

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

Basic Financial Statements

June 30, 2017

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

Mr. Jonathan Harden

Mrs. Margaret Feierabend – Council Rep./ President

Mr. Walter Morton - Secretary

Mr. Braden Lay – Student Rep.

Mrs. Gloria Oster – Vice-President

BRISTOL VIRGINIA BOARD REPRESENTATIVES

Mr. Thomas Bowers– Treasurer

Mr. Paul Conco

Mr. Archie Hubbard III - Council Rep

Mr. Riley Self - Student Rep.

Mr. Carl J. Williams, Jr. – President

Ms. Katherine Wilson-Thompson

MEMBER AT LARGE

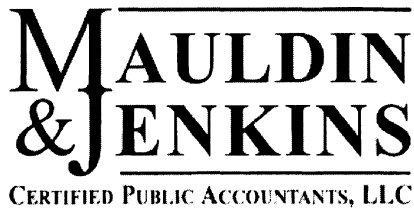
Mrs. Jaime Johnson

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, 2017, 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, 2017, 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 November 17, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's 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
November 17, 2017

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

Management's Discussion and Analysis

June 30, 2017

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, 2017. 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
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Management's Discussion and Analysis

June 30, 2017

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 309,136	\$ 300,056
Total assets	<u>309,136</u>	<u>300,056</u>
Liabilities:		
Current liabilities	<u>123,743</u>	<u>168,590</u>
Total liabilities	<u>123,743</u>	<u>168,590</u>
Net position:		
Unrestricted	<u>185,393</u>	<u>131,466</u>
Total net position	<u><u>\$ 185,393</u></u>	<u><u>\$ 131,466</u></u>

The Bristol Public Library's assets exceeded its liabilities by \$185,393 (net position) at June 30, 2017. Total net position of \$185,393 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, 2017

Summary of Changes in the Library's Net Position
Years ended June 30, 2017 and 2016

	Governmental activities	
	2017	2016
Revenues:		
Program revenue		
Charges for services	\$ 70,895	\$ 71,099
Operating grants and contributions	227,503	288,572
Capital grants and contributions	-	251,429
General revenue		
Cities' appropriations	1,673,131	1,652,242
Unrestricted investment earnings	428	235
Other general revenue	18,552	18,568
Total revenues	<u>1,990,509</u>	<u>2,282,145</u>
Expenses:		
Public services	1,065,869	1,021,971
Information technology	242,234	241,619
Administration	186,366	216,151
Maintenance and operations	442,113	764,389
Total expenses	<u>1,936,582</u>	<u>2,244,130</u>
Change in net position	53,927	38,015
Net position, beginning of year, restated	<u>131,466</u>	<u>93,451</u>
Net position, end of year, restated	<u>\$ 185,393</u>	<u>\$ 131,466</u>

The Library's net position increased from \$131,466 in 2016 to \$185,393 in 2017. Accordingly the fund balances assigned to the Library's three divisions—Main Library, Avoca, and Jones Creativity Center—increased by \$52,350 to \$277,769. Actual revenues of \$1,990,509 were under the budgeted \$2,006,492. Part of the reason for this deficit was due to less fines and fees being collected for the year.

The component unit Library Foundation's net position in 2017 declined from \$492,901 at the beginning of the year to \$482,836 at year close. Expenditures of \$16,933 were greater than the \$6,868 in revenues received in the form of \$1,528 in investment earnings and \$5,340 in donations for the year. There were no other forms of revenue generated by the Library Foundation this year.

BRISTOL PUBLIC LIBRARY
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Management's Discussion and Analysis

June 30, 2017

Fund Analysis

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

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, 2017

	Primary Government Governmental Activities	Component Unit Library Foundation
Assets		
Cash and cash equivalents	\$ 276,271	\$ -
Certificates of deposit	29,370	-
Accounts receivable	2,511	-
Due from component unit	24	-
Prepaid expenses	960	
Restricted assets:		
Cash and cash equivalents	-	482,860
Total assets	309,136	482,860
Liabilities		
Accounts payable	30,407	-
Due to primary government	-	24
Compensated absences:		
Due in less than one year	93,336	-
Total liabilities	123,743	24
Net Position		
Restricted for capital projects	-	482,836
Unrestricted	185,393	-
Total net position	\$ 185,393	\$ 482,836

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, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit Library Foundation</u>
Governmental Activities:					
Public services	\$1,065,869	\$ 53,138	\$ 227,503	\$ (785,228)	\$ -
Information technology	242,234	-	-	(242,234)	-
Administration	186,366	-	-	(186,366)	-
Maintenance and operations	442,113	17,757	-	(424,356)	-
Total governmental activities	<u>\$1,936,582</u>	<u>\$ 70,895</u>	<u>\$ 227,503</u>	<u>\$ (1,638,184)</u>	<u>\$ -</u>
Component unit:					
Library Foundation	\$ 16,933	\$ -	\$ 5,340	\$ -	\$ (11,593)
Total component unit	<u>\$ 16,933</u>	<u>\$ -</u>	<u>\$ 5,340</u>	<u>\$ -</u>	<u>\$ (11,593)</u>
General revenues:					
Cities' appropriations				1,673,131	-
Unrestricted investment earnings				428	1,528
Other general revenue				18,552	-
Total general revenues				<u>1,692,111</u>	<u>1,528</u>
Change in net position				53,927	(10,065)
Net position, beginning of year				131,466	492,901
Net position, end of year				<u>\$ 185,393</u>	<u>\$ 482,836</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, 2017

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 276,271
Certificates of deposit	29,370
Accounts receivable, net of allowances	2,511
Due from component unit	<u>24</u>
 Total assets	 <u><u>\$ 308,176</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	<u>\$ 30,407</u>
 Total liabilities	 <u>30,407</u>
Fund balances:	
Assigned to:	
Avoca	16,587
Jones Creativity Center	11,018
Main Library	<u>250,163</u>
 Total fund balances	 <u>277,769</u>
 Total liabilities and fund balances	 <u><u>\$ 308,176</u></u>
 Fund balance of governmental fund	 \$ 277,769
Amounts reported for governmental activities in the statement of net position are different because:	
Prepaid expenses are not reported in the funds.	960
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>(93,336)</u>
 Net position of the governmental activities	 <u><u>\$ 185,393</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, 2017

	General Fund
Revenues:	
Intergovernmental revenue	\$ 1,887,163
Charges for fees and services	40,625
Memorials and donations	2,657
Fines and forfeitures	31,008
Miscellaneous	29,056
Total Revenues	1,990,509
Expenditures:	
Public services	1,066,707
Information technology	242,425
Administration	186,566
Maintenance and operations	442,461
Total Expenditures	1,938,159
Net change in fund balance	52,350
Fund balance, beginning of year	225,419
Fund balance, end of year	\$ 277,769

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

Net change in fund balance - total governmental fund	\$ 52,350
Prepaid expenses are costs applicable to future periods and, therefore, are not reported in the funds.	53
Expenses reported in the statement of activities for compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	1,524
Change in net position of governmental activities	\$ 53,927

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, 2017

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 1,877,022	\$ 1,877,022	\$ 1,887,163	\$ 10,141
Charges for fees and services	45,112	45,112	40,625	(4,487)
Memorials and donations	2,000	2,000	2,657	657
Fines and forfeitures	44,540	44,540	31,008	(13,532)
Miscellaneous	37,818	37,818	29,056	(8,762)
Total revenues	<u>2,006,492</u>	<u>2,006,492</u>	<u>1,990,509</u>	<u>(15,983)</u>
Expenditures:				
Public services	1,077,041	1,077,041	1,066,707	10,334
Information technology	230,449	230,449	242,425	(11,976)
Administration	257,717	257,717	186,566	71,151
Maintenance and operations	441,285	441,285	442,461	(1,176)
Total expenditures	<u>2,006,492</u>	<u>2,006,492</u>	<u>1,938,159</u>	<u>68,333</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,350</u>	<u>\$ 52,350</u>
Fund balance, beginning of year			<u>225,419</u>	
Fund balance, end of year			<u>\$ 277,769</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, 2017

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 Jones Creativity Center 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
(a joint venture of the cities of Bristol, TN and Bristol, VA)

Notes to the Basic Financial Statements

June 30, 2017

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, 2017

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 Jones Creativity Center, 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, 2017

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. These certificates of deposit are considered non-participating interest earning investment contracts and, accordingly, are valued at cost.

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, 2017 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, 2017

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, 2017, 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, 2017, 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, 2017

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). The Information Technology (\$11,976) and Maintenance and Operations (\$1,176) functions of the general fund had expenditures in excess of final budgeted amounts.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

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 \$305,641 and the bank balance of deposits was \$342,271. 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 was \$482,860. 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.

At June 30, 2017, the Library had the following investments in certificates of deposit:

<u>Investment</u>	<u>Maturity</u>	<u>Rating</u>	<u>Balance</u>
Certificate of deposit	12/8/2017	N/A	\$ 6,000
Certificate of deposit	10/7/2017	N/A	23,370
			<u>\$ 29,370</u>

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

Notes to the Basic Financial Statements

June 30, 2017

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

At June 30, 2017, the Foundation had the following investments included in restricted cash and cash equivalents:

<u>Investment</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Money market	N/A	N/A	200,766
Money market	N/A	N/A	183,726
Other restricted cash	N/A	N/A	98,368
			<u>\$ 482,860</u>

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of long-term debt activity for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 94,860</u>	<u>\$ 5,742</u>	<u>\$ 7,266</u>	<u>\$ 93,336</u>	<u>\$ 93,336</u>

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 \$701,294 for the year ended June 30, 2017. The Library made contributions of \$102,662 to the plan during the fiscal year 2017. The employees outsourced to the Library by the City of Bristol, Virginia made contributions of \$35,592 to the plan during the fiscal year 2017.

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, 2017

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 \$1,434,352 were received from the City of Bristol, Virginia and City of Bristol, Tennessee (\$722,342 and \$731,010, respectively) for the year ended June 30, 2017. In addition, the Avoca Branch received \$187,279 from the City of Bristol, Tennessee and \$15,000 from Sullivan County, Tennessee. The Jones Creativity Center received \$32,500 from the City of Bristol, Tennessee and \$10,000 from the City of Bristol, Virginia.

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.

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, 2017

	<u>Component Unit Library Foundation</u>
Assets	
Restricted assets:	
Cash and cash equivalents	\$ 482,860
Total assets	<u>\$ 482,860</u>
Liabilities and Fund Balances	
Liabilities:	
Due to primary government	\$ 24
Total liabilities	<u>24</u>
Fund balances:	
Restricted for:	
Capital projects	<u>482,836</u>
Total fund balances	<u>482,836</u>
Total liabilities and fund balances	<u>\$ 482,860</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, 2017

	Component Unit Library Foundation
Revenues:	
Memorials and donations	\$ 5,340
Revenue from use of money or property	1,528
Total Revenues	6,868
Expenditures	
Current:	
General Government	16,933
Total Expenditures	16,933
Net change in fund balance	(10,065)
Fund balance, beginning of year	492,901
Fund balance, end of year	\$ 482,836

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, 2017

	<u>Main Library</u>	<u>Avoca Branch</u>	<u>Jones Creativity Center</u>	<u>Total</u>
Revenues:				
Local				
Intergovernmental revenue				
City of Bristol, VA	\$ 722,342	\$ -	\$ 10,000	\$ 732,342
City of Bristol, TN	731,010	187,279	32,500	950,789
Sullivan County, TN	-	15,000	-	15,000
State Library Aid	145,891	-	-	145,891
Other	37,416	-	5,725	43,141
Charges for fees and services				
Gift shop	18,535	-	-	18,535
Rent	3,595	-	-	3,595
Copy and fax machine revenue	14,536	1,796	143	16,475
Other	2,020	-	-	2,020
Memorials and donations	1,930	727	-	2,657
Fines and forfeitures	27,935	3,073	-	31,008
Miscellaneous	19,119	1,636	8,301	29,056
Total Revenues	<u>\$1,724,329</u>	<u>\$ 209,511</u>	<u>\$ 56,669</u>	<u>\$ 1,990,509</u>
Expenditures:				
Public services	\$ 779,043	\$ 220,560	\$ 67,104	\$ 1,066,707
Information technology	242,425	-	-	242,425
Administration	186,566	-	-	186,566
Maintenance and operations	442,461	-	-	442,461
Total Expenditures	<u>\$1,650,495</u>	<u>\$ 220,560</u>	<u>\$ 67,104</u>	<u>\$ 1,938,159</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, 2017, and the related notes to the financial statements, which collectively comprise the Library’s basic financial statements, and have issued our report thereon dated November 17, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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
November 17, 2017

BRISTOL PUBLIC LIBRARY

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ yes X 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, 2017 due to the Library not expending federal grants in excess of \$750,000.

Section II – Financial Statement Findings and Responses

None

BRISTOL PUBLIC LIBRARY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section III – Schedule of Prior Year 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.