

**BULVERDE AREA
RURAL LIBRARY DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

BULVERDE AREA RURAL LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2022

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FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

Independent Auditors' Report

Board of Trustees
Bulverde Area Rural Library District

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022 and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 consistence with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



West, Davis & Company, LLP
Austin, Texas
October 20, 2022

Bulverde Area Rural Library District

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Bulverde Area Rural Library District (the District), discuss and analyze the District's financial performance. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Sales tax revenue was \$2.6 million in 2021 compared to \$3.1 million in 2022.
- Net position increased by \$1.3 million.
- The District's fund balance increased by \$1.6 million or 39%.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 10 through 11. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, starting on page 12, report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold within the District or to external customers and how the sales revenues covered the expenses of the services.

The notes to the financial statements starting on page 16 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as library fines and fees, and revenues provided by taxpayers. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years (such as accrued legal fees).

These two statements report the District's net position and changes in it. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has only one type of activity:

- Governmental activities—Most of the District's basic services are reported here, including the general government and library services. Sales and use taxes and fees finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants. The District's administration establishes other funds to help it control and manage money for particular purposes. The District has only governmental fund type and within that only one fund – the General Fund.

Governmental funds—Most of the District's basic services are reported in governmental funds, i.e. the General Fund. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below are comparative figures for fiscal year 2022 compared to fiscal year 2021. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased to \$12.2 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$3.6 million at June 30, 2022.

Table I
Bulverde Area Rural Library District

NET POSITION
in thousands

	Governmental Activities		Percentage Change
	2022	2021	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,659,644	\$ 3,309,455	40.8%
Investments	-	276,636	-
Accounts receivable	975,709	900,731	8.3%
Total current assets	<u>5,635,353</u>	<u>4,486,822</u>	<u>25.6%</u>
Non-current assets:			
Capital assets, net:			
Land	1,847,857	1,847,857	-
Building and improvements	9,938,286	10,266,557	-3.2%
Equipment and vehicle	263,760	316,769	-16.7%
Furniture	169,233	239,872	-29.4%
Book collection	359,804	365,441	-1.5%
Total capital assets	<u>12,578,940</u>	<u>13,036,496</u>	<u>-3.5%</u>
Total assets	<u>\$ 18,214,293</u>	<u>\$ 17,523,318</u>	<u>3.9%</u>
LIABILITIES			
Current liabilities:	\$ 38,797	\$ 41,616	93.2%
Noncurrent liabilities:			
Due within one year	600,000	558,333	107.5%
Due in more than one year	5,334,657	5,934,657	-10.1%
Total liabilities	<u>5,973,454</u>	<u>6,534,606</u>	<u>-8.6%</u>
NET POSITION			
Net investments in capital assets	6,644,283	6,543,506	1.5%
Restricted	2,015,969	2,095,127	-3.8%
Unrestricted	3,580,587	2,350,079	52.4%
Total net position	<u>12,240,839</u>	<u>10,988,712</u>	<u>11.4%</u>
Total liabilities and net position	<u>\$ 18,214,293</u>	<u>\$ 17,523,318</u>	<u>3.9%</u>

Table II
Bulverde Area Rural Library District

CHANGES IN NET POSITION

in thousands

	Governmental Activities		Percentage Change
	2021	2020	
REVENUES			
Program revenues			
Charges for services	\$ 15,689	\$ 6,743	132.7%
Operating grants and contributions	35,255	32,661	7.9%
Other operating income	-	1,408	-
Total program revenues	<u>50,944</u>	<u>40,812</u>	<u>24.8%</u>
General revenues			
Sales tax revenue	3,124,437	2,639,624	18.4%
Investment income	12,657	4,679	170.5%
Total general revenues	<u>3,137,094</u>	<u>2,644,303</u>	<u>18.6%</u>
Total revenues	<u>3,188,038</u>	<u>2,685,115</u>	<u>18.7%</u>
EXPENSES			
Library operations	1,773,042	1,626,980	9.0%
Debt service	162,869	186,771	-12.8%
Total expenses	<u>1,935,911</u>	<u>1,813,751</u>	<u>6.7%</u>
Changes in new position	1,252,127	871,364	143.7%
NET POSITION - BEGINNING OF YEAR	<u>10,988,712</u>	<u>10,066,913</u>	<u>9.2%</u>
RESTATEMENT OF NET POSITION	<u>-</u>	<u>50,435</u>	<u>-</u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>10,988,712</u>	<u>10,117,348</u>	<u>8.6%</u>
NET POSITION - END OF YEAR	<u>\$ 12,240,839</u>	<u>\$ 10,988,712</u>	<u>11.4%</u>

The cost of all governmental activities this year was \$1.9 million. Sales tax revenue amounted to \$1.8 million.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Government funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$5.6 million.

The general fund is the only operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 176 percent of that same amount.

The District's total general fund balance increased by \$1.6 million. Key factors to this change are as follows:

- Revenue increased by \$503 thousand as a result of an increase in sales tax collections of \$485 thousand.
- Expenditures decreased by \$61 thousand.

The District's total general revenues were \$3.6 million. A significant portion, \$3.1 million or 87 percent, comes from sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the budget was not amended.

CAPITAL ASSET ADMINISTRATION

As of June 30, 2022, the District had \$12.6 million invested in land, library building and office equipment. More detailed information about the District's capital assets is presented in Note C to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2022, the District had \$5.9 million in outstanding debt. Details are provided in Note E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While the District's financial position is currently healthy, we are uncertain what effect inflation will have on the District's income in the coming year. The trustees will continue to monitor the District's finances monthly as they have always done.

The 2023 budgeted revenues are estimated to be \$3.1 million or \$600 thousand more than budgeted 2022 revenue. Budgeted expenditures for 2023 total \$2.5 million.

The District trustees consolidated the majority of the District funds into Texas Class, a local government investment pool, during this fiscal year to better protect and manage the funds. Negotiations on the property adjacent to the Mammen Family Public Library began and are expected to be complete in the near future. This acquisition will potentially allow the current facility to be expanded at some future date.

The District will be adding outreach lockers to at least two locations in the community in the 2022-2023 fiscal year and is still seeking locations for additional lockers throughout the 200 square mile district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BULVERDE AREA RURAL LIBRARY DISTRICT

Statement of Net Position

June 30, 2022

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,659,644	\$ 4,659,644
Due from State - Sales Tax	573,589	573,589
Accounts Receivable - Related Party	400,000	400,000
Miscellaneous	2,120	2,120
Capital Assets (net):		
Land	1,847,857	1,847,857
Building and Improvements, net	9,938,286	9,938,286
Equipment, net	263,760	263,760
Furniture, net	169,233	169,233
Collection, net	359,804	359,804
TOTAL ASSETS	<u>\$ 18,214,293</u>	<u>\$ 18,214,293</u>
 <u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 38,797	\$ 38,797
Noncurrent Liabilities:		
Bonds Due Within One Year	600,000	600,000
TOTAL CURRENT LIABILITIES	<u>\$ 638,797</u>	<u>\$ 638,797</u>
 <u>NONCURRENT LIABILITIES</u>		
Bonds Due In More Than One Year	\$ 5,334,657	\$ 5,334,657
TOTAL LIABILITIES	<u>\$ 5,334,657</u>	<u>\$ 5,334,657</u>
 <u>NET POSITION</u>		
Invested in Capital Assets, Net of Related Debt	\$ 6,644,283	\$ 6,644,283
Restricted for Debt Service	250,000	250,000
Restricted for Special Services	1,765,969	1,765,969
Unrestricted	3,580,587	3,580,587
TOTAL NET POSITION	<u>\$ 12,240,839</u>	<u>\$ 12,240,839</u>
 <u>TOTAL LIABILITIES AND NET POSITION</u>		
	<u>\$ 18,214,293</u>	<u>\$ 18,214,293</u>

The accompanying notes are an integral part of this statement.

BULVERDE AREA RURAL LIBRARY DISTRICT

Statement of Activities

For the Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
<u>FUNCTIONS/PROGRAMS</u>					
Government Activities:					
Library	\$ 1,773,042	\$ 15,689	\$ 35,255	\$ (1,722,098)	\$ (1,722,098)
Debt Service	162,869	-	-	(162,869)	(162,869)
Total Governmental Activities	1,935,911	15,689	35,255	(1,884,967)	(1,884,967)
 TOTAL	\$ 1,935,911	\$ 15,689	\$ 35,255	\$ (1,884,967)	\$ (1,884,967)
 General Revenues:					
Sales Taxes				3,124,437	3,124,437
Investment Income (Note B)				12,657	12,657
Miscellaneous				-	-
Total General Revenues				3,137,094	3,137,094
Changes in Net Position				1,252,127	1,252,127
Net Position - Beginning of Year				10,988,712	10,988,712
Net Position - End of Year				\$ 12,240,839	\$ 12,240,839

The accompanying notes are an integral part of this statement.

BULVERDE AREA RURAL LIBRARY DISTRICT
Balance Sheet - Governmental Funds
June 30, 2022

ASSETS

Cash and Cash Equivalents	\$ 4,659,644
Due from State - Sales Tax	573,589
Accounts Receivable - Related Party	400,000
Miscellaneous	2,121
TOTAL ASSETS	\$ 5,635,354

LIABILITIES AND FUND BALANCES

Accounts Payable and Accrued Expenses	\$ 38,797
TOTAL LIABILITIES	\$ 38,797

FUND BALANCES

Restricted for:	
Debt Service	\$ 250,000
Special Programs	1,765,969
Unassigned	\$ 3,580,588
TOTAL FUND BALANCES	\$ 5,596,557
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,635,354

The accompanying notes are an integral part of this statement.

BULVERDE AREA RURAL LIBRARY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Fund	\$ 5,596,557
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Governmental funds do not report the balance of outstanding debt. However, in the Statement of Net Position outstanding bonded debt is reflected.</p>	(5,934,657)
<p>Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. These assets consist of the following:</p>	
Land	1,847,857
Building and Improvements	12,382,414
Equipment and Vehicle	646,785
Furniture	611,895
Collection	962,114
Accumulated Depreciation	(3,872,126)
Net position of governmental activities	\$ 12,240,839

The accompanying notes are an integral part of this statement.

BULVERDE AREA RURAL LIBRARY DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

REVENUES

Sales Tax	\$	3,124,437
Operating Revenue		15,689
Investment Income		12,657
Contributions - Related Party		400,000
Contributions and Grants		35,255
Miscellaneous		-
TOTAL REVENUES		3,588,038

EXPENDITURES

Library		1,201,691
Debt Service		721,202
Capital Outlay		113,794
TOTAL EXPENDITURES		2,036,687

Net Change in Fund Balance		1,551,351
Fund Balance - Beginning of Year		4,045,206
Fund Balance - End of Year	\$	5,596,557

The accompanying notes are an integral part of this statement.

BULVERDE AREA RURAL LIBRARY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balance - Total Governmental Funds	\$ 1,551,351
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Related party revenues in the statement of activities reported in a prior year are reported as revenues in the funds during the current year</p>	(400,000)
<p>Governmental funds report debt principal as expenditures. However, in the Statement of Activities it reduces outstanding debt. This activity is reconciled as follows:</p>	
<p>Principal on debt is recorded as an expenditure in the funds not a liability reduction.</p>	558,333
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and is reported as depreciation expense. This activity is reconciled as follows:</p>	
<p>Cost of assets capitalized</p>	113,794
<p>Depreciation Expense</p>	(571,351)

Change in Net Position of Governmental Activities - Statement of Activities	\$ 1,252,127

The accompanying notes are an integral part of this statement.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District’s Board of Trustees (the “Board”), a five-member group, has governance responsibilities over all activities related to the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the District. The District receives funding from a local sales and use tax, as well as other sources and must comply with the requirements of Chapter 326 of the Local Government Code of the State of Texas under which the District was created. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District maintains no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or 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 all taxes, are presented as general revenues.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund 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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations 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 does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of sales and use taxes. Sales and use tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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 for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash and cash equivalents are comprised of bank demand, pooled investments and time deposits (certificates of deposit).

b. Sales and Use Tax

The District is authorized to assess, and the Comptroller of Public Accounts collects and distributes to the District, a ½ % sales and use tax on qualified sales within the District.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$3,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture & Equipment	5-10
Collection Materials	5
Building	20-40

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, which are not scheduled for collection within one year of year-end.

e. Uses of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

f. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

At June 30, 2022, the District’s fund balance consisted of the following:

	Total
Restriction:	
Debt service	\$ 250,000
Special projects	1,765,969
Unassigned	3,580,588
Total fund balance	\$ 5,596,557

g. Fair Value Measurements

The District’s investments are reported at fair value in the accompanying statements of net position and balance sheet- governmental funds. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels as detailed below.

Level 1 – Quoted prices in active markets for identical assets and liabilities, including equity and debt securities and derivative contracts that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

h. Investments

Investments consist of money market funds, equity and fixed income mutual funds and exchange traded funds, multi-strategy mutual funds, real asset exchange traded funds, and a master limited partner exchange traded note. Quoted market prices are used to value the District’s securities.

The change in unrealized gain or loss of investments is included in the investment income on the statement of activities. Realized gains and losses on sales of investments are included in investment income in the accompanying statement of activities.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

B. Deposits and Investments

The District 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 pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. 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.

1. Cash Deposits

At June 30, 2022, the carrying amount of the District's deposits (cash and interest-bearing savings accounts) was \$637,280. The banks' balance at the various banks was \$665,159. For the year ended June 30, 2022, the District's deposits were fully insured by the Federal Deposit Insurance Corporation and securities pledged by the depository bank as collateral.

2. Investments

Public Funds

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 address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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 and 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.

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.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

The District's investments are categorized to give an indication of the level of risk assumed by the District's investments.

Investment or Investment Type	Maturity	Ratings	Fair Value
Texas Class	less than 60 days	AAAm	\$ <u>4,022,364</u>
Total investments			\$ <u><u>4,022,364</u></u>

The District has used the following fair value measurements as of June 30, 2022:

	Cost	Rating	% Held
Texas Class	\$ <u>4,022,364</u>	not rated	100%
Total investments	\$ <u><u>4,022,364</u></u>		100%

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are related as to credit quality.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

b. Custodial Credit Risk

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.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agency but not in the District’s name.

At year end, the District was exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year end, the District had investments representing more than 5% of total investments.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was exposed to foreign currency risk.

C. Accounts Receivable

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

	Total
Receivables:	
Contribution - related party	\$ 400,000
Sales tax	573,589
Gross receivables	\$ 973,589

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.

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

D. Capital Assets

Capital asset activity for the period ended June 30, 2022 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
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>
Buildings and Improvements	12,374,531	7,884	-	12,382,415
Equipment and Vehicle	646,785	-	-	646,785
Furniture	606,623	5,272	-	611,895
Collection	<u>861,476</u>	<u>100,638</u>	<u>-</u>	<u>962,114</u>
Total Capital assets being depreciated	<u>14,489,415</u>	<u>113,794</u>	<u>-</u>	<u>14,603,209</u>
Less accumulated depreciation for:				
Building and improvements	(2,107,974)	(336,155)	-	(2,444,129)
Equipment	(330,016)	(53,008)	-	(383,024)
Furniture	(366,751)	(75,912)	-	(442,663)
Collection	<u>(496,035)</u>	<u>(106,276)</u>	<u>-</u>	<u>(602,311)</u>
Total accumulated depreciation	<u>(3,300,776)</u>	<u>(571,351)</u>	<u>-</u>	<u>(3,872,127)</u>
Total capital assets being depreciated, net	<u>11,188,639</u>	<u>(457,557)</u>	<u>-</u>	<u>10,731,082</u>
Governmental Activities capital assets, net	<u>\$ 13,036,496</u>	<u>\$ (457,557)</u>	<u>\$ -</u>	<u>\$ 12,578,939</u>

E. Long-Term Obligations

1. Long-Term Obligation Activity

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. Changes in long-term obligations for the period ended June 30, 2022 are as follows:

	<u>Balance 6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2022</u>	<u>Due Within</u>
General obligation bonds	<u>\$ 6,492,990</u>	<u>\$ -</u>	<u>\$ 558,333</u>	<u>\$ 5,934,657</u>	<u>\$ 600,000</u>

BULVERDE AREA RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

2. Debt Service Requirements

Future debt service payments are as follows:

Year Ending June 30,	Long-Term Obligations		
	Principal	Interest	Total
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	640,833	176,417	817,250
2028-2032	<u>2,872,157</u>	<u>381,042</u>	<u>3,253,199</u>
Totals	<u>\$ 5,934,657</u>	<u>\$ 1,269,219</u>	<u>\$ 7,203,876</u>

Interest rates on long-term obligations range from 0.700% to 3.125%.

F. Employee Benefit Plan

The District adopted a 456 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 2022 and 2021 was \$25,883 and \$24,597 respectively.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. 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.

I. Subsequent Events

Management has evaluated subsequent events as of October 20, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not consider a part of the basic financial statements.

BULVERDE AREA RURAL LIBRARY DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
<u>REVENUES</u>				
Taxes:				
Sales Tax	\$ 2,400,000	\$ 2,400,000	\$ 3,124,437	\$ 724,437
Total Taxes	2,400,000	2,400,000	3,124,437	724,437
Operating Revenue:				
Operating Revenue	5,000	5,000	15,689	10,689
Total Operating Revenue	5,000	5,000	15,689	10,689
Investment Income:				
Investment Income	3,000	3,000	12,657	9,657
Other Revenues:				
Contributions - Related Party	80,000	80,000	400,000	320,000
Contributions and Grants	10,500	10,500	35,255	24,755
Miscellaneous	1,500	1,500	-	(1,500)
Total Other Revenue	92,000	92,000	435,255	344,755
TOTAL REVENUES	2,500,000	2,500,000	3,588,038	1,089,538
<u>EXPENDITURES</u>				
Library:				
Payroll and benefits	872,859	872,859	820,768	52,091
Repairs and maintenance	100,000	100,000	129,533	(29,533)
Utilities	70,000	70,000	52,885	17,115
Library materials and supplies	3,000	3,000	2,461	539
Computer costs	40,000	40,000	42,833	(2,833)
Office Administration	30,000	30,000	21,358	8,642
Special projects	80,000	80,000	63,460	16,540
Contracted services	25,000	25,000	18,143	6,857
Marketing	8,700	8,700	10,310	(1,610)
Insurance	20,000	20,000	15,128	4,872
Other operating expenses	37,500	37,500	24,812	12,688
Total Library	1,287,059	1,287,059	1,201,691	85,368
Debt Service:				
Principal	591,688	591,688	558,333	33,355
Interest	170,000	170,000	162,869	7,131
Total Capital Outlay	761,688	761,688	721,202	40,486
Capital Outlay:				
Other	5,000	5,000	13,156	(8,156)
Collection	150,000	150,000	100,638	49,362
Total Capital Outlay	155,000	155,000	113,794	41,206
TOTAL EXPENDITURES	2,203,747	2,203,747	2,036,687	167,060
Excess Revenues Over (Under) Expenditures	296,253	296,253	1,551,351	1,256,598
Net Changes in Fund Balance	296,253	296,253	1,551,351	1,256,598
Fund Balance - Beginning of Year	4,045,206	4,045,206	4,045,206	-
Fund Balance - End of Year	\$ 4,341,459	\$ 4,341,459	\$ 5,596,557	\$ 1,256,598

The accompanying notes are an integral part of this statement.