

**LIBERTY HILL PUBLIC LIBRARY
DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

LIBERTY HILL PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2017

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| FINANCIAL SECTION | |
| Independent Auditors' Report on Financial Statements..... | 1 |
| Management's Discussion and Analysis (Required Supplementary Information)..... | 2 |
| <u>Basic Financial Statements</u> | |
| Government-wide Financial Statements: | |
| Statement of Net Position..... | 7 |
| Statement of Activities..... | 8 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds..... | 9 |
| Reconciliation of the Governmental Funds | |
| Balance Sheet to the Statement of Net Position..... | 10 |
| Statement of Revenues, Expenditures, and Changes in | |
| Fund Balances – Governmental Funds..... | 11 |
| Reconciliation of the Statement of Revenues, Expenditures, | |
| and Changes in Fund Balances of Governmental Funds | |
| to the Statement of Activities..... | 12 |
| Notes to the Financial Statements..... | 13 |
| <u>Required Supplementary Information:</u> | |
| Budgetary Comparison Schedules: | |
| General Fund..... | 20 |

FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

Independent Auditors' Report

Board of Trustees
Liberty Hill Public Library District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Liberty Hill Public Library District (the District) as of and for the year ended September 30, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the District and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



West, Davis & Company, LLP
May 29, 2018

Liberty Hill Public Library District

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Liberty Hill Public Library District (the District), discuss and analyze the District's financial performance for the fiscal year ended September 30, 2017. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- Sales tax revenue of \$278 thousand represents 97% of all revenue sources.
- Net position increased by \$23 thousand or 12%.
- The District's fund balance increased from \$7 thousand to \$117 thousand during the year.
- The District has \$10 thousand in long-term liabilities related to accrued leave.

THIS IS A COMMONLY ACCEPTED PRACTICE OF MEASURERS OF PERFORMANCE OF LIBRARIES:

- In September 2017, our collection held 37,075 items. This is an increase of approximately 5,400 from the year prior at the same time. This large increase is due to the addition of electronic resources and increases in books in print.
- Circulation in the fiscal year ending 2017 was 99,058 items versus 78,018 items in the prior year.
- Computer usage was up slightly in 2017. The improving economy meant that more people were using computers to go to school, find a job, etc.
- Volunteer hours for the fiscal year ending 2017 were at 301 hours compared to 267 in the prior year, an increase of 39 hours from the year prior.
- The library was accredited with the Texas State Library System during fiscal year 2017. The library is eligible for the TexShare card program, the TexShare databases, statewide Interlibrary Loan and the federal E-Rate program.

Overall, the fiscal year ending 2017 was a year of continuation and slight growth. We maintained after a year of loss, retained circulation and members, and have started seeing a growth in finances with a bright future ahead.

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 7 and 8. 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 9, 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.

The notes to the financial statements starting on page 13 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 7. 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 them. 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 are 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 9 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 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

The District began financial operations in 2004 with its fiscal year starting every October 1. 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 from \$176 thousand to \$200 thousand. 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 \$107 thousand at September 30, 2017.

Table I
Liberty Hill Public Library District

| | NET POSITION | |
|---|----------------------------|------------|
| | in thousands | |
| | Governmental Activities | |
| | 2017 | 2016 |
| Current and other assets | 118 | 114 |
| Capital assets | 93 | 74 |
| Total assets | <u>211</u> | <u>188</u> |
| Long-term liabilities | 10 | 8 |
| Other liabilities | 1 | 4 |
| Total liabilities | <u>11</u> | <u>12</u> |
| Net position: | | |
| Invested in capital assets, net of related debt | 93 | 74 |
| Unrestricted | <u>107</u> | <u>102</u> |
| Total net position | <u>200</u> | <u>176</u> |

Table II
Liberty Hill Public Library District

CHANGES IN NET POSITION

in thousands

| | Governmental Activities | |
|-----------------------------------|----------------------------|------------|
| | 2017 | 2016 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | - | - |
| Operating grants | 0 | 12 |
| General revenues: | | |
| Sales taxes | 278 | 248 |
| Investment Earnings | 0 | 0 |
| Donations | 1 | 0 |
| Miscellaneous | 5 | 5 |
| Total Revenues | <u>284</u> | <u>265</u> |
| Expenses: | | |
| General government | 2 | 2 |
| Library | <u>259</u> | <u>237</u> |
| Total Expenses | <u>261</u> | <u>239</u> |
| Increase/Decrease in net position | <u>23</u> | <u>26</u> |

The cost of all governmental activities this year was \$261 thousand. The Statement of Activities on page 8 shows the amount that our taxpayers ultimately financed for these activities through District sales tax revenue of \$278 thousand.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement, 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 \$117 thousand. The amount of \$117 thousand constitutes unassigned fund balance.

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 and total fund balance to the total fund expenditures. Fund balance represents 42 percent of that same amount.

The total fund balance of the District's general fund increased by \$7 thousand. The key factor was an increase in sales tax revenue.

The District's total general revenues were \$284 thousand. A significant portion, \$278 thousand or 97 percent of the District's revenues comes from sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were revisions made to the original budget during the year increasing expenditures by \$23 thousand. The increases were primarily increases in capital outlay additions of \$13 thousand, personnel expenses of \$4 thousand and other program expenses by \$6 thousand.

CAPITAL ASSET ADMINISTRATION

As of year end, the District had \$307 thousand invested in furniture and fixtures, collection and equipment. More detailed information is disclosed in note C to the financial statements.

DEBT ADMINISTRATION

As of year end, the District had \$10 thousand in long term liabilities. More detailed information is disclosed in note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Sales tax revenue is budgeted at the same amount that was collected in 2015-16. Operating expenses have been budgeted at the approximate same level as the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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, contact the District Secretary at the District's business office at Liberty Hill Public Library District, 355 Loop 322, Liberty Hill, Texas 78642.

BASIC FINANCIAL STATEMENTS

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Statement of Net Position
September 30, 2017

| | Governmental Activities | Total |
|---|----------------------------|------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 67,045 | \$ 67,045 |
| Due from State - Sales Tax | 51,100 | 51,100 |
| Capital Assets: | | |
| Furniture & Fixtures (net of accumulated depreciation) | 200 | 200 |
| Collection (net of accumulated depreciation) | 88,231 | 88,231 |
| Equipment (net of accumulated depreciation) | 2,284 | 2,284 |
| Improvements to Leasehold (net of accumulated depreciation) | 2,137 | 2,137 |
| TOTAL ASSETS | \$ 210,997 | \$ 210,997 |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 1,171 | \$ 1,171 |
| Noncurrent Liabilities: | | |
| Due Within One Year | - | - |
| Due In More Than One Year | 10,426 | 10,426 |
| TOTAL LIABILITIES | \$ 11,597 | \$ 11,597 |
| <u>NET POSITION</u> | | |
| Invested in Capital Assets, Net of Related Debt | \$ 92,852 | \$ 92,852 |
| Unrestricted | 106,548 | 106,548 |
| TOTAL NET POSITION | \$ 199,400 | \$ 199,400 |

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Statement of Activities
For the Year Ended September 30, 2017

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | |
|----------------------------------|-------------------|-----------------------------|---|--|-------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Total</u> |
| <u>FUNCTIONS/PROGRAMS</u> | | | | | |
| Government Activities: | | | | | |
| General Government | \$ 1,922 | \$ - | \$ - | \$ 1,922 | \$ 1,922 |
| Library | 259,184 | - | - | 259,184 | 259,184 |
| Interest on Long-term debt | - | - | - | - | - |
| Total Governmental Activities | <u>261,106</u> | <u>-</u> | <u>-</u> | <u>261,106</u> | <u>261,106</u> |
| | | | | | |
| TOTAL | <u>\$ 261,106</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 261,106</u> | <u>\$ 261,106</u> |
| | | | | | |
| General Revenues: | | | | | |
| Sales Taxes | | | | 277,800 | 277,800 |
| Interest Income | | | | 64 | 64 |
| Donations | | | | 1,019 | 1,019 |
| Other Revenues | | | | 5,110 | 5,110 |
| Total General Revenues | | | | <u>283,993</u> | <u>283,993</u> |
| | | | | | |
| Changes in Net Position | | | | 22,887 | 22,887 |
| Net Position - Beginning of Year | | | | 176,513 | 176,513 |
| Net Position - End of Year | | | | <u>\$ 199,400</u> | <u>\$ 199,400</u> |

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Balance Sheet - Governmental Funds
September 30, 2017

ASSETS

| | |
|----------------------------|------------|
| Cash and Cash Equivalents | \$ 67,045 |
| Due from State - Sales Tax | 51,100 |
| TOTAL ASSETS | \$ 118,145 |

LIABILITIES AND FUND BALANCES

| | |
|-------------------|----------|
| Accounts Payable | \$ 1,171 |
| TOTAL LIABILITIES | \$ 1,171 |

FUND BALANCES

| | |
|-------------------------------------|------------|
| Unassigned: | |
| Unassigned | 116,974 |
| TOTAL FUND BALANCES | \$ 116,974 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 118,145 |

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2017

Total Fund Balance - Governmental Fund \$ 116,974

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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:

| | |
|--------------------------------|-----------|
| Furniture & Fixtures | 71,176 |
| Collection | 197,455 |
| Equipment | 30,190 |
| Improvements to Leasehold | 7,748 |
| Less: Accumulated Depreciation | (213,717) |
| | 92,852 |

Governmental funds report vacation leave when taken or paid. However, in the Statement of Activities, accrued and unpaid leave is reported as a liability.

| | |
|------------------------|--------|
| Accrued Vacation Leave | 10,426 |
|------------------------|--------|

Long-term debt is reported as a source of funds and, therefore is not reported in the Governmental Fund Balance Sheet. These liabilities consist of the following:

| | |
|-------------------------------|---|
| Note Payable | - |
| Note Payable Accrued Interest | - |
| | - |

| | |
|---|------------|
| Net position of governmental activities | \$ 199,400 |
|---|------------|

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

REVENUES

| | |
|-------------------|------------|
| Sales Taxes | \$ 277,800 |
| Library Fines | 5,110 |
| Investment Income | 64 |
| Grants | - |
| Donations | 1,019 |
| TOTAL REVENUES | 283,993 |

EXPENDITURES

| | |
|--------------------|---------|
| General Government | 1,922 |
| Library | 230,944 |
| Capital Outlay | 44,064 |
| Debt Service | - |
| TOTAL EXPENDITURES | 276,930 |

| | |
|---|-------|
| Excess Revenues Over (Under) Expenditures | 7,063 |
|---|-------|

Other Sources (Uses):

| | |
|----------------------------|---|
| Loan Proceeds | - |
| Total Other Sources (Uses) | - |

| | |
|----------------------------|-------|
| Net Change in Fund Balance | 7,063 |
|----------------------------|-------|

| | |
|----------------------------------|---------|
| Fund Balance - Beginning of Year | 109,911 |
|----------------------------------|---------|

| | |
|----------------------------|------------|
| Fund Balance - End of Year | \$ 116,974 |
|----------------------------|------------|

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC 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 September 30, 2017

| | | |
|---|----|-------|
| Net Change in Fund Balance - Total Governmental Funds | \$ | 7,063 |
|---|----|-------|

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

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:

| | | |
|----------------------------|--|----------|
| Cost of assets capitalized | | 45,994 |
| Depreciation Expense | | (27,220) |

Governmental funds report vacation leave when taken or paid. However, in the Statement of Activities, accrued and unpaid leave is reported as a liability.

| | | |
|------------------------|--|---------|
| Accrued Vacation Leave | | (2,950) |
|------------------------|--|---------|

Governmental funds report loan proceeds as a source of funds. However, in the Statement of Activities, debt is reported as a liability. In addition, interest is recorded in the funds when paid while interest is accrued in the statement of activities.

| | | |
|------------------|--|---|
| Loan Proceeds | | - |
| Interest Expense | | - |

| | | |
|---|----|---------------|
| Change in Net Position of Governmental Activities - Statement of Activities | \$ | <u>22,887</u> |
|---|----|---------------|

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

A. Summary of Significant Accounting Policies

The basic financial statements of Liberty Hill Public 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.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 earnings 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.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash and cash equivalents are comprised of bank demand 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 ¼% 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 \$500 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 & Fixtures | 7-10 |
| Collection | 5 |
| Equipment | 5 |
| Improvements to Leasehold | 15 |

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.

LIBERTY HILL PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

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 agrees with pledge 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.

Cash Deposits

At September 30, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) consisted of cash deposits (\$54,901) and certificates of deposit (\$12,144) totaling \$67,045. The bank balance was \$76,869. At September 30, 2017, the District's deposits were fully insured by the Federal Deposit Insurance Corporation.

Investments

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.

The District's investments are categorized to give an indication of the level of risk assumed by the District's investments, as noted above consist of bank certificates of deposit.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Ratings</u> | <u>Fair Value</u> | <u>Percentage</u> |
|--------------------------------------|---------------------|----------------|-------------------|-------------------|
| Bank Certificates of Deposit | Less than 12 Months | N/A | \$12,144 | 100% |
| | | | <u>\$12,144</u> | <u>100%</u> |

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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.

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 not 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 investments representing more than 5% of total investments are disclosed above.

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 not exposed to foreign currency risk.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

C. Capital Assets

Capital asset activity for the period ended September 30, 2017 was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| <u>Governmental Activities:</u> | | | | |
| Furniture & Fixtures | 71,176 | - | - | 71,176 |
| Collection | 151,461 | 45,994 | - | 197,455 |
| Equipment | 30,190 | - | - | 30,190 |
| Improvements to Leasehold | 7,748 | - | - | 7,748 |
| Total capital assets being depreciated | <u>260,575</u> | <u>45,994</u> | <u>-</u> | <u>306,569</u> |
| Less accumulated depreciation for: | | | | |
| Furniture & Fixtures | (70,873) | (103) | - | (70,976) |
| Collection | (84,731) | (24,493) | - | (109,224) |
| Equipment | (25,744) | (2,162) | - | (27,906) |
| Improvements to Leasehold | (5,149) | (462) | - | (5,611) |
| Total accumulated depreciation | <u>(186,497)</u> | <u>(27,220)</u> | <u>-</u> | <u>(213,717)</u> |
| Total capital assets being depreciated, net | <u>74,078</u> | <u>18,774</u> | <u>-</u> | <u>92,852</u> |
| Governmental Activities capital assets, net | <u>\$ 74,078</u> | <u>\$ 18,774</u> | <u>\$ -</u> | <u>\$ 92,852</u> |

Depreciation was charged to functions as follows:

| | |
|--------------------|------------------|
| General Government | \$ - |
| Library | 27,220 |
| | <u>\$ 27,220</u> |

D. 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.

E. Commitments and Contingencies

The District entered into a lease agreement for its office space through December 31, 2021. Rental expense for the year ended September 30, 2017 totaled \$1,800. Minimum rent payments are \$1,800 for each year thereafter.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

F. Long-Term Obligations

Full-time employees accrue vacation, after the first year of employment, as follows:

| <u>Years</u> | <u>Working Days Per Year</u> |
|--------------|----------------------------------|
| 1-5 | 10 |
| 6-10 | 15 |
| 11-15 | 18 |
| 15 or more | 20 |

Vacation days are paid upon resignation or termination (other than cause) up to a maximum of 240 hours.

Long-Term Debt consists of the following at year end:

| <u>Description</u> | <u>Rate</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Amount Due Within One Year</u> |
|--------------------|-------------|------------------------------|------------------|------------------|---------------------------|---|
| Accrued Vacation | N/A | \$ 7,476 | \$ 2,950 | \$ - | \$ 10,426 | - |
| | | <u>\$ 7,476</u> | <u>\$ 2,950</u> | <u>\$ -</u> | <u>\$ 10,426</u> | <u>\$ -</u> |

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.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--|------------------|------------|-------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| Taxes: | | | | |
| Sales Tax | \$ 260,000 | \$ 262,609 | \$ 277,800 | \$ 15,191 |
| Total Taxes | 260,000 | 262,609 | 277,800 | 15,191 |
| Fines, Forfeitures and Costs: | | | | |
| Fines | 3,600 | 4,595 | 5,110 | 515 |
| Total Fines, Forfeitures and Costs | 3,600 | 4,595 | 5,110 | 515 |
| Investment Income: | | | | |
| Investment Income | 60 | 64 | 64 | - |
| Other Revenues: | | | | |
| Cash Donations | 600 | 822 | 1,019 | 197 |
| Grants | - | - | - | - |
| Total Other Revenue | 600 | 822 | 1,019 | 197 |
| TOTAL REVENUES | 264,260 | 268,090 | 283,993 | 15,903 |
| <u>EXPENDITURES</u> | | | | |
| General Government: | | | | |
| Accountant | - | - | - | - |
| Annual Audit | 10,000 | 10,000 | - | 10,000 |
| Insurance | 2,000 | 1,922 | 1,922 | - |
| Total General Government | 12,000 | 11,922 | 1,922 | 10,000 |
| Library: | | | | |
| Payroll Expenses | 143,030 | 147,256 | 149,335 | (2,079) |
| Employer Payroll Tax Expenses | 31,781 | 31,067 | 31,183 | (116) |
| Continuing Education | 1,250 | 1,336 | 86 | 1,250 |
| Travel | 1,080 | 984 | 571 | 413 |
| Consulting | 517 | 517 | 517 | - |
| DVD's | 3,000 | 5,758 | 6,130 | (372) |
| Book Processing Supplies | 1,800 | 1,851 | 1,998 | (147) |
| Periodical Subscriptions | 645 | 851 | 852 | (1) |
| Summer Reading Program | 3,500 | 3,500 | 3,337 | 163 |
| Program Expense Other | 6,350 | 6,466 | 6,023 | 443 |
| Advertising | - | 590 | 594 | (4) |
| Printing and Reproduction | 420 | 175 | 46 | 129 |
| Organization Dues | 1,156 | 1,057 | 1,057 | - |
| Library Automation System Fee- Biblionix | 2,531 | 2,531 | 2,601 | (70) |
| Office Supplies | 3,600 | 4,589 | 4,138 | 451 |
| Postage and Delivery | 360 | 392 | 385 | 7 |
| Rent | 1,800 | 1,800 | 1,800 | - |
| Telephone | 3,000 | 2,985 | 3,253 | (268) |
| Gas and Electric | 3,300 | 3,052 | 3,046 | 6 |
| Water/Garbage | 480 | 530 | 530 | - |
| Building Repairs and Maintenance | 3,720 | 5,087 | 5,542 | (455) |
| Computer Repairs and Maintenance | 2,800 | 2,953 | 2,456 | 497 |
| Equipment Repairs and Maintenance | 4,600 | 4,652 | 5,283 | (631) |
| Miscellaneous | - | 70 | 181 | (111) |
| Total Library | 220,720 | 230,049 | 230,944 | (895) |

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|-------------------|------------------|-------------------|--|
| | Original | Final | | |
| Capital Outlay: | | | | |
| Books/Collection | 31,200 | 44,359 | 41,064 | 3,295 |
| Technology | - | - | - | - |
| Library Furniture | | - | - | |
| E Books | 3,000 | 3,244 | 3,000 | 244 |
| New Facility Expansion | - | - | - | - |
| Total Capital Outlay | <u>34,200</u> | <u>47,603</u> | <u>44,064</u> | <u>3,539</u> |
| Debt Service: | | | | |
| Principal Loans | - | - | - | - |
| Interest Loans | - | - | - | - |
| Interest and Fees on Credit Cards | - | - | - | - |
| Total Debt Service | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | |
| TOTAL EXPENDITURES | <u>266,920</u> | <u>289,574</u> | <u>276,930</u> | <u>12,644</u> |
| Excess Revenues Over (Under) Expenditures | <u>(2,660)</u> | <u>(21,484)</u> | <u>7,063</u> | <u>28,547</u> |
| | | | | |
| Other Sources (Uses): | | | | |
| Loan Proceeds | - | - | - | - |
| Total Other Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Changes in Fund Balance | (2,660) | (21,484) | 7,063 | 28,547 |
| Fund Balance - Beginning of Year | 109,911 | 109,911 | 109,911 | - |
| Fund Balance - End of Year | <u>\$ 107,251</u> | <u>\$ 88,427</u> | <u>\$ 116,974</u> | <u>\$ 28,547</u> |

The accompanying notes are an integral part of this statement.