

**LIBERTY HILL PUBLIC LIBRARY
DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

LIBERTY HILL PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
 FINANCIAL SECTION	
Independent Auditors’ Report on Financial Statements.....	1
Management’s Discussion and Analysis (Required Supplementary Information).....	4
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures,	
and Changes in Fund Balances of Governmental Funds	
to the Statement of Activities.....	14
Notes to the Financial Statements.....	15
 <u>Required Supplementary Information:</u>	
Budgetary Comparison Schedules:	
General Fund.....	22

FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

Independent Auditors' Report

Board of Trustees
Liberty Hill Public Library District

Opinions

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, 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 September 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
May 7, 2024

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, 2022. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Sales tax revenue of \$1.3 million represents 94% of all revenue sources.
- Net position increased by \$801 thousand or 82%.
- The District's fund balance increased from \$792 thousand to \$1.6 million during the year.
- The District has \$9 thousand in long-term liabilities related to accrued leave.

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

- Circulation in 2022 was 130,226 items versus 75,865 items in the prior year. This is an increase of 67.8% from the previous year. The increase is due to the return of the District to regular operations for the entire fiscal year after being closed for parts of 2020FY and 2121FY due to the COVID pandemic.
- Computer usage in 2022 was down by approximately 59% over the prior year. This dramatic decrease in public computer usage was seen throughout public libraries in the year following the COVID pandemic. There is not a clear explanation for this phenomenon, although part of it may be related to federal funds that were available and used to purchase broadband access and devices to access it. However, this is an incomplete and anecdotal explanation.
- Volunteer hours for 2022 were at 572 hours compared to 327 in the prior year, an increase of 245 hours from the year prior.
- The District was accredited with the Texas State Library and Archives Commission in 2004. The District is eligible for the TexShare card program, the TexShare databases, statewide Interlibrary Loan, and the federal E-Rate program.

Overall, the statistics in 2022 represented a return to regular library operations after the reduced services and hours of the COVID-19 pandemic.

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 9 and 10. 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 11, 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 15 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 9. 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 11 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 \$980 thousand to \$1.8 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 \$1.6 million at September 30, 2022.

Table I
Liberty Hill Public Library District

NET POSITION		
in thousands		
	Governmental Activities	
	2022	2021
Current and other assets	1,638	847
Capital assets	161	155
Total assets	1,799	1,002
Long-term liabilities	9	12
Other liabilities	8	10
Total liabilities	17	22
Net position:		
Invested in capital assets, net of related debt	162	155
Unrestricted	1,620	825
Total net position	1,782	980

Table II
Liberty Hill Public Library District

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	-	-
Operating grants	40	-
General revenues:		
Sales taxes	1,277	798
Investment Earnings	-	-
Donations	37	20
Miscellaneous	2	3
Total Revenues	<u>1,356</u>	<u>821</u>
Expenses:		
General government	-	-
Library	554	431
Total Expenses	<u>554</u>	<u>431</u>
Increase/Decrease in net position	<u>802</u>	<u>390</u>

The cost of all governmental activities this year was \$514 thousand. The Statement of Activities on page 10 shows the amount that our taxpayers ultimately financed for these activities through District sales tax revenue of \$1.3 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 and 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 \$1.6 million. The amount of \$1.6 million 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 289 percent of that same amount.

The total fund balance of the District's general fund increased by \$792 thousand. The key factor was an increase in sales tax revenue.

The District's total general fund revenues were \$1.4 million. A significant portion, \$1.3 million or 94 percent of the District's revenues comes from sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one revision made to the original budget during the year.

CAPITAL ASSET ADMINISTRATION

As of year end, the District had \$584 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 \$9 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 \$1.5 million in fiscal year 2023 an increase of 199% over that budgeted in 2022. Operating expenses have been budgeted at \$823 thousand an increase of 153% over that budgeted in 2022.

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, 2022

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,369,592	\$ 1,369,592
Due from State - Sales Tax	267,941	267,941
Capital Assets:		
Furniture & Fixtures (net of accumulated depreciation)	10,147	10,147
Collection (net of accumulated depreciation)	132,124	132,124
Equipment (net of accumulated depreciation)	8,237	8,237
Improvements to Leasehold (net of accumulated depreciation)	10,930	10,930
TOTAL ASSETS	\$ 1,798,971	\$ 1,798,971
<u>LIABILITIES</u>		
Accounts Payable	\$ 7,839	\$ 7,839
Noncurrent Liabilities:		
Due Within One Year	-	-
Due In More Than One Year	9,328	9,328
TOTAL LIABILITIES	\$ 17,167	\$ 17,167
<u>NET POSITION</u>		
Invested in Capital Assets, Net of Related Debt	\$ 161,438	\$ 161,438
Unrestricted	1,620,366	1,620,366
TOTAL NET POSITION	\$ 1,781,804	\$ 1,781,804

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC LIBRARY DISTRICT

Statement of Activities

For the Year Ended September 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	\$ 554,165	\$ -	\$ 39,879	\$ (514,286)	\$ (514,286)
Total Governmental Activities	554,165	-	39,879	(514,286)	(514,286)
TOTAL	\$ 554,165	\$ -	\$ 39,879	\$ (514,286)	\$ (514,286)
General Revenues:					
Sales Taxes				1,276,534	1,276,534
Interest Income				21	21
Donations				36,859	36,859
Other Revenues				2,352	2,352
Total General Revenues				1,315,766	1,315,766
Changes in Net Position				801,480	801,480
Net Position - Beginning of Year				980,324	980,324
Net Position - End of Year				\$ 1,781,804	\$ 1,781,804

The accompanying notes are an integral part of this statement.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
Balance Sheet - Governmental Funds
September 30, 2022

ASSETS

Cash and Cash Equivalents	\$ 1,369,592
Due from State - Sales Tax	<u>267,941</u>
TOTAL ASSETS	<u><u>\$ 1,637,533</u></u>

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 7,839
TOTAL LIABILITIES	<u>\$ 7,839</u>

FUND BALANCES

Unassigned	1,629,694
TOTAL FUND BALANCES	<u>\$ 1,629,694</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,637,533</u></u>

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, 2022

Total Fund Balance - Governmental Fund \$ 1,629,694

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	89,504
Collection	419,463
Equipment	50,503
Improvements to Leasehold	24,588
Less: Accumulated Depreciation	<u>(422,620)</u>
	<u>161,438</u>

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	<u>9,328</u>
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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	<u>-</u>
	<u>-</u>

Net position of governmental activities \$ 1,781,804

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, 2022

REVENUES

Sales Taxes	\$ 1,276,534
Library Fines	1,016
Investment Income	21
Out of District Card Income	1,336
Grants	39,879
Building Fund	381
Donations	36,478
TOTAL REVENUES	1,355,645

EXPENDITURES

Library	505,387
Capital Outlay	57,949
TOTAL EXPENDITURES	563,336

Excess Revenues Over (Under) Expenditures	792,309
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Net Change in Fund Balance	792,309
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Fund Balance - Beginning of Year	837,385
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Fund Balance - End of Year	\$ 1,629,694
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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, 2022

Net Change in Fund Balance - Total Governmental Funds	\$	792,309
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<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>		
Cost of assets capitalized		57,949
Depreciation Expense		(51,402)
<p>Governmental funds report vacation leave when taken or paid. However, in the Statement of Activities, accrued and unpaid leave is reported as a liability.</p>		
Accrued Vacation Leave		2,624
<p>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.</p>		
Loan Proceeds		-
Interest Expense		-
		-
Change in Net Position of Governmental Activities - Statement of Activities	\$	801,480

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, 2022

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, 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.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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	5-7
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. Use 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, 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.

Cash Deposits

At September 30, 2022, 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 (\$1,357,011) and certificates of deposit (\$12,581) totaling \$1,369,592. The bank balance was \$1,393,287. At September 30, 2022, the District’s deposits exceeded the amount insured by the Federal Deposit Insurance Corporation by some \$1,131,000.

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 and 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	\$12,581	100%
			<u>\$12,581</u>	<u>100%</u>

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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 rated 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, 2022

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Furniture & Fixtures	\$ 89,504	-	-	\$ 89,504
Collection	362,348	57,115	-	419,463
Equipment	49,669	834	-	50,503
Improvements to Leasehold	24,588	-	-	24,588
Total Capital Assets being depreciated	<u>526,109</u>	<u>57,949</u>	<u>-</u>	<u>584,058</u>
Less accumulated depreciation for:				
Furniture & Fixtures	(75,685)	(3,672)	-	(79,357)
Collection	(244,079)	(43,260)	-	(287,339)
Equipment	(39,173)	(3,093)	-	(42,266)
Improvements to Leasehold	(12,281)	(1,377)	-	(13,658)
Total accumulaated depreciation	<u>(371,218)</u>	<u>(51,402)</u>	<u>-</u>	<u>(422,620)</u>
Total capital assets being depreciated, net	<u>154,891</u>	<u>6,547</u>	<u>-</u>	<u>161,438</u>
Governmental Activities capital assets, net	<u>\$ 154,891</u>	<u>\$ 6,547</u>	<u>-</u>	<u>\$ 161,438</u>

Depreciation was charged to functions as follows:

General Government	\$ -
Library	<u>51,402</u>
	<u>\$ 51,402</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's lease agreement for its office space expired on December 31, 2021. After that date the District operated on a month to month basis at a monthly rate of \$250. Rental expense for the year ended September 30, 2022 totaled \$2,800.

LIBERTY HILL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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	\$ 11,952	\$ -	\$ 2,624	\$ 9,328	\$ -
		<u>\$ 11,952</u>	<u>\$ -</u>	<u>\$ 2,624</u>	<u>\$ 9,328</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, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
<u>REVENUES</u>				
Taxes:				
Sales Tax	\$ 751,200	\$ 901,946	\$ 1,276,534	\$ 374,588
Total Taxes	751,200	901,946	1,276,534	374,588
Fines, Forfeitures and Costs:				
Fines, Copies, Etc.	-	1,037	1,016	(21)
Total Fines, Forfeitures and Costs	-	1,037	1,016	(21)
Investment Income:				
Investment Income	48	-	21	21
Other Revenues:				
Donations	-	2,503	36,478	33,975
Grants	-	-	39,879	39,879
Out of District Card Income	1,000	947	1,336	389
Building Fund	-	116	381	265
Summer Reading Program	-	26,153	-	(26,153)
Other	1,740	1,512	-	(1,512)
Total Other Revenue	2,740	31,231	78,074	46,843
TOTAL REVENUES	753,988	934,214	1,355,645	421,431
<u>EXPENDITURES</u>				
Library:				
Personnel	319,381	332,834	329,846	2,988
Other Personnel	63,240	33,209	8,604	24,605
Programming	32,675	47,684	50,708	(3,024)
Supply and Equipment	16,150	13,376	5,700	7,676
Insurance	7,000	3,692	3,586	106
Rent, Utilities & Building	24,910	26,448	22,143	4,305
Technology	18,300	22,978	27,523	(4,545)
Grant	-	-	48,788	(48,788)
Other	-	1,918	8,489	(6,571)
Total Library	481,656	482,139	505,387	(23,248)
Capital Outlay:				
Books/Collection	55,625	70,553	57,115	13,438
Technology	-	-	-	-
Building and Improvements	-	-	-	-
Furniture	-	614	834	(220)
Total Capital Outlay	55,625	71,167	57,949	13,218
TOTAL EXPENDITURES	537,281	553,306	563,336	(10,030)
Excess Revenues Over (Under) Expenditures	216,707	380,908	792,309	411,401
Other Sources (Uses):				
Loan Proceeds	-	-	-	-
Total Other Sources (Uses)	-	-	-	-
Net Changes in Fund Balance	216,707	380,908	792,309	411,401
Fund Balance - Beginning of Year	837,385	837,385	837,385	-
Fund Balance - End of Year	\$ 1,054,092	\$ 1,218,293	\$ 1,629,694	\$ 411,401

The accompanying notes are an integral part of this statement.