively) for the year ended June 30, 2012. 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 \$25,500 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 \$7,000 and \$22,617, 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 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, 2012

	Component Unit Library Foundation
Assets	
Interest receivable	\$ 951
Other accounts receivable	1,786
Pledges receivable, net	24,622
Restricted assets:	
Cash and cash equivalents	474,001
Certificates of deposit	477,336
	<hr/>
Total assets	\$ 978,696
	<hr/>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 2,648
Due to primary government	16,315
Accrued payroll and related liabilities	249
Deferred revenue	20,250
	<hr/>
Total liabilities	39,462
	<hr/>
Fund balances:	
Restricted for:	
Foundation	939,234
	<hr/>
Total fund balances	939,234
	<hr/>
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid expenses are not reported in the funds.	\$ 17,500
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	20,250
	<hr/>
Net assets of the governmental activities	\$ 976,984
	<hr/>

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, 2012

	<u>Component Unit</u> <u>Library</u> <u>Foundation</u>
Revenues:	
Memorials and donations	\$ 140,918
Revenue from use of money or property	<u>8,760</u>
Total Revenues	<u>149,678</u>
Expenditures	
Current:	
Culture and recreation	349,886
Capital outlay	<u>3,463</u>
Total Expenditures	<u>353,349</u>
Net change in fund balance	(203,671)
Fund balance, beginning of year	<u>1,142,905</u>
Fund balance, end of year	<u>\$ 939,234</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (203,671)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(23,800)
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>(38,350)</u>
Change in net assets of governmental activities	<u>\$ (265,821)</u>

BRISTOL PUBLIC LIBRARY
(a joint venture of the cities of Bristol, TN and Bristol, VA)
Statement of Revenues and Expenditures by Division - Governmental Funds
For the fiscal year ended June 30, 2012

	<u>Main Library</u>	<u>Avoca Branch</u>	<u>Literacy Academy</u>	<u>Total</u>
Revenues:				
Local				
Intergovernmental revenue				
City of Bristol, VA	\$ 640,995	\$ -	22,617	\$ 663,612
City of Bristol, TN	642,105	185,058	32,500	859,663
Sullivan County, TN	-	15,000	-	15,000
State Library Aid	139,574	-	-	139,574
Other	27,339	-	42,054	69,393
Charges for fees and services				
Gift shop	23,064	-	-	23,064
Rent	1,886	-	-	1,886
Copy and fax machine revenue	12,953	1,635	-	14,588
Other	1,654	-	4,250	5,904
Memorials and donations	4,207	513	-	4,720
Fines and forfeitures	43,932	2,223	-	46,155
Miscellaneous	31,094	1,387	-	32,481
Total Revenues	<u>\$ 1,568,803</u>	<u>\$ 205,816</u>	<u>\$ 101,421</u>	<u>\$ 1,876,040</u>
Expenditures:				
Public services	\$ 737,238	\$ 203,716	\$ 100,857	\$ 1,041,811
Information technology	232,357	-	-	232,357
Administration	165,683	-	-	165,683
Maintenance and operations	424,969	-	-	424,969
Total Expenditures	<u>\$ 1,560,247</u>	<u>\$ 203,716</u>	<u>\$ 100,857</u>	<u>\$ 1,864,820</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***

**The Board of Trustees
Bristol Public Library**

We have audited 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, Tennessee and Bristol, Virginia (the "Library"), as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated March 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Library is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2012-1 through 2012-4, to be material weaknesses.

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 March 14, 2013.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 14, 2013

BRISTOL PUBLIC LIBRARY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unqualified

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, 2012 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, 2012

Section II – Financial Statement Findings and Responses

2012-1 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 \$3,702 was needed to adjust the fund balance of the Foundation to the correct amount. The adjustment was the result of a prior year's audit entry being posted backwards.

Effects: An audit adjustment of \$3,702 was needed to adjust the fund balance of the Foundation 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. An additional control has been added to the process to ensure the audit adjustments are properly posted. We believe this was an isolated occurrence. Bookkeeping will begin reviewing the financial statements and bank reconciliations on a regular basis.

2012-2 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, 2012

Section II – Financial Statement Findings and Responses

2012-2 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 \$33,861 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 prior year's balance not being properly adjusted during the year.

Effects: An audit adjustment of \$33,861 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. The Foundation has a separate data base for recording donor records. A new procedure will be put in place to insure that all pledges will not only be recorded in the Foundation data base but also reported to the bookkeeping service to record as pledges receivable a timely manner.

2012-3 Foundation Interest Receivable

Criteria: Internal controls should be in place to ensure that the interest 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, an audit adjustment was required to adjust interest receivable. The nature of the adjustment is as follows:

- An audit adjustment of \$4,741 was needed to adjust the interest receivable and related income 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.

Effects: An audit adjustment of \$4,741 was needed to adjust the interest receivable and related income of the Foundation to the correct amount.

BRISTOL PUBLIC LIBRARY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II – Financial Statement Findings and Responses

2012-3 Foundation Interest Receivable (Continued)

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. The Foundation has added an additional control in the process to ensure that interest earned will be properly posted during the year.

2012-4 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 \$16,315 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 accruing liabilities at year end.

Effects: Audit adjustments of \$16,315 and \$2,648 were needed to adjust the liabilities and related expenses/expenditures of the Foundation to the correct amount.

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.

BRISTOL PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II – Financial Statement Findings and Responses

2012-4 Foundation Accounts Payable and Accrued Expenditures (Continued)

Auditee's Response: We concur with the finding. The Foundation staff will communicate with the bookkeeper all accrued expenditures prior to closing the year end for all expenditures owed to the Bristol Public Library for support, such as payroll, that occurs in current fiscal year but paid in the following fiscal year.