



Montemayor Hill & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**DRIPPING SPRINGS COMMUNITY
LIBRARY DISTRICT**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2011

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Dripping Springs Community Library District

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activity of the Dripping Springs Community Library District (Library) as of and for the year ended December 31, 2011, which comprise the Library's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Library as of December 31, 2011, and the changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

30 April 2012
Austin, Texas

Montemayor Hill & Company, P.C.

3001 SOUTH LAMAR BOULEVARD
SUITE 320
AUSTIN, TEXAS 78704
PHONE: 512.442.0380
FAX: 512.442.0817
www.montemayorhill.com

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended December 31, 2011. Please read it in conjunction with the Library's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts—*management's discussion and analysis* (this section) and the *basic financial statements*. The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Library's overall financial status. These statements also serve as *fund financial statements* because the Library has opted to use enterprise accounting and reporting, which uses the same measurement focus and basis of accounting as the *government-wide financial statements*. The third statement is the *proprietary fund statement of cash flows*. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The government-wide statements, which are also the proprietary fund financial statements, report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for when they are earned or incurred, in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Library's net assets and how they have changed. Net assets—the difference between the Library's assets and liabilities—is one way to measure the Library's financial health or position. Over time, increases or decreases in the Library's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Library, one needs to consider additional nonfinancial factors such as changes in local economic activity, which would affect the Library's sales tax income.

The Library's only fund is the enterprise fund, which is a proprietary fund. Proprietary funds are generally used to account for services for which the Library charges customers. However, Government Accounting Standards Board Statement (GASBS) No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, paragraph 147 allows governments that previously reported under the American Institute of Certified Public Accountants (AICPA) not-for-profit model to use enterprise fund accounting and reporting. Therefore, the Library has opted to account for all library activities under the enterprise fund.

FINANCIAL HIGHLIGHTS

- The Library's total net assets were \$999,290 on December 31, 2011.
- During the year, the Library's total revenue of \$466,299 was generated primarily through sales taxes, contributions and grants.
- The total cost of the Library's operations was \$452,894. The Library also purchased significant capital assets of \$59,834 for the library collection, \$12,852 for land improvements and \$7,865 for library furniture and equipment, and acquired \$25,751 in donated collection materials.
- Increase in net assets was \$13,405.
- The \$176,145 of unrestricted net assets represents resources available to fund the operations of the Library next year.

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets December 31,

	2011 <u>Business-type Activities</u>	2010 <u>Business-type Activities</u>
Current assets		
Cash and cash equivalents	\$127,006	\$119,071
Accounts receivable	<u>67,788</u>	<u>62,002</u>
	194,794	181,073
Capital assets, net	<u>823,145</u>	<u>821,274</u>
	<u>\$1,017,939</u>	<u>\$1,002,347</u>
Current liabilities	<u>\$18,649</u>	<u>\$16,462</u>
Net assets		
Invested in capital assets	823,145	821,274
Unrestricted	<u>176,145</u>	<u>164,611</u>
	<u>999,290</u>	<u>985,885</u>
	<u>\$1,017,939</u>	<u>\$1,002,347</u>

Statement of Activities Year ended December 31,

	2011 <u>Business-type Activities</u>	2010 <u>Business-type Activities</u>
Revenue		
Sales taxes	\$373,962	\$310,912
Hays County appropriations	30,000	30,000
Contributed collection materials	25,751	33,032
Grants and contributions	12,587	19,746
Other	<u>23,999</u>	<u>23,252</u>
	<u>466,299</u>	<u>416,942</u>
Expenses		
Personnel	246,281	205,468
Depreciation	100,063	86,600
Professional services	20,245	18,681
Utilities	15,863	12,528
Repairs and maintenance	14,459	11,899
Office	11,016	11,018
Custodial services	10,545	10,550
Technology	7,125	9,199
Insurance	6,201	3,992
Loss on disposal of collection items	4,368	12,034
Other expenses	<u>16,728</u>	<u>11,669</u>
	<u>452,894</u>	<u>393,638</u>
Change in net assets	13,405	23,304
Beginning net assets	<u>985,885</u>	<u>962,581</u>
Ending net assets	<u>\$999,290</u>	<u>\$985,885</u>

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

The Library's overall financial position remained relatively unchanged, with net revenues \$13,405 greater than net expenses during the year. Sales tax revenues increased by \$63,050, or 20%, and there were \$25,751 of contributed collection materials in the current year. The Library's funding from Hays County of \$30,000 was the same as in the previous year. Expenses increased by \$59,256, or 15% compared to the prior year.

CAPITAL ASSET ACTIVITY

The Library purchased capital assets of \$59,834 for the library collection, \$12,852 for land improvements and \$7,865 for library furniture and equipment. Additionally, the Library acquired \$25,751 in contributed collection materials.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library at (512) 858-7825.

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

ASSETS

Business-type
Activity
(Proprietary Fund)

Current assets

Cash and cash equivalents

\$127,006

Accounts receivable

67,788

194,794

Capital assets

823,145

\$1,017,939

LIABILITIES AND NET ASSETS

Current liabilities

\$18,649

Net assets

Invested in capital assets

823,145

Unrestricted

176,145

999,290

\$1,017,939

The accompanying notes are an integral part of this financial statement presentation.

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activity (Proprietary Fund)</u>
REVENUE	
Sales taxes	\$373,962
Hays County appropriation	30,000
Contributed collection materials	25,751
Grants and contributions	12,587
Other	<u>23,999</u>
	<u>466,299</u>
EXPENSES	
Personnel and related	246,281
Depreciation	100,063
Professional services	20,245
Utilities	15,863
Repairs and maintenance	14,459
Office	11,016
Custodial services	10,545
Technology	7,125
Insurance	6,201
Loss on disposal of collection materials	4,368
Other	<u>16,728</u>
	<u>452,894</u>
CHANGE IN NET ASSETS	<u>13,405</u>
BEGINNING NET ASSETS	<u>985,885</u>
ENDING NET ASSETS	<u>\$999,290</u>

The accompanying notes are an integral part of this financial statement presentation.

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

PROPRIETARY FUND STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Sales tax cash receipts	\$368,176
Hays County cash receipts	30,000
Grants and contribution cash receipts	12,587
Cash received from customers	19,720
Other cash receipts	4,279
Payments to employees for services	(243,904)
Payments to suppliers for goods and services	<u>(102,372)</u>
	<u>88,486</u>

CASH FLOWS FROM CAPITAL ACTIVITIES

Acquisition of capital assets	<u>(80,551)</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS 7,935

BEGINNING CASH AND CASH EQUIVALENTS 119,071

ENDING CASH AND CASH EQUIVALENTS \$127,006

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$13,405
Depreciation expense	100,063
Loss on disposal of collection items	4,368
Contributed collection items	(25,751)
Change in accounts receivable	(5,786)
Change in accounts payable	<u>2,187</u>
	<u>\$88,486</u>

The accompanying notes are an integral part of this financial statement presentation.

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Dripping Springs Community Library District (Library) is a library taxation district created in January 2000 to provide general library services to the community of Dripping Springs, Texas and surrounding areas. The Library is governed by a Board of Trustees and operates under a librarian form of management. In January 2000, the Library received, as a contribution, the assets of the Dripping Springs Community Library Association, Inc. The Library has no component units or fiduciary funds.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRESENTATION OF FINANCIAL STATEMENTS

As allowed by the Government Accounting Standards Board (GASB), the Library previously presented its financial statements using the American Institute of Certified Public Accountants (AICPA) not-for-profit model. Currently, the Library presents its financial statements under GASB Statement No. 34 (GASBS No. 34), Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. As allowed for governments reporting under the AICPA not-for-profit model by GASBS No. 34, paragraph 147, the Library has opted to use enterprise fund accounting and reporting. The Library applies FASB pronouncements issued after November 30, 1989.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements would generally include both government-wide and fund financial statements. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the Library. Governmental activities are reported separately from business-type activities. However, since the Library has opted to use enterprise fund accounting and reporting, which is considered to be business-type activity, there are no governmental activities reported.

The Statement of Activities demonstrates how the Library used revenue, which was obtained primarily through sales taxes, grants and contributions. Expenses consist of costs necessary to provide library services; primarily employee compensation, facilities expenses, professional services and depreciation of capital assets.

The fund level statements would focus on governmental and proprietary funds. However, since the Library has opted to use enterprise fund accounting and reporting, there is no difference between the government-wide and fund financial statements. This is because enterprise funds are proprietary funds, which are accounted for on the economic resources measurement focus and the accrual basis of accounting (i.e. government-wide financial statements and propriety fund financial statements use the same accounting method).

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RESTRICTED RESOURCES

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first and then unrestricted resources as they are needed.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements and proprietary fund financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues in the period in which they are earned. Unconditional grants and contributions are recognized as revenue when awarded. The Library did not receive any conditional grants or contributions. All Library activity is considered to be proprietary (enterprise) fund activity; therefore, the Library does not have any governmental funds, which would include the general fund, special revenue funds and debt service funds.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include monies and certificates of deposit held in banks. The carrying value of cash and cash equivalents approximates fair value because of the highly liquid nature of those financial instruments.

CAPITAL ASSETS

Capital assets over \$500 are recorded at cost at the date of purchase or fair value at the date of donation. The cost of repairs and maintenance that do not add to the value of the asset or materially extend the estimated useful life are expensed as incurred. The Library recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Land and construction in progress are not depreciated. The library collection consists of fiction and nonfiction books and audiovisual and computer materials that are recorded in the catalog database. The Library follows the practice of carrying collection materials at estimated original cost at the time of the purchase or fair value at the date of donation. Collection materials are depreciated using the straight-line method over the estimated useful life of five years. Building and improvements are depreciated using the straight-line method over an estimated useful life of forty years. Land improvements are depreciated using the straight-line method over an estimated useful life of forty years. Furniture, fixtures and equipment are depreciated using the straight-line method over an estimated useful life of seven years.

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROGRAM REVENUE

The Library considers income from book sales, fines and fees to be program revenue.

BUDGETS

A formal budget was adopted by the Board of Trustees.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FEDERAL INCOME TAXES

The Library is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is classified as an organization other than a private foundation.

SUBSEQUENT EVENTS

The Library has evaluated subsequent events as of April 30, 2012, the date the financial statements were available to be issued.

NOTE 3: DEPOSITS

The Library's policy is to hold deposits and investments in financial instrument types allowable under Section 2256 of the Texas Public Funds Investment Act. The Library's deposits at year-end consist of cash and certificates of deposit, all of which are fully insured under Federal Depository Insurance Coverage.

NOTE 4: RISK MANAGEMENT

The Library is exposed to various risks of loss including general liability, property damage, and workers' compensation. The Library insures against risk through participation in the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool, consisting of approximately 2,600 member cities/political subdivisions located throughout the state of Texas. The Library pays premiums to the risk pool for its general liability, property, and workers' compensation coverage. The Library's risk is limited to the amount of premiums paid unless the pool should fail, in which case, the Library would be liable for its ratable share of the pool deficit.

DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$27,064	\$0	\$0	\$27,064
Depreciable assets:				
Library collection	517,823	85,585	(24,514)	578,894
Building and improvements	775,360		0	775,360
Land improvements	0	12,852	0	12,852
Furniture, fixtures and equipment	263,951	7,865	0	271,816
Accumulated depreciation	<u>(762,924)</u>	<u>(100,063)</u>	<u>20,146</u>	<u>(842,841)</u>
	<u>794,210</u>	<u>6,239</u>	<u>(4,368)</u>	<u>796,081</u>
	<u>\$821,274</u>	<u>\$6,239</u>	<u>(\$4,368)</u>	<u>\$823,145</u>

NOTE 6: RETIREMENT PLAN

The Library's Simple IRA Plan is available to all employees. The Library matches employee contributions up to a maximum of 3% of gross compensation. During the year the Library contributed \$3,932 to the plan.