

# BULVERDE AREA RURAL LIBRARY DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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CPAs | ADVISORS

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# BULVERDE AREA RURAL LIBRARY DISTRICT

## ANNUAL FINANCIAL STATEMENTS

For the year ended June 30, 2020

### TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of Change in Fund Balance - Governmental Funds to Change in Net Position – Governmental Activities	16
Notes to the Financial Statements	17-26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budgetary Basis – General Fund – Budget and Actual	29
Notes to the Required Supplementary Information	30
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	33-34
Schedule of Findings and Responses	35-39

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Bulverde Area Rural Library District  
Bulverde, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Bulverde Area Rural Library District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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.

***Auditors' 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 and each major fund of the District, as of June 30, 2020, and the respective changes in financial position 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 and budgetary comparison information 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the District'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 District's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
October 21, 2020

# **BULVERDE AREA RURAL LIBRARY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2020**

This section of Bulverde Area Rural Library District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District's total net position was \$10,066,913 at June 30, 2020.
- During the year, the District's expenses were \$1,767,071 and revenues exceeded expenses by \$641,706 for the year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's annual financial report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The statement of net position and the statement of activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The District has two funds, the general fund and capital projects fund. The general fund accounts for the sales tax distributed to the District monthly from the State Comptroller's Office, and accounts for library operations. The capital projects fund accounts for the proceeds from the 2017 bond issuance for the purpose of the District's expansion. The District was formed as a political subdivision of the State of Texas in July, 2000, per Texas Local Government Code 326. Taxable sales within the District include ½ cent tax collected for the benefit of the library. The accompanying notes provide essential information that is not disclosed on the face of the financial statements. Consequently, the notes form an integral part of the basic financial statements.

#### **Government-Wide Financial Statements**

The statement of net position and the statement of activities - The assets, liabilities, net position, and library operating activities of the District are reported in these statements.

The statement of net position and the statement of activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial health or position has improved or deteriorated as a result of the current year's activities. Both of these statements are prepared using the full accrual basis of accounting similar to that used by most private-sector companies. The statement of net position includes all assets and liabilities, both short and long-term. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net position, which represent the difference between assets and liabilities. Over time, the increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

## Fund Financial Statements

Fund financial statements provide a detailed short-term view of the District's operations, focusing on its most significant or "major" funds. The District has two funds, the general fund which accounts for all revenues and expenditures related to library operations, and the capital projects fund which accounts for the 2017 bond proceeds.

## Governmental Funds

The accounting for the District's basic services and capital projects are included in the governmental funds. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental funds are the general fund and capital projects fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 14 and 16.

## Notes to the Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 29.

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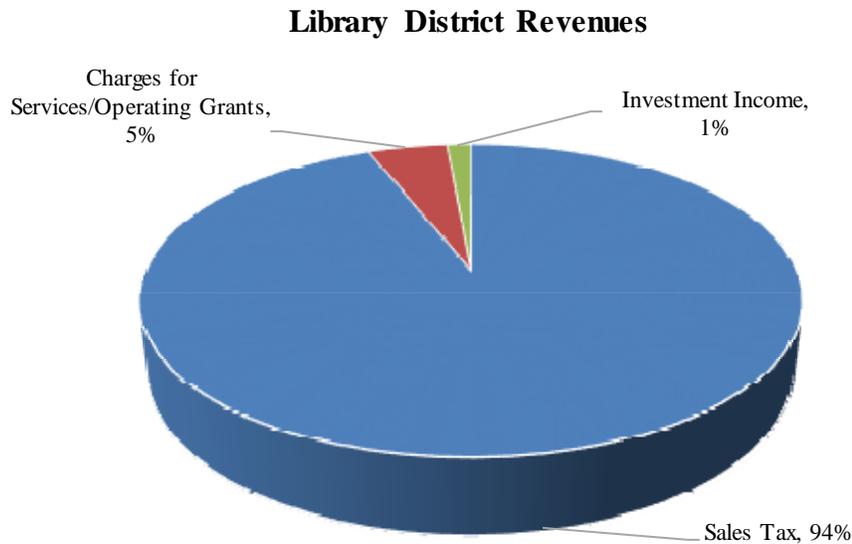
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's net position is summarized as follows:

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,089,258	\$ 880,059
Investments	1,282,682	1,859,582
Restricted investments	250,000	250,000
Accounts receivable	831,807	1,215,584
Sales tax receivable	449,505	361,130
Capital assets, net:		
Land	1,847,857	1,847,857
Construction in progress	-	7,017,639
Building and improvements	10,602,186	3,751,175
Equipment and vehicle	372,922	186,590
Furniture	315,784	214,716
Book collection	364,334	367,094
Total capital assets	13,503,083	13,385,071
Total assets	\$ 17,406,335	\$ 17,951,426
<b>LIABILITIES</b>		
Accounts payable	\$ 16,341	\$ 772,934
Accrued expenses	28,272	24,257
Unearned revenue	1,200	1,200
Noncurrent liabilities:		
Due within one year	676,930	434,999
Due in more than one year	6,616,679	7,292,829
Total liabilities	7,339,422	8,526,219
<b>NET POSITION</b>		
Net investments in capital assets	6,359,152	6,005,770
Restricted for debt service	250,000	250,000
Restricted for special programs	1,899,482	1,961,161
Restricted for childrens programs	150	-
Unrestricted	1,558,129	1,208,276
Total net position	10,066,913	9,425,207
Total liabilities and net position	\$ 17,406,335	\$ 17,951,426

The District's total revenues were \$2,408,777. A significant portion, 94%, of the District's revenue was from sales taxes. Revenue from charges for services, operating grants, and other operating income were 5% of revenue. Investment income made up the remaining 1% of revenue.

The following chart is a graphic representation of the District's income:



The following table summarizes the changes in the District's net position from its activities for the fiscal years ended June 30, 2020 and 2019:

	2020	2019
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 13,877	\$ 20,089
Operating grants and contributions	93,882	76,755
Capital grants and contributions	-	251,141
Other operating income	3,415	4,275
Total program revenues	<u>111,174</u>	<u>352,260</u>
General revenues		
Sales tax revenue	2,263,249	1,960,858
Investment income	34,354	126,770
Total general revenues	<u>2,297,603</u>	<u>2,087,628</u>
<b>Total revenues</b>	<u>2,408,777</u>	<u>2,439,888</u>
<b>EXPENSES</b>		
Library operations	1,564,756	1,289,062
Debt service	202,315	259,189
Total expenses	<u>1,767,071</u>	<u>1,548,251</u>
Change in net position	641,706	891,637
NET POSITION - BEGINNING OF YEAR	<u>9,425,207</u>	<u>8,533,570</u>
NET POSITION - END OF YEAR	<u>\$ 10,066,913</u>	<u>\$ 9,425,207</u>

## FINANCIAL ANALYSIS OF THE DISTRICT

Sales tax collections increased \$302,391 from the prior year, a 15.4% increase. Interest on long-term debt accounts for 11.4% of the District's total expenses. Library operation expenses increased by 21.4% and accounted for 88.6% of total expenditures. Program revenues decreased by \$241,086 from the prior year as a result of large donations received in the prior year as part of the capital campaign.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The District made no amendments to the original budget during the year. The District's revenues were over budget by \$692,135 and total expenses were \$13,388 under budget. Sales tax continued to improve over the prior year with more growth of businesses in the area.

Utilities and building maintenance are approximately 15.5% of total library operating expenses. Payroll and benefits expense have increased due to the increase in salaries and additional personnel hired.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of the fiscal year 2020, the District had \$13,503,083 in capital assets, including land, buildings and improvements, equipment, furniture and the book collection, net of depreciation. The following is a schedule of the District's investment in fixed assets:

	GOVERNMENTAL ACTIVITIES	
	2020	2019
Land	\$ 1,847,857	\$ 1,847,857
Construction in progress	-	7,017,639
Building	12,374,531	5,338,190
Equipment and vehicle	646,785	417,597
Furniture	606,623	441,977
Book collection	<u>840,455</u>	<u>828,934</u>
Total capital assets	16,316,251	15,892,194
Accumulated depreciation	<u>(2,813,168)</u>	<u>(2,507,123)</u>
Net capital assets	<u>\$ 13,503,083</u>	<u>\$ 13,385,071</u>

The library paid \$434,219 in principal and \$202,315 in interest during the fiscal year. Total obligation bonds outstanding at June 30, 2020 are \$7,293,609.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District sales tax income projections are for a decrease of 20% from last year due to the economic impact of the COVID-19 virus. The 2020-2021 budget was trimmed as much as possible. The mortgage for the 2006 original building construction bond debt and the 2017 expansion bond debt are overlapping now and the debt schedule of payments will increase quite a bit in 2020-2021. The Trustees plan to use savings to pay off the 2006 bond debt by October 2020 in order to reduce the annual mortgage payment. New legislation in the state has removed sales tax on Internet services and we are uncertain how this will affect sales tax income.

The restricted Mammen donation for programming has allowed the library to continue to offer virtual programming. We expect that programming will continue virtually until a vaccine is available. With new health protection and procedures in place, the library continues to serve the community with materials and other necessary services in person or through the drive up window.

We continue to assess the feasibility of kiosks or outreach locations in our community, especially to the north of the District. The expected growth in the District will continue at a fast pace as the construction on Hwy 281 progresses, making it easier to live out here and work in San Antonio. Many new housing developments are currently under construction in the District.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, patrons, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of the Bulverde Area Rural Library District at 131 Bulverde Crossing, Bulverde, Texas 78163.

## **BASIC FINANCIAL STATEMENTS**

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**BULVERDE AREA RURAL LIBRARY DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2020**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 1,089,258
Investments	1,282,682
Investments, restricted for debt service	250,000
Accounts receivable	831,807
Sales tax receivable	449,505
Capital assets:	
Land	1,847,857
Building and improvements, net	10,602,186
Equipment, net	372,922
Furniture, net	315,784
Book collection, net	364,334
Total capital assets	<u>13,503,083</u>
 Total assets	 <u><u>\$ 17,406,335</u></u>
LIABILITIES	
Accounts payable	\$ 16,341
Accrued expenses	28,272
Unearned revenue	1,200
Noncurrent liabilities:	
Due within one year	676,930
Due in more than one year	6,616,679
Total liabilities	<u>7,339,422</u>
NET POSITION	
Net investment in capital assets	6,359,152
Restricted for debt service	250,000
Restricted for special programs	1,899,482
Restricted for children's programs	150
Unrestricted	1,558,129
Total net position	<u>10,066,913</u>
 Total liabilities and net position	 <u><u>\$ 17,406,335</u></u>

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

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2020**

	<u>GOVERNMENTAL ACTIVITIES</u>
EXPENSES	
Library operations:	
Payroll and benefits	\$ 762,568
Depreciation	375,810
Repairs and maintenance	120,274
Utilities	64,019
Library supplies	43,849
Computer costs	45,175
Office administration	29,178
Special projects	61,404
Contracted services	21,867
Professional services	7,698
Insurance	14,426
Other operating expenses	<u>18,488</u>
Total library operations	1,564,756
Debt service:	
Interest	<u>202,315</u>
Total expenses	<u>1,767,071</u>
PROGRAM REVENUES	
Charges for services	13,877
Operating grants and contributions	93,882
Other operating income	<u>3,415</u>
Total program revenues	<u>111,174</u>
Net program income (expense)	<u>(1,655,897)</u>
GENERAL REVENUES	
Sales tax revenue	2,263,249
Investment income	<u>34,354</u>
Total general revenues	<u>2,297,603</u>
Change in net position	641,706
NET POSITION - BEGINNING OF YEAR	<u>9,425,207</u>
NET POSITION - END OF YEAR	<u>\$ 10,066,913</u>

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

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**June 30, 2020**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 939,580	\$ 149,678	\$ 1,089,258
Investments	1,282,682	-	1,282,682
Investments restricted for debt service	250,000	-	250,000
Sales tax receivable	449,505	-	449,505
Accounts receivable	<u>831,807</u>	<u>-</u>	<u>831,807</u>
Total assets	<u>\$ 3,753,574</u>	<u>\$ 149,678</u>	<u>\$ 3,903,252</u>
<b>LIABILITIES</b>			
Accounts payable	16,341	\$ -	\$ 16,341
Accrued expenses	28,272	-	28,272
Unearned revenue	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total liabilities	<u>45,813</u>	<u>-</u>	<u>45,813</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - grant	<u>800,000</u>	<u>-</u>	<u>800,000</u>
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	250,000	-	250,000
Capital projects	-	149,678	149,678
Special programs	1,099,482	-	1,099,482
Children's programs	150	-	150
Unassigned	<u>1,558,129</u>	<u>-</u>	<u>1,558,129</u>
Total fund balances	<u>2,907,761</u>	<u>149,678</u>	<u>3,057,439</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,753,574</u>	<u>\$ 149,678</u>	<u>\$ 3,903,252</u>

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

**BULVERDE AREA RURAL LIBRARY DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**June 30, 2020**

Total fund balance	\$ 3,057,439
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	800,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,503,083
Payables for bond principal which are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,293,609)</u>
Net position of governmental activities	<u><u>\$ 10,066,913</u></u>

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

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**RECONCILIATION OF CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO  
CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES**

**June 30, 2020**

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
	<u>                    </u>	<u>                    </u>	<u>                    </u>
REVENUES			
Sales tax revenue	\$ 2,263,249	\$ -	\$ 2,263,249
Investment income	14,586	19,768	34,354
Contributions and grants	493,882	-	493,882
Operating revenue	13,877	-	13,877
Miscellaneous	3,415	-	3,415
Total revenues	<u>2,789,009</u>	<u>19,768</u>	<u>2,808,777</u>
EXPENDITURES			
Library operations:			
Payroll and benefits	762,568	-	762,568
Repairs and maintenance	120,274	-	120,274
Utilities	64,019	-	64,019
Library supplies	43,849	-	43,849
Computer costs	45,175	-	45,175
Office administration	29,178	-	29,178
Special projects	61,404	-	61,404
Contracted services	21,867	-	21,867
Marketing	7,698	-	7,698
Insurance	14,426	-	14,426
Other operating expenses	18,488	-	18,488
Total library operations	<u>1,188,946</u>	<u>-</u>	<u>1,188,946</u>
Capital outlay	212,237	281,585	493,822
Debt service:			
Principal	434,219	-	434,219
Interest	202,315	-	202,315
Total debt service	<u>636,534</u>	<u>-</u>	<u>636,534</u>
Total expenditures	<u>2,037,717</u>	<u>281,585</u>	<u>2,319,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>751,292</u>	<u>(261,817)</u>	<u>489,475</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	62,968	62,968
Transfers out	(62,968)	-	(62,968)
Total other financing sources (uses)	<u>(62,968)</u>	<u>62,968</u>	<u>-</u>
Net change in fund balance	<u>688,324</u>	<u>(198,849)</u>	<u>489,475</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,219,437</u>	<u>348,527</u>	<u>2,567,964</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,907,761</u>	<u>\$ 149,678</u>	<u>\$ 3,057,439</u>

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

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**RECONCILIATION OF CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO  
CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES**

**June 30, 2020**

Net change in fund balance	\$	489,475
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities reported in a prior year are reported as revenues in the funds during the current year.		(400,000)
Governmental funds report capital outlays as expenditures (\$493,822). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$375,810). This is the amount by which depreciation expense exceeded capital outlays in the current period.		118,012
The repayment of principal on debt consumes current financial resources and is expended in the governmental funds, but is a reduction of the liability and does not affect the statement of activities.		<u>434,219</u>
Change in net position of governmental activities	\$	<u><u>641,706</u></u>

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

# BULVERDE AREA RURAL LIBRARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### (1) Summary of significant accounting policies

The financial statements of Bulverde Area Rural Library District (the District) have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### Reporting entity

The Board of Trustees (Board), a five-member group, has governance responsibilities over all activities related to library operations within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the library. The District receives funding from local and state government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by generally accepted accounting principles and there are no component units included within the reporting entity.

#### Basis of presentation, basis of accounting

##### Basis of presentation

Government-wide financial statements: The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through sales taxes, charges for services and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the patrons for goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including sales tax, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the District’s funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General fund — this is the District’s primary operating fund. It accounts for all operating financial resources of the District.

Capital projects fund — this fund is used to account for the proceeds of the 2017 bond issued to pay for the expansion of the District.

# BULVERDE AREA RURAL LIBRARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### (1) Summary of significant accounting policies (continued)

#### Basis of presentation, basis of accounting (continued)

##### Measurement focus, basis of accounting, and financial statement presentation

Government-wide financial statement: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales taxes, grants and contributions. On an accrual basis, revenue from sales taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected. Revenues from local sources consist primarily of sales taxes. Sales tax revenue is recognized in the period that it is earned. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except principal payments on long-term debt which are expended when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

#### Cash and cash equivalents

The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, and other investments with an initial maturity of 3 months or less.

#### Investments

The District has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and requires disclosures related to all fair value measurements.

Most of the investments for the District are stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

# BULVERDE AREA RURAL LIBRARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### (1) Summary of significant accounting policies (continued)

#### Investments (continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

Inputs other than quoted prices that are observable for the asset or liability.

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District also invests funds in pooled investments which are valued at net asset value (NAV) per share or its equivalent.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### Capital assets

Capital assets such as equipment are defined as assets with a cost of \$3,000 or more. Donated assets are valued at their fair market value on the date donated. Depreciation is calculated using the straight-line method and is based on estimated useful lives of 5 to 40 years.

#### Management's use of estimates

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

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020**

(2) Deposits and investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank and did not have any pledged securities during the fiscal year. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash and investments

At June 30, 2020, the carrying amount of the District's cash and cash equivalents and investments were as follows:

	<u>Carrying Amount</u>	<u>Weighted Average Maturities (Years)</u>
Cash and cash equivalents:		
Money market mutual fund	\$ 250,703	0.11
Pooled investments	266,098	0.14
Cash in banks	572,273	-
Cash on hand	184	-
Total cash and cash equivalents	<u>1,089,258</u>	
Investments		
Bank certificates of deposits	365,587	0.56
U.S. government securities	<u>1,167,095</u>	0.79
Total investments	<u>1,532,682</u>	
Total	<u>\$ 2,621,940</u>	
Portfolio weighted average maturity		0.45

Investments

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The District's investments for all funds at fiscal year-end are listed below at fair value, net of accruals.

# BULVERDE AREA RURAL LIBRARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### (2) Deposits and investments (continued)

#### Investments (continued)

The District has the following fair value measurements as of June 30, 2020:

	<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
U.S. Treasury Notes	<u>\$ 1,167,095</u>	<u>\$ -</u>	<u>\$ 1,167,095</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Security Service Federal Credit Union	253,930			
Randolph Brooks Federal Credit Union	<u>111,657</u>			
Total investments measured at amortized cost	<u>365,587</u>			
Total investments	<u>1,532,682</u>			
Cash equivalents measured at amortized cost:				
Dreyfus Treasury and Agency Money Market	<u>250,703</u>			
Investments measured at net asset value:				
Texas Class	<u>266,098</u>			
Cash equivalents	516,801			
Cash in banks	572,273			
Cash on hand	<u>184</u>			
Total cash and cash equivalents	<u>1,089,258</u>			
Total cash, cash equivalents and investments	<u>\$ 2,621,940</u>			

#### Interest rate risk

The District manages its interest rate risk by using “pooled” type investments and U.S. Treasury Securities which are exposed to interest rate risk but to a lesser degree than other fixed income securities.

#### Concentration of credit risk

In accordance with the District’s investment policy, the District will diversify its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

# BULVERDE AREA RURAL LIBRARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### (2) Deposits and investments (continued)

#### Credit risk

As of June 30, 2020 the District's investment and cash equivalent ratings by Standard & Poor's were AAA. Texas Class and Dreyfus Treasury and Agency Money Market fund are both rated AAA.

#### Custodial credit risk

Deposits – This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The District's policy requires that the depository provide sufficient collateral to cover the District's deposits and that the collateral be held by the Federal Reserve Bank in the District's name. As of June 30, 2020, the Federal Reserve had pledged no collateral in the District's name. There is no custodial credit risk noted as all of the District's cash balances were fully covered by the Federal Deposit Insurance Corporation.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general purpose financial statements, disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies with the exception of its securities not being adequately pledged during the year.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

#### Public funds investment pools

Public funds investment pools in Texas (Pools) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020**

(3) Accounts receivable

Receivables as of year-end for the District are as follows:

	<u>Total</u>
Receivables:	
Donation	\$ 800,000
Grant	31,807
Sales tax	449,505
Gross receivables	<u>\$ 1,281,312</u>

The donation receivable consists of a promise to give from a family foundation entered into during the current year, the grant receivable is for reimbursable expenses which the District has not received reimbursement for, and the sales tax receivable is for sales tax collected by the State but not received by the District. The District expects to collect the full amount of the receivables and therefore does not record an allowance for doubtful accounts.

(4) Interfund transactions

During the year the general fund transferred \$62,968 to the capital projects fund for the library expansion expenses.

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**BULVERDE AREA RURAL LIBRARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020**

(5) Capital assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	BALANCE AT JUNE 30, 2019	ADDITIONS	DELETIONS	BALANCE AT JUNE 30, 2020
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,847,857	\$ -	\$ -	\$ 1,847,857
Construction in progress	<u>7,017,639</u>	<u>322,106</u>	<u>(7,339,745)</u>	<u>-</u>
Total capital assets not being depreciated	<u>8,865,496</u>	<u>322,106</u>	<u>(7,339,745)</u>	<u>1,847,857</u>
Capital assets being depreciated:				
Building and improvements	5,338,190	7,036,341	-	12,374,531
Equipment and vehicle	417,597	229,188	-	646,785
Furniture	441,977	164,646	-	606,623
Book collection	<u>828,934</u>	<u>81,286</u>	<u>(69,765)</u>	<u>840,455</u>
Total capital assets being depreciated	<u>7,026,698</u>	<u>7,511,461</u>	<u>(69,765)</u>	<u>14,468,394</u>
Less accumulated depreciation for:				
Building and improvements	(1,587,015)	(185,330)	-	(1,772,345)
Equipment and vehicle	(231,007)	(42,856)	-	(273,863)
Furniture	(227,261)	(63,578)	-	(290,839)
Book collection	<u>(461,840)</u>	<u>(84,046)</u>	<u>69,765</u>	<u>(476,121)</u>
Total accumulated depreciation	<u>(2,507,123)</u>	<u>(375,810)</u>	<u>69,765</u>	<u>(2,813,168)</u>
Total capital assets being depreciated, net	<u>4,519,575</u>	<u>7,135,651</u>	<u>-</u>	<u>11,655,226</u>
Governmental activities capital assets, net	<u>\$ 13,385,071</u>	<u>\$ 7,457,757</u>	<u>\$ (7,339,745)</u>	<u>\$ 13,503,083</u>

Depreciation was charged to the function of library operations for \$375,810.

(6) Risk management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. The District purchases insurance from the commercial insurance market for property, liability and errors and omissions coverage. There were no significant changes in coverage, retention, or limits during the fiscal year. Settled claims have not exceeded the commercial coverage in the last three years.

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020**

(7) Long-term liabilities

The District entered into an interlocal cooperative agreement with the County of Comal, Texas for a \$4.7 million Combination Tax and Revenue Certificates of Obligation, Series 2006 Bond. The District remits monthly payments to the County of Comal, Texas. During 2017 the District entered into another interlocal cooperative agreement with the County of Comal, Texas for a \$7 million Combination Tax and Revenue Certificates of Obligation, Series 2017.

Changes in long-term obligations for the period ended June 30, 2020 are as follows:

	BALANCE <u>6/30/2019</u>	INCREASE	DECREASE	BALANCE <u>6/30/2020</u>	DUE WITHIN <u>ONE YEAR</u>
General obligation bonds					
Series 2006	\$ 838,661	\$ -	\$ (368,875)	\$ 469,786	\$ 375,263
General obligation bonds					
Series 2017	<u>6,889,167</u>	<u>-</u>	<u>(65,344)</u>	<u>6,823,823</u>	<u>301,667</u>
Total general obligation bonds	<u>\$ 7,727,828</u>	<u>\$ -</u>	<u>\$ (434,219)</u>	<u>\$ 7,293,609</u>	<u>\$ 676,930</u>

Future debt service payments are as follows:

YEAR ENDING <u>JUNE 30,</u>	LONG-TERM OBLIGATIONS		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 676,930	\$ 179,141	\$ 856,071
2022	653,998	163,410	817,408
2023	600,000	150,985	750,985
2024	600,000	137,245	737,245
2025	604,167	122,075	726,242
2026-2030	3,303,333	368,324	3,671,657
2031-2032	<u>840,268</u>	<u>24,758</u>	<u>865,026</u>
Totals	<u>\$ 7,293,609</u>	<u>\$ 1,145,938</u>	<u>\$ 8,439,547</u>

Interest rates on long-term obligations ranges from .40% to 2.62%.

(8) Employee benefit plan

The District adopted a 457 deferred compensation plan in October, 2006. All employees are eligible to participate in the plan. The District, at its discretion, can match up to 6% of the participating employees' annual salary. The employer match for fiscal year 2020 and 2019 was \$20,556 and \$17,102 respectively.

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020**

(9) Fund balance

The District adopted Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB #54). The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB #54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB #54. These five categories are as follows:

- Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted – These funds are governed by externally enforceable restrictions.
- Committed – Fund balances in this category are limited by the government’s highest level of decision making (in this case the Board). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned – For funds to be assigned, there must be an intended use which can be established by the Board or an official delegated by the Board, such as an administrator or finance director.
- Unassigned – This classification is the default for all funds that do not fit into the other categories. Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The District’s policy is to apply expenditures against the non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

At June 30, 2020 the District’s fund balance consisted of the following:

	<u>Total</u>
Restriction:	
Debt service	\$ 250,000
Capital projects	149,678
Special projects	1,099,482
Children's programs	150
Unassigned	<u>1,558,129</u>
Total fund balance	<u>\$ 3,057,439</u>

(10) Subsequent events

The District early extinguished the General Obligation Bonds Series 2006, which had an outstanding balance of over \$400,000 at the time of the extinguishment.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**BULVERDE AREA RURAL LIBRARY DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGETARY BASIS – GENERAL FUND - BUDGET AND ACTUAL**

**For the year ended June 30, 2020**

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Sales tax revenue	\$ 1,940,649	\$ 2,263,249	\$ 322,600
Contributions and grants	125,200	493,882	368,682
Operating revenue	17,775	13,877	(3,898)
Interest income	10,000	14,586	4,586
Miscellaneous	3,250	3,415	165
Total revenues	<u>2,096,874</u>	<u>2,789,009</u>	<u>692,135</u>
<b>EXPENDITURES</b>			
Library operations:			
Payroll and benefits	775,197	762,568	12,629
Repairs and maintenance	105,000	120,274	(15,274)
Utilities	130,000	64,019	65,981
Computer costs	50,000	45,175	4,825
Office administration	25,000	29,178	(4,178)
Special projects	81,000	61,404	19,596
Library supplies	5,000	43,849	(38,849)
Contracted services	17,600	21,867	(4,267)
Marketing	10,000	7,698	2,302
Insurance	12,000	14,426	(2,426)
Other operating expenses	46,000	18,488	27,512
Total library operations	<u>1,256,797</u>	<u>1,188,946</u>	<u>67,851</u>
Capital outlay	160,000	212,237	(52,237)
Debt service:			
Principal	434,219	434,219	-
Interest	200,089	202,315	(2,226)
Total debt service	<u>634,308</u>	<u>636,534</u>	<u>(2,226)</u>
Total expenditures	<u>2,051,105</u>	<u>2,037,717</u>	<u>13,388</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	-	(62,968)	(62,968)
Total other financing sources (uses)	<u>-</u>	<u>(62,968)</u>	<u>(62,968)</u>
Net change in fund balance - budgetary basis	45,769	688,324	
FUND BALANCES - BEGINNING OF YEAR	<u>2,219,437</u>	<u>2,219,437</u>	
FUND BALANCES - END OF YEAR	<u>\$ 2,265,206</u>	<u>\$ 2,907,761</u>	

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**For the year ended June 30, 2020**

The Board adopts an “appropriated budget” on the budgetary basis. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures as compared to actual.

## **COMPLIANCE SECTION**

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

To the Board of Trustees  
Bulverde Area Rural Library District  
Bulverde, Texas

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 and each major fund of Bulverde Area Rural Library District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses costs as item 2020-01 to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses costs as items 2020-02 through 2020-04 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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*.

## **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses costs. The District'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.

ABIP, PC

San Antonio, Texas  
October 21, 2020

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

**For the year ended June 30, 2020**

A. Summary of Auditor's Results

1. Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified?

X  Yes         No

Significant Deficiency(ies) Identified that are not Considered to be Material Weaknesses?

X  Yes         None Reported

Noncompliance Material to Financial Statements Noted?

    Yes     X  No

B. Financial Statement Findings

2020-1 Accounting System

Type of Finding: Material Weakness

*Condition:* The District was not able to provide fund level accounting information.

*Criteria:* The District should utilize an accounting system with the capability to account for fund level information.

*Cause:* The District uses QuickBooks as their financial accounting system which is not able to provide fund level information.

*Effect:* Fund level accounting information could not be provided by the District.

*Recommendation:*

We recommend the District utilize software able to provide fund level information.

*Management's Response:*

The cost benefit analysis of obtaining a fund accounting system to replace QuickBooks did not justify the replacement. The need is no longer necessary as the capital projects expected to be complete during the current fiscal year.

*Responsible person:*

Deborah A. Neubauer, Treasurer

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

**For the year ended June 30, 2020**

**B. Financial Statement Findings (Continued)**

2020-2 Investment Reconciliations

Type of Finding: Significant Deficiency

*Condition:* The District did not properly reconcile their investment accounts to the statements and general ledger.

*Criteria:* The District should properly reconcile their investment accounts to the corresponding statements and general ledger.

*Cause:* During review of the investment reconciliations it was noted that that the SAMCO accounts were not properly reconciled to the statements. It was noted that the total SAMCO investments were misstated by \$157,235.

*Effect:* The investment accounts were not properly stated at fiscal year end.

*Recommendation:*

We recommend that the District properly reconcile their investment accounts to the corresponding statements and general ledger.

*Management's Response:*

The District will reconcile the separate SAMCO accounts to the statements and general ledger when the statements are received quarterly. The District is in the process of closing the SAMCO accounts and will have significantly fewer transactions in future fiscal years.

*Responsible person:*

Deborah A. Neubauer, Treasurer

2020-3 Accounts Receivable

Type of Finding: Significant Deficiency

*Condition:* The District did not properly state accounts receivable at year end.

*Criteria:* The District should properly account for revenues earned within the fiscal year but received after.

*Cause:* During review of subsequent receipts it was noted that \$31,870 in receipts earned during the fiscal year but received after were not properly accounted for in accounts receivable.

*Effect:* Accounts receivable was not properly stated at fiscal year end.

*Recommendation:*

We recommend that the District review transactions received after year end to determine when the revenue was earned and account for those transactions in the proper fiscal year.

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

**For the year ended June 30, 2020**

**B. Financial Statement Findings (Continued)**

2020-3 Accounts Receivable (Continued)  
Type of Finding: Significant Deficiency

*Management's Response:*

The District will identify and accrue transactions earned during the fiscal year regardless of when the cash receipts are expected.

*Responsible person:*

Deborah A. Neubauer, Treasurer

2020-4 Capital Assets  
Type of Finding: Significant Deficiency

*Condition:* The District did not properly identify all capital outlay.

*Criteria:* The District should properly account for expenses that meet the District's capitalization threshold as capital outlay on the general ledger.

*Cause:* During review of expenses it was noted that \$29,183 in expenses that met the District's capitalization threshold were not properly accounted for as capital outlay on the general ledger.

*Effect:* Capital outlay and related capital additions were not properly stated at fiscal year end.

*Recommendation:*

We recommend that the District review expense transactions to determine if the expense meets the District's capitalization threshold, and if so, properly record the expense as capital outlay on the general ledger.

*Management's Response:*

The District will identify all capital asset additions in future years.

*Responsible person:*

Deborah A. Neubauer, Treasurer

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

**For the year ended June 30, 2020**

**C. Summary of Prior Audit Findings**

2019-1 Accounting System  
Type of Finding: Material Weakness

*Condition:* The District was not able to provide fund level accounting information.

*Criteria:* The District should utilize an accounting system with the capability to account for fund level information.

*Cause:* The District uses QuickBooks as their financial accounting system which is not able to provide fund level information.

*Effect:* Fund level accounting information could not be provided by the District.

*Recommendation:*

We recommend the District utilize software able to provide fund level information.

*Status:* The District continued to utilize QuickBooks as their financial accounting system which is not able to provide fund level information. This remains a finding, see finding at 2020-1.

2019-2 Bank and Investment Reconciliations  
Type of Finding: Significant Deficiency

*Condition:* The District did not properly reconcile their bank and investment accounts to the statements and general ledger.

*Criteria:* The District should properly reconcile their bank and investment account to the corresponding statements and general ledger.

*Cause:* During review of the bank and investment reconciliations it was noted that two accounts did not properly reconcile a \$150,000 transfer between the accounts. It was also noted that the SAMCO accounts were not properly reconciled to the statements.

*Effect:* The bank and investment accounts were not properly stated at fiscal year end.

*Recommendation:*

We recommend that the District properly reconciles their bank and investment accounts to the corresponding statements and general ledger.

*Status:* The District continued to not properly reconcile the SAMCO accounts to the statements. This remains a finding, see finding at 2020-2.

**BULVERDE AREA RURAL LIBRARY DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

**For the year ended June 30, 2020**

C. Summary of Prior Audit Findings (Continued)

2019-3 Accounts Payable

Type of Finding: Significant Deficiency

*Condition:* The District did not properly state their accounts payable liability at year end.

*Criteria:* The District should properly account for expenses incurred within the fiscal year but paid after as an accounts payable liability.

*Cause:* During review of accounts payable it was noted \$458,340 in transactions incurred during the fiscal year but paid after were not properly accounted for in accounts payable.

*Effect:* Accounts payable was not properly stated at fiscal year end.

*Recommendation:*

We recommend that the District review transactions paid after year end to determine when the expense was incurred and accounts for those transactions in the proper fiscal year.

*Status:* No similar finding was identified during the current year.