

BULVERDE AREA RURAL LIBRARY DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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BULVERDE AREA RURAL LIBRARY DISTRICT

ANNUAL FINANCIAL STATEMENTS

For the year ended June 30, 2021

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INDEPENDENT AUDITOR'S 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, the major fund, and the aggregate remaining fund information of the Bulverde Area Rural Library District (the District), as of and for the year ended June 30, 2021, 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.

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 major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, 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 September 16, 2021, 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
September 16, 2021

BULVERDE AREA RURAL LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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, 2021. 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 \$10,988,712 at June 30, 2021.
- During the year, the District's expenses were \$1,813,751 and revenues exceeded expenses by \$871,364 for the year.
- The District's total fund balance was \$4,045,206. The District's expenditures were \$2,097,348 and revenues exceeded expenses by \$987,767.
- The District paid off the 2006 bond with an original maturity date of September 2021 was paid off in September 2020 with a debt service payment of \$419,351.

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 31.

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FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position is summarized as follows:

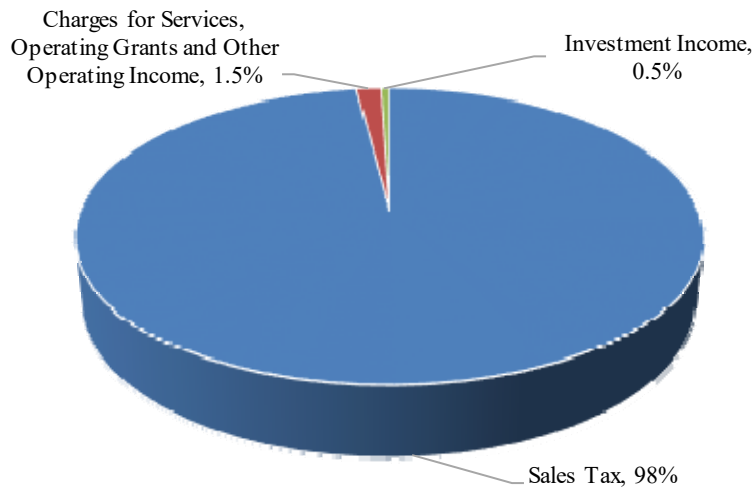
	<u>2021</u>	<u>2020</u>	<u>Total Percentage Change 2021-2020</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,309,455	\$ 1,089,258	203.8%
Investments	276,636	1,532,682	-82.0%
Accounts receivable	<u>900,731</u>	<u>1,281,312</u>	<u>-29.7%</u>
Total current assets	<u>4,486,822</u>	<u>3,903,252</u>	<u>15.0%</u>
Non-current assets:			
Capital assets, net:			
Land	1,847,857	1,847,857	0.0%
Building and improvements	10,266,557	10,602,186	-3.2%
Equipment and vehicle	316,769	372,922	-15.1%
Furniture	239,872	315,784	-24.0%
Book collection	<u>365,441</u>	<u>364,334</u>	<u>0.3%</u>
Total capital assets	<u>13,036,496</u>	<u>13,503,083</u>	<u>-3.5%</u>
Total assets	<u>\$ 17,523,318</u>	<u>\$ 17,406,335</u>	<u>0.7%</u>
LIABILITIES			
Current liabilities:	\$ 41,616	\$ 45,813	-9.2%
Noncurrent liabilities:			
Due within one year	558,333	676,930	-17.5%
Due in more than one year	<u>5,934,657</u>	<u>6,616,679</u>	<u>-10.3%</u>
Total liabilities	<u>6,534,606</u>	<u>7,339,422</u>	<u>-11.0%</u>
NET POSITION			
Net investments in capital assets	6,543,506	6,359,152	2.9%
Restricted	2,095,127	2,149,632	-2.5%
Unrestricted	<u>2,350,079</u>	<u>1,558,129</u>	<u>50.8%</u>
Total net position	<u>10,988,712</u>	<u>10,066,913</u>	<u>9.2%</u>
Total liabilities and net position	<u>\$ 17,523,318</u>	<u>\$ 17,406,335</u>	<u>0.7%</u>

The District's total current assets increased by 15% from \$3,903,252 in FY20 to \$4,486,822 in FY21 as a result of an increase in sales tax. Total liabilities decreased 11% from \$7,339,422 to \$6,534,606 as a result of the District paying off the 2006 bond.

The District's total revenues were \$2,685,115. A significant portion, 98%, of the District's revenue was from sales taxes. Revenue from charges for services, operating grants, and other operating income were 1.5% of revenue. Investment income made up the remaining .5% of revenue.

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

Library District Revenues



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The following table summarizes the changes in the District's net position from its activities for the fiscal years ended June 30, 2021 and 2020:

	2021	2020	Total Percentage Change 2021-2020
REVENUES			
Program revenues			
Charges for services	\$ 6,743	\$ 13,877	-51.4%
Operating grants and contributions	32,661	93,882	-65.2%
Other operating income	1,408	3,415	-58.8%
Total program revenues	<u>40,812</u>	<u>111,174</u>	<u>-63.3%</u>
General revenues			
Sales tax revenue	2,639,624	2,263,249	16.6%
Investment income	4,679	34,354	-86.4%
Total general revenues	<u>2,644,303</u>	<u>2,297,603</u>	<u>15.1%</u>
 Total revenues	 <u>2,685,115</u>	 <u>2,408,777</u>	 <u>11.5%</u>
EXPENSES			
Library operations	1,626,980	1,564,756	4.0%
Debt service	<u>186,771</u>	<u>202,315</u>	<u>-7.7%</u>
Total expenses	<u>1,813,751</u>	<u>1,767,071</u>	<u>2.6%</u>
 Change in net position	 871,364	 641,706	 35.8%
 NET POSITION - BEGINNING OF YEAR	 <u>10,066,913</u>	 <u>9,425,207</u>	 <u>6.8%</u>
 RESTATEMENT OF NET POSITION	 <u>50,435</u>	 -	 <u>100.0%</u>
 NET POSITION - BEGINNING OF YEAR, AS RESTATED	 <u>10,117,348</u>	 <u>9,425,207</u>	 <u>7.3%</u>
 NET POSITION - END OF YEAR	 <u>\$ 10,988,712</u>	 <u>\$ 10,066,913</u>	 <u>9.2%</u>

Sales tax collections increased \$376,375 from the prior year, a 16.6% increase due to increased development and economic activity in the area. Interest on long-term debt accounts for 10.3% of the District's total expenses. Library operations expenses increased by 4.0% as a result of an increase in the cost of goods and accounted for 89.7% of total expenditures. Program revenues decreased by \$70,362 from the prior year, a 63.3% decrease as a result of more donations and grants received in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District made one amendment to the original budget during the year that increased revenues due to an increase in projected sales tax and decreased expenditures. The District's revenues were over budget by \$815,934 and total expenses were \$269,473 over budget. Sales tax continued to improve over the prior year with more growth of businesses in the area. Debt service expenditures exceeded the amended budget as the result paying off the 2006 bonds early.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of the fiscal year 2021, the District had \$13,036,496 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	
	2021	2020
Land	\$ 1,847,857	\$ 1,847,857
Building	12,374,531	12,374,531
Equipment and vehicle	646,785	646,785
Furniture	606,623	606,623
Book collection	861,476	840,455
Total capital assets	16,337,272	16,316,251
Accumulated depreciation	(3,300,776)	(2,813,168)
Net capital assets	<u>\$ 13,036,496</u>	<u>\$ 13,503,083</u>

The library paid \$750,184 in principal and \$186,771 in interest during the fiscal year. Total obligation bonds outstanding at June 30, 2021 are \$6,492,990. The library paid off the 2006 bonds during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Trustees projected a modest increase in sales tax revenues for the coming year. While income should remain steady or grow conservatively, the District continues to be one of the fastest growing areas in the country. Housing starts in our area continue to increase and more new people are using the library and shopping locally, although the home repair projects so many people did during the pandemic, which kept the sales tax revenues up, are projected to plateau. We have seen more businesses opening again in the area and with the community growth we expect that to continue even with the uncertainty due to the pandemic.

Programming is projected to continue as a hybrid model, with some online and some in person classes. It is hard at this point to envision a change until the pandemic is truly under control so we continue to plan for only a few months into the future at a time.

We will reassess the 10 year facilities master plan as part of our annual strategic planning and move into planning the next phase of the plan, which had us looking at a small storefront branch in 2021, although that timeline has been pushed back and we are still looking at the feasibility of a 24/7 library kiosk in some of the areas of the District farthest from the current library location.

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



BULVERDE AREA RURAL LIBRARY DISTRICT

STATEMENT OF NET POSITION

June 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 3,309,455
Investments	276,636
Accounts receivable - related party	400,000
Sales tax receivable	500,731
Capital assets:	
Land	1,847,857
Building and improvements, net	10,266,557
Equipment, net	316,769
Furniture, net	239,872
Book collection, net	365,441
Total capital assets	<u>13,036,496</u>
 Total assets	 <u>\$ 17,523,318</u>
LIABILITIES	
Accounts payable	\$ 7,734
Accrued expenses	32,682
Unearned revenue	1,200
Noncurrent liabilities:	
Due within one year	558,333
Due in more than one year	5,934,657
Total liabilities	<u>6,534,606</u>
NET POSITION	
Net investment in capital assets	6,543,506
Restricted for debt service	250,000
Restricted for special programs	1,845,127
Unrestricted	2,350,079
Total net position	<u>10,988,712</u>
 Total liabilities and net position	 <u>\$ 17,523,318</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, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
EXPENSES	
Library operations:	
Payroll and benefits	\$ 743,974
Depreciation	553,842
Repairs and maintenance	84,948
Utilities	55,416
Library supplies	13,614
Computer costs	31,685
Office administration	22,017
Special projects	60,605
Contracted services	30,541
Professional services	4,350
Insurance	14,682
Other operating expenses	11,306
Total library operations	<u>1,626,980</u>
Debt service:	
Interest	186,771
Total expenses	<u>1,813,751</u>
PROGRAM REVENUES	
Charges for services	6,743
Operating grants and contributions	32,661
Other operating income	1,408
Total program revenues	<u>40,812</u>
Net program income (expense)	<u>(1,772,939)</u>
GENERAL REVENUES	
Sales tax revenue	2,639,624
Investment income	4,679
Total general revenues	<u>2,644,303</u>
Change in net position	871,364
NET POSITION - BEGINNING OF YEAR	<u>10,066,913</u>
RESTATEMENT OF NET POSITION	<u>50,435</u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>10,117,348</u>
NET POSITION - END OF YEAR	<u>\$ 10,988,712</u>

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

BULVERDE AREA RURAL LIBRARY DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021

	MAJOR FUND	NONMAJOR FUND	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	CAPITAL PROJECTS FUND	
	<u> </u>	<u> </u>	
ASSETS			
Cash and cash equivalents	\$ 3,309,455	\$ -	\$ 3,309,455
Investments	276,636	-	276,636
Sales tax receivable	500,731	-	500,731
Accounts receivable - related party	<u>400,000</u>	<u>-</u>	<u>400,000</u>
 Total assets	 <u>\$ 4,486,822</u>	 <u>\$ -</u>	 <u>\$ 4,486,822</u>
LIABILITIES			
Accounts payable	\$ 7,734	\$ -	\$ 7,734
Accrued expenses	32,682	-	32,682
Unearned revenue	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total liabilities	<u>41,616</u>	<u>-</u>	<u>41,616</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - related party	<u>400,000</u>	<u>-</u>	<u>400,000</u>
FUND BALANCES			
Restricted for:			
Debt service	250,000	-	250,000
Special programs	1,445,127	-	1,445,127
Unassigned	<u>2,350,079</u>	<u>-</u>	<u>2,350,079</u>
Total fund balances	<u>4,045,206</u>	<u>-</u>	<u>4,045,206</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,486,822</u>	 <u>\$ -</u>	 <u>\$ 4,486,822</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, 2021

Total fund balance	\$ 4,045,206
Amounts reported for governmental activities in the statement of net position are different because:	
Other related party long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	400,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,036,496
Payables for bond principal which are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,492,990)</u>
Net position of governmental activities	<u>\$ 10,988,712</u>

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

BULVERDE AREA RURAL LIBRARY DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

For the year ended June 30, 2021

	MAJOR FUND	NONMAJOR FUND	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	CAPITAL PROJECTS FUND	
REVENUES			
Sales tax revenue	\$ 2,639,624	\$ -	\$ 2,639,624
Investment income	4,679	-	4,679
Contributions and grants	32,661	-	32,661
Contributions - related party	400,000	-	400,000
Operating revenue	6,743	-	6,743
Miscellaneous	1,408	-	1,408
Total revenues	<u>3,085,115</u>	<u>-</u>	<u>3,085,115</u>
EXPENDITURES			
Library operations:			
Payroll and benefits	743,974	-	743,974
Repairs and maintenance	84,948	-	84,948
Utilities	55,416	-	55,416
Library supplies	13,614	-	13,614
Computer costs	31,685	-	31,685
Office administration	22,017	-	22,017
Special projects	60,605	-	60,605
Contracted services	30,541	-	30,541
Marketing	4,350	-	4,350
Insurance	14,682	-	14,682
Other operating expenses	11,306	-	11,306
Total library operations	<u>1,073,138</u>	<u>-</u>	<u>1,073,138</u>
Capital outlay	87,255	-	87,255
Debt service:			
Principal	750,184	-	750,184
Interest	186,771	-	186,771
Total debt service	<u>936,955</u>	<u>-</u>	<u>936,955</u>
Total expenditures	<u>2,097,348</u>	<u>-</u>	<u>2,097,348</u>
Excess (deficiency) of revenues over (under) expenditures	<u>987,767</u>	<u>-</u>	<u>987,767</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	149,678	-	149,678
Transfers out	-	(149,678)	(149,678)
Total other financing sources (uses)	<u>149,678</u>	<u>(149,678)</u>	<u>-</u>
Net change in fund balance	<u>1,137,445</u>	<u>(149,678)</u>	<u>987,767</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,907,761</u>	<u>149,678</u>	<u>3,057,439</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,045,206</u>	<u>\$ -</u>	<u>\$ 4,045,206</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**

For the year ended June 30, 2021

Net change in fund balance	\$	987,767
Amounts reported for governmental activities in the statement of activities are different because:		
Related party 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 (\$87,255). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$553,842). This is the amount by which depreciation expense exceeded capital outlays in the current period.		(466,587)
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>750,184</u>
Change in net position of governmental activities	\$	<u><u>871,364</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, 2021

(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.

BULVERDE AREA RURAL LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

(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 fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unearned revenue. 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, 2021

(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, 2021

(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, 2021, 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:		
Pooled investments	\$ 1,767,835	0.14
Cash in banks	1,541,436	-
Cash on hand	184	-
Total cash and cash equivalents	<u>3,309,455</u>	
Investments		
Bank certificates of deposits	<u>276,636</u>	0.56
Total	<u>\$ 3,586,091</u>	
Portfolio weighted average maturity		0.11

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, 2021

(2) Deposits and investments (continued)

Investments (continued)

The District has the following fair value measurements as of June 30, 2021:

Investments measured at amortized cost:	
Security Service Federal Credit Union	\$ 221,151
Randolph Brooks Federal Credit Union	<u>55,485</u>
Total investments measured at amortized cost	<u>276,636</u>
Total investments	<u>276,636</u>
Cash equivalent investments measured at amortized cost:	
Texas Class	<u>1,767,835</u>
Cash equivalents	1,767,835
Cash in banks	1,541,436
Cash on hand	<u>184</u>
Total cash and cash equivalents	<u>3,309,455</u>
Total cash, cash equivalents and investments	<u>\$ 3,586,091</u>

Interest rate risk

The District manages its interest rate risk by using “pooled” type investments 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, 2021

(2) Deposits and investments (continued)

Credit risk

As of June 30, 2021 the District's investment and cash equivalent ratings by Standard & Poor's were AAAM for the Texas Class investment pool.

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, 2021, the Federal Reserve had \$335,607 of pledged 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 and the pledged collateral.

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, 2021

(2) Deposits and investments (continued)

Public funds investment pools (continued)

Texas Class is a local government investment pool specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 12 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio consistsBuy solely of securities that are in compliance with the public funds investment act such as commercial paper, repurchase agreements, U.S. Treasury securities, and money market funds. The fair values of the investments in Texas Class have been determined using amortized cost.

Texas Class does not have any minimum or maximum transaction or balance amounts and the investment balances are accessible on the same day as the request pending end of business time constraints. There are no limitations or restrictions on withdrawals from the pool.

(3) Accounts receivable

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

	<u>Total</u>
Receivables:	
Contribution - related party	\$ 400,000
Sales tax	<u>500,731</u>
Gross receivables	<u>\$ 900,731</u>

The contribution receivable consists of a promise to give from a related party family foundation 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 capital projects fund transferred \$149,678 to the general fund for debt service expenses.

BULVERDE AREA RURAL LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

(5) Capital assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	BALANCE AT JUNE 30, 2020	ADDITIONS	DELETIONS	BALANCE AT JUNE 30, 2021
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,847,857	\$ -	\$ -	\$ 1,847,857
Total capital assets not being depreciated	<u>1,847,857</u>	<u>-</u>	<u>-</u>	<u>1,847,857</u>
Capital assets being depreciated:				
Building and improvements	12,374,531	-	-	12,374,531
Equipment and vehicle	646,785	-	-	646,785
Furniture	606,623	-	-	606,623
Book collection	840,455	87,255	(66,234)	861,476
Total capital assets being depreciated	<u>14,468,394</u>	<u>87,255</u>	<u>(66,234)</u>	<u>14,489,415</u>
Less accumulated depreciation for:				
Building and improvements	(1,772,345)	(335,629)	-	(2,107,974)
Equipment and vehicle	(273,863)	(56,153)	-	(330,016)
Furniture	(290,839)	(75,912)	-	(366,751)
Book collection	(476,121)	(86,148)	66,234	(496,035)
Total accumulated depreciation	<u>(2,813,168)</u>	<u>(553,842)</u>	<u>66,234</u>	<u>(3,300,776)</u>
Total capital assets being depreciated, net	<u>11,655,226</u>	<u>(466,587)</u>	<u>-</u>	<u>11,188,639</u>
Governmental activities capital assets, net	<u>\$ 13,503,083</u>	<u>\$ (466,587)</u>	<u>\$ -</u>	<u>\$ 13,036,496</u>

Depreciation was charged to the function of library operations for \$553,842.

(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.

(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. The District paid off the 2006 bond with an original maturity date of September 2021 in September 2020.

BULVERDE AREA RURAL LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

(7) Long-term liabilities (continued)

Changes in long-term obligations for the period ended June 30, 2021 are as follows:

	BALANCE 6/30/2020	INCREASE	DECREASE	BALANCE 6/30/2021	DUE WITHIN ONE YEAR
General obligation bonds					
Series 2006	\$ 419,351	\$ -	\$ (419,351)	\$ -	\$ -
General obligation bonds					
Series 2017	<u>6,823,823</u>	<u>-</u>	<u>(330,833)</u>	<u>6,492,990</u>	<u>558,333</u>
Total general obligation bonds	<u>\$ 7,243,174</u>	<u>\$ -</u>	<u>\$ (750,184)</u>	<u>\$ 6,492,990</u>	<u>\$ 558,333</u>

Future debt service payments are as follows:

YEAR ENDING JUNE 30,	LONG-TERM OBLIGATIONS		
	PRINCIPAL	INTEREST	TOTAL
2022	\$ 558,333	\$ 162,869	\$ 721,202
2023	600,000	150,985	750,985
2024	600,000	137,245	737,245
2025	604,167	216,238	820,405
2026	617,500	207,292	824,792
2027-2031	3,407,500	551,417	3,958,917
2032	<u>105,490</u>	<u>6,042</u>	<u>111,532</u>
Totals	<u>\$ 6,492,990</u>	<u>\$ 1,432,088</u>	<u>\$ 7,925,078</u>

Interest rates on long-term obligations ranges from 1.86% to 5.00%.

(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 2021 and 2020 was \$24,597 and \$20,556 respectively.

BULVERDE AREA RURAL LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

(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, 2021 the District’s fund balance consisted of the following:

	<u>Total</u>
Restriction:	
Debt service	\$ 250,000
Special projects	1,445,127
Unassigned	<u>2,350,079</u>
Total fund balance	<u><u>\$ 4,045,206</u></u>

BULVERDE AREA RURAL LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

(10) Restatement of beginning balances

The beginning net position of the governmental activities in the government-wide Statement of Net Position has been restated to record a prior period adjustment to correct the District's bonded debt liability on the Series 2006 bonds. A reconciliation of the prior period ending net position to the current year beginning net position for the governmental activities is as follows:

	<u>Total</u>
Beginning net position	\$ 10,066,913
Adjustment to correct 2006 bonds	<u>50,435</u>
Beginning net position, as restated	<u>\$ 10,117,348</u>

The above adjustment increased the change in net position \$50,435 for the prior year and had no impact on the current year change in net position.

(11) Related party transactions

On June 1, 2018 the District entered into a gift agreement with the Foundation for a charitable gift totaling \$2,000,000 to be made to the District in annual payments of \$400,000 beginning on June 1, 2018 and ending on June 1, 2022. The Foundation was formed and controlled by an individual that was a board member at the time of the donation through the beginning of fiscal year 2021. As of June 30, 2021 \$1,600,000 had been paid to the District and there was a \$400,000 receivable.

(12) Excess of expenditures over appropriations

For the year ended June 30, 2021, total expenditures exceeded appropriations in the general fund by \$269,473. The District had expenditures that exceeded appropriations in the following expenditure categories:

Repairs and maintenance	\$ 1,948
Library supplies	3,614
Contracted services	541
Debt service	401,555

These over expenditures were funded by greater than anticipated revenues from sales tax in the general fund.

(13) Subsequent events

The District has evaluated subsequent events through September 16, 2021 the date which the financial statements were available to be issued. There are no subsequent events for disclosure.



REQUIRED SUPPLEMENTARY INFORMATION



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, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Sales tax revenue	\$ 1,648,265	\$ 2,169,096	\$ 2,639,624	\$ 470,528
Contributions and grants	124,000	92,085	32,661	(59,424)
Contributions - related party	-	-	400,000	400,000
Operating revenue	10,000	2,000	6,743	4,743
Interest income	3,000	3,000	4,679	1,679
Miscellaneous	3,000	3,000	1,408	(1,592)
Total revenues	<u>1,788,265</u>	<u>2,269,181</u>	<u>3,085,115</u>	<u>815,934</u>
EXPENDITURES				
Library operations:				
Payroll and benefits	776,000	776,000	743,974	32,026
Repairs and maintenance	83,000	83,000	84,948	(1,948)
Utilities	70,000	70,000	55,416	14,584
Computer costs	30,000	35,000	31,685	3,315
Office administration	25,000	26,000	22,017	3,983
Special projects	80,000	78,085	60,605	17,480
Library supplies	1,000	10,000	13,614	(3,614)
Contracted services	22,000	30,000	30,541	(541)
Marketing	5,500	5,500	4,350	1,150
Insurance	15,000	17,890	14,682	3,208
Other operating expenses	17,000	41,000	11,306	29,694
Total library operations	<u>1,124,500</u>	<u>1,172,475</u>	<u>1,073,138</u>	<u>99,337</u>
Capital outlay	110,000	120,000	87,255	32,745
Debt service:				
Principal	750,184	535,400	750,184	(214,784)
Interest	105,816	-	186,771	(186,771)
Total debt service	<u>856,000</u>	<u>535,400</u>	<u>936,955</u>	<u>(401,555)</u>
Total expenditures	<u>2,090,500</u>	<u>1,827,875</u>	<u>2,097,348</u>	<u>(269,473)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	149,678	149,678
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>149,678</u>	<u>149,678</u>
Net change in fund balance - budgetary basis	(302,235)	441,306	1,137,445	
FUND BALANCES - BEGINNING OF YEAR	<u>2,907,761</u>	<u>2,907,761</u>	<u>2,907,761</u>	
FUND BALANCES - END OF YEAR	<u>\$ 2,605,526</u>	<u>\$ 3,349,067</u>	<u>\$ 4,045,206</u>	

BULVERDE AREA RURAL LIBRARY DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2021

Budgetary information

An annual budget is legally adopted for the general fund on a basis consistent with GAAP. All annual appropriations lapse at fiscal year end.

The budget preparation process begins in the last quarter of the fiscal year when the library director meets with library staff to discuss the District's needs. The library director prepares a proposed budget for preliminary review and discussion with the Board of Trustees. After adjustments the new budget is presented in the June board meeting preceding the budgeted fiscal year. The budget is legally enacted by the Board of Trustees.

Expenditures are monitored at the expenditure category level for ongoing control purposes. On a monthly basis, comparative revenue and expenditure statements are presented to the Board of Trustees. Budget amendments must be approved by the Board of Trustees.

COMPLIANCE SECTION



**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**

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, the major fund, and aggregate remaining fund information of Bulverde Area Rural Library District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated September 16, 2021.

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.

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 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 financial statements. 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.

ABIP, PC

San Antonio, Texas

September 16, 2021

BULVERDE AREA RURAL LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2021

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?

_____ Yes X No

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

_____ Yes X None Reported

Noncompliance Material to Financial Statements Noted?

_____ Yes X No

B. Financial Statement Findings

None were noted.

C. Summary of Prior Audit 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.

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

BULVERDE AREA RURAL LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2021

C. Summary of Prior Audit Findings (continued)

2020-2 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: No similar finding was identified during the current year.

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.

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

BULVERDE AREA RURAL LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2021

C. Summary of Prior Audit Findings (continued)

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.

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