

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

Basic Financial Statements

June 30, 2016

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

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BRISTOL PUBLIC LIBRARY LISTING OF OFFICIALS

BRISTOL TENNESSEE BOARD REPRESENTATIVES

Ms. Lori Byington

Ms. Gayle Brown

Mrs. Margaret Feierabend – Council Rep./ President

Mr. Walter Morton - Secretary

Kayla McCracken – Student Rep.

Mrs. Gloria Oster

BRISTOL VIRGINIA BOARD REPRESENTATIVES

Mr. Thomas Bowers

Mr. Ed Harlow - Treasurer

Mr. Archie Hubbard III - Council Rep

Ms. Paxton Huffman - Student Rep.

Mr. Carl J. Williams, Jr. – Vice-President

Ms. Katherine Wilson-Thompson

MEMBER AT LARGE

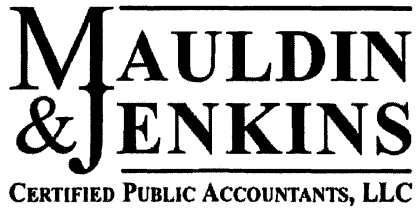
Mrs. Jaime Johnson

EXECUTIVE DIRECTOR

Mrs. Amy Kimani

HRRL REPRESENTATIVE

Ms. Nancy Roark, Director



INDEPENDENT AUDITOR'S REPORT

**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, 2016, 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.

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, 2016, 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.

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 fund, are presented for purposes of additional analysis and are not a required part of the 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 fund 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 fund 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 February 21, 2017, 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

Chattanooga, Tennessee
February 21, 2017

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

Management's Discussion and Analysis

June 30, 2016

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, 2016. 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 financial 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 8-9 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.

BRISTOL PUBLIC LIBRARY
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Management's Discussion and Analysis

June 30, 2016

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

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, 2016 and 2015

	2016	2015 - Restated
Assets:		
Current and other assets	\$ 300,056	\$ 415,420
Total assets	300,056	415,420
Liabilities:		
Current liabilities	168,590	321,969
Total liabilities	168,590	321,969
Net position:		
Unrestricted	131,466	93,451
Total net position	\$ 131,466	\$ 93,451

The Bristol Public Library's assets exceeded its liabilities by \$131,466 (net position) at June 30, 2016. Total net position of \$131,466 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, 2016

Summary of Changes in the Library's Net Position
Years ended June 30, 2016 and 2015

	<u>Governmental activities</u>	
	<u>2016</u>	<u>2015 - Restated</u>
Revenues:		
Program revenue		
Charges for services	\$ 71,099	\$ 72,652
Operating grants and contributions	288,572	455,498
Capital grants and contributions	251,429	-
General revenue		
Cities' appropriations	1,652,242	1,402,377
Unrestricted investment earnings	235	90
Other general revenue	18,568	11,295
Total revenues	<u>2,282,145</u>	<u>1,941,912</u>
Expenses:		
Public services	1,021,971	1,023,252
Information technology	241,619	251,098
Administration	216,151	229,373
Maintenance and operations	764,389	456,946
Total expenses	<u>2,244,130</u>	<u>1,960,669</u>
 Change in net position	 38,015	 (18,757)
 Net position, beginning of year, restated	 <u>93,451</u>	 <u>112,208</u>
Net position, end of year, restated	<u>\$ 131,466</u>	<u>\$ 93,451</u>

The Library's net position increased from \$93,451 in 2015 to \$131,466 in 2016. Accordingly the fund balances assigned to the Library's three divisions—Main Library, Avoca, and Adult Learning Lab—increased by \$14,905 to \$225,419. Actual revenues of \$2,282,145 were over the budgeted \$1,979,310. Part of the reason for this excess in revenue was due to receipt of \$148,705 which was considered unearned revenue in 2015.

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Management's Discussion and Analysis

June 30, 2016

The component unit Library Foundation's fund balance in 2016 declined from \$549,667 at the beginning of the year to \$492,901 at year close. Expenditures of \$77,824, including funds given to the Library for renovations (\$75,720), audit costs (\$1,730), a bank surcharge (\$306), operating supplies (\$65) and freight costs (3), were greater than the \$897 in revenues received in the form of investment earnings and \$20,161 in donations for the year. There were no other forms of revenue generated by the Library Foundation this year.

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 FY16.

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, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Library Foundation</u>
Assets		
Cash and cash equivalents	\$ 264,145	\$ -
Certificates of deposit	29,000	-
Accounts receivable	4,116	-
Due from component unit	1,888	-
Prepaid expenses	907	
Restricted assets:		
Cash and cash equivalents	-	392,872
Certificates of deposit	-	101,917
Total assets	300,056	494,789
Liabilities		
Accounts payable	41,658	-
Accrued wages and payroll taxes	32,072	-
Due to primary government	-	1,888
Compensated absences:		
Due in less than one year	94,860	-
Total liabilities	168,590	1,888
Net Position		
Restricted, expendable	-	492,901
Unrestricted	131,466	-
Total net position	\$ 131,466	\$ 492,901

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, 2016

Functions/Programs	Expenses	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
Governmental Activities:						
Public services	\$1,021,971	\$ 53,204	\$ 288,572	\$ 251,429	\$ (428,766)	\$ -
Information technology	241,619	-	-	-	(241,619)	-
Administration	216,151	-	-	-	(216,151)	-
Maintenance and operations	764,389	17,895	-	-	(746,494)	-
Total governmental activities	<u>\$2,244,130</u>	<u>\$ 71,099</u>	<u>\$ 288,572</u>	<u>\$ 251,429</u>	<u>\$ (1,633,030)</u>	<u>\$ -</u>
Component unit:						
Library Foundation	\$ 77,824	\$ -	\$ 20,161	\$ -	\$ -	\$ (57,663)
Total component unit	<u>\$ 77,824</u>	<u>\$ -</u>	<u>\$ 20,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,663)</u>
General revenues:						
Cities' appropriations					1,652,242	-
Unrestricted investment earnings					235	897
Other general revenue					18,568	-
Total general revenues					<u>1,671,045</u>	<u>897</u>
Change in net position					38,015	(56,766)
Net position, beginning of year, restated					93,451	549,667
Net position, end of year					<u>\$ 131,466</u>	<u>\$ 492,901</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, 2016

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 264,145
Certificates of deposit	29,000
Accounts receivable, net of allowances	4,116
Due from component unit	<u>1,888</u>
 Total assets	 <u><u>\$ 299,149</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 41,658
Accrued salaries and related payments	<u>32,072</u>
 Total liabilities	 <u>73,730</u>
Fund balances:	
Assigned to:	
Avoca	27,638
Adult learning lab	21,454
Main Library	<u>176,326</u>
 Total fund balances	 <u>225,419</u>
 Total liabilities and fund balances	 <u><u>\$ 299,149</u></u>
 Fund balance of governmental fund	 \$ 225,419
Amounts reported for governmental activities in the statement of net position are different because:	
Prepaid expenses are not reported in the funds.	907
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. This amount represents compensated absences.	<u>(94,860)</u>
 Net position of the governmental activities	 <u><u>\$ 131,466</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, 2016

	General Fund
Revenues:	
Intergovernmental revenue	\$ 2,071,006
Charges for fees and services	37,359
Memorials and donations	119,037
Fines and forfeitures	34,052
Miscellaneous	20,691
Total Revenues	2,282,145
Expenditures:	
Public services	1,032,714
Information technology	244,159
Administration	217,943
Maintenance and operations	772,424
Total Expenditures	2,267,240
Net change in fund balance	14,905
Fund balance, beginning of year	210,514
Fund balance, end of year	\$ 225,419

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

Net change in fund balance - total governmental fund	\$ 14,905
Prepaid expenses are costs applicable to future periods and, therefore, are not reported in the fundss.	(475)
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.	23,585
Change in net position of governmental activities	\$ 38,015

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, 2016

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 1,860,323	\$ 1,860,323	\$ 2,071,006	\$ 210,683
Charges for fees and services	45,112	45,112	37,359	(7,753)
Memorials and donations	2,000	2,000	119,037	117,037
Fines and forfeitures	44,540	44,540	34,052	(10,488)
Miscellaneous	27,335	27,335	20,691	(6,644)
Total revenues	<u>1,979,310</u>	<u>1,979,310</u>	<u>2,282,145</u>	<u>302,835</u>
Expenditures:				
Public services	1,052,827	1,052,827	1,032,714	20,113
Information technology	241,523	241,523	244,159	(2,636)
Administration	248,206	248,206	217,943	30,263
Maintenance and operations	436,754	436,754	772,424	(335,670)
Total expenditures	<u>1,979,310</u>	<u>1,979,310</u>	<u>2,267,240</u>	<u>(287,930)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	14,905	<u>\$ 14,905</u>
Fund balance, beginning of year			<u>210,514</u>	
Fund balance, end of year			<u>\$ 225,419</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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bristol Public Library (the “Library”) provides service to most of Washington County, Virginia and Sullivan County, Tennessee and is jointly owned and operated by the City of Bristol, Tennessee and the City of Bristol, Virginia (jointly referred to as the “Cities”). The Library has two separate library branches, the Main branch and the Avoca branch. Additionally, the Library operates a literacy branch, the Adult Learning Lab of Bristol, 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 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, 2016

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, endowments from the Foundation, 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, 2016

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 measurable and available only when cash is received by the Library.

The government reports the following major governmental fund:

The *General Fund* is the Library's primary operating fund. It accounts for all financial resources of the government.

In addition, the Library has the Avoca branch and the Adult Learning Lab, 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, 2016

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* is the Foundation's primary operating fund. It accounts for all financial resources of the entity.

B. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include deposits with financial institutions or certificates of deposit with a maturity date within three months of the date acquired by the Library.

Certificates of deposit with a maturity date greater than three months of the date acquired by the Library are considered investments and are stated at fair value based on market prices.

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 and recognized when all eligibility requirements have been met.

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. The balance of the allowance as of June 30, 2016 was \$0.

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

Notes to the Basic Financial Statements

June 30, 2016

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, 2016, all unused vacation leave and 25% of sick leave up to \$5,000 for employees with five years or more of service. All leave 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 30, 2016, 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

In addition to assets, the statement of net 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, 2016

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.

NOTE 2 – LEGAL COMPLIANCE - BUDGETS

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. 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 Cost of Virginia or covered by federal depository insurance. At year-end, the Library's carrying value of deposits, including certificates of deposit, was \$293,145 and the bank balance of deposits was \$486,866. 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 \$494,789. Of the bank balance, none 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, 2016, 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	3/8/2017	N/A	\$ 6,000
Certificate of deposit	8/27/2016	N/A	23,000
			<u>\$ 29,000</u>

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

Notes to the Basic Financial Statements

June 30, 2016

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2016, 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	11/19/2016	N/A	\$ 101,917
Money market	N/A	N/A	200,365
Money market	N/A	N/A	183,634
Other restricted cash	N/A	N/A	8,873
			<u>\$ 494,789</u>

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of long-term debt activity for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 118,445	\$ 38,004	\$ 61,589	\$ 94,860	\$ 94,860

These liabilities are paid by the General Fund.

NOTE 5 – BENEFIT PLAN

The Library has a contractual partnership with the City of Bristol, Virginia whereby the Library reimburses the City of Bristol, Virginia for the cost of its employees, including pension expenses. The Virginia Retirement System (“VRS”) is a defined benefit pension plan and is available to all full-time, salaried employees of the City of Bristol, Virginia, including those outsourced to the Library. Additional information on the pension plan can be obtained from the City of Bristol, Virginia’s financial statements. The Library’s payroll for employees outsourced to them by the City of Bristol, Virginia covered under the VRS was \$692,490 for the year ended June 30, 2016. The Library made contributions of \$84,910 to the plan during the fiscal year 2016. The employees outsourced to the Library by the City of Bristol, Virginia made contributions of \$27,700 to the plan during the fiscal year 2016.

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, 2016

NOTE 6 – 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 7 – RELATED PARTY TRANSACTIONS

Appropriations of \$1,434,684 were received from the City of Bristol, Virginia and City of Bristol, Tennessee (\$712,342 and \$722,342, respectively) for the year ended June 30, 2016. In addition, the Avoca Branch received \$185,058 from the City of Bristol, Tennessee and \$15,000 from Sullivan County, Tennessee. The Adult Learning Lab received \$32,500 from the City of Bristol, Tennessee.

NOTE 8 – 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. For insured programs, there have been no significant reductions in insurance coverage.

NOTE 9 – COMMITMENT AND CONTINGENCIES

In July 2014, the Board of Trustees voted to join the Organization of Watauga Libraries (OWL) Consortium to purchase a new integrated library automation system to replace the one provided by the Holston River Regional Library and ETSU. The Library, along with the other libraries, have signed a 7 year contract with Sirsi-Dynix to provide this system and house the server with the Library's data.

NOTE 10 – RESTATEMENT

Management determined during the year Unearned Revenues should have been reported at the government-wide level in 2015. As a result of this, the Library was required to restate beginning net position as shown below:

Net position, as previously reported	\$ 242,156
Unearned revenues	<u>(148,705)</u>
Beginning net position, restated	<u><u>\$ 93,451</u></u>

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, 2016

	<u>Component Unit</u> <u>Library</u> <u>Foundation</u>
Assets	
Restricted assets:	
Cash and cash equivalents	\$ 392,872
Certificates of deposit	<u>101,917</u>
Total assets	<u>\$ 494,789</u>
Liabilities and Fund Balances	
Liabilities:	
Due to primary government	<u>\$ 1,888</u>
Total liabilities	<u>1,888</u>
Fund balances:	
Restricted for:	
Capital projects	<u>492,901</u>
Total fund balances	<u>492,901</u>
Total liabilities and fund balances	<u>\$ 494,789</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, 2016

	Component Unit Library Foundation
Revenues:	
Memorials and donations	\$ 20,161
Revenue from use of money or property	897
Total Revenues	21,058
Expenditures	
Current:	
Remodeling	77,824
Total Expenditures	77,824
Net change in fund balance	(56,766)
Fund balance, beginning of year	549,667
Fund balance, end of year	\$ 492,901

BRISTOL PUBLIC LIBRARY
(a joint venture of the cities of Bristol, TN and Bristol, VA)
Schedule of Revenues and Expenditures by Division - Governmental Fund
For the fiscal year ended June 30, 2016

	<u>Main Library</u>	<u>Avoca Branch</u>	<u>Adult Learning Lab</u>	<u>Total</u>
Revenues:				
Local				
Intergovernmental revenue				
City of Bristol, VA	\$ 712,342	\$ -	\$ 13,263	\$ 725,605
City of Bristol, TN	722,342	185,058	32,500	939,900
Sullivan County, TN	-	15,000	-	15,000
State Library Aid	141,818	-	-	141,818
Other	242,683	-	6,000	248,683
Charges for fees and services				
Gift shop	18,912	-	-	18,912
Rent	240	-	-	240
Copy and fax machine revenue	14,156	2,226	-	16,382
Other	1,825	-	-	1,825
Memorials and donations	118,512	525	-	119,037
Fines and forfeitures	31,135	2,917	-	34,052
Miscellaneous	18,685	1,789	217	20,691
	<u>\$2,022,650</u>	<u>\$ 207,515</u>	<u>\$ 51,980</u>	<u>\$ 2,282,145</u>
Expenditures:				
Public services	\$ 794,689	\$ 205,146	\$ 32,879	\$ 1,032,714
Information technology	244,159	-	-	244,159
Administration	217,943	-	-	217,943
Maintenance and operations	772,424	-	-	772,424
	<u>\$2,029,215</u>	<u>\$ 205,146</u>	<u>\$ 32,879</u>	<u>\$ 2,267,240</u>

**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
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, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated February 21, 2017.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2016-001 that we consider to be a material weakness.

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*.

Bristol Public Library's Response to Finding

Bristol Public Library's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Bristol Public Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
February 21, 2017

BRISTOL PUBLIC LIBRARY

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified			
Internal control over financial reporting: Material weaknesses identified?	<u> X </u>	yes	<u> </u>	no
Significant deficiencies identified?	<u> </u>	yes	<u> X </u>	none reported
Noncompliance material to financial statements noted?	<u> X </u>	yes	<u> </u>	no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2016 due to the Library not expending federal grants in excess of \$750,000.

BRISTOL PUBLIC LIBRARY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings and Responses

Finding 2006-001: Restatement of Net Position and Unearned Revenue

Criteria: Internal controls should be in place to ensure that financial statements properly present all financial activity for the Library.

Condition: Under current professional standards, the Library is responsible for the internal control process which includes preparation of year-end financial statements in accordance with generally accepted accounting principles. During the audit process, an adjustment was made to restate the net position of government-wide financial statements related to unearned revenue in fiscal year 2015. An amount received by the Library for the performance of services in a subsequent period was included as revenue in the government-wide statement of activities when it should have been categorized as unearned revenue. The revenue should have been recognized in the year in which the Library performed the services related to the payment received.

Effect: The effect of the adjustment decreased the beginning net position of the governmental activities by \$148,705.

Cause: The Library's internal control process did not adequately identify and correct certain misstatements in the government-wide financial statements.

Recommendation: We recommend that the Library improve the review process of amounts reflected in the governmental fund and government-wide financial statements.

Management's response: The Library accepts responsibility for the internal control process. Procedures will be put in place to provide more managerial review of work done by staff to ensure greater accuracy of financial statements in the future.

BRISTOL PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section III – Schedule of Prior Year Findings and Responses

None