

**DRIPPING SPRINGS  
COMMUNITY LIBRARY  
DISTRICT  
AUDITED FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2023**

**DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT  
TABLE OF CONTENTS  
December 31, 2023**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
<u>Basic Financial Statements:</u>	
Statement of Net Position and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Revenue, Expenditures and Changes in Fund Balance and Net Position	8
Notes to Financial Statements	9-15
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule - General Fund	16

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American Institute of  
Certified Public Accountants

Texas Society of  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Dripping Springs Community Library District  
Dripping Springs, Texas

We have audited the accompanying financial statements of the governmental activities, and the general fund of Dripping Springs Community Library District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of Dripping Springs Community Library District, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance 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 Auditor's 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 the 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 Dripping Springs Community Library 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.

**Auditor's 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 auditor's 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 on pages 3–6 and 16 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.

*Kayla J Wallace, CPA*

Georgetown, Texas  
April 17, 2024

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Dripping Springs Community Library District's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total Net Position was \$7,117,844 at December 31, 2023, which represents an increase of \$1,615,533 over the Net Position of \$5,502,311 as of December 31, 2022.
- During the year, the District's total revenue of \$2,931,542 was generated primarily through sales taxes, contributions and grants.
- The total cost of the District's operations was \$1,315,917. The District also purchased significant capital assets of \$733,480 for construction in progress, \$93,288 for the library collection, and \$37,136 for computer equipment.
- The \$559,892 of unrestricted net position represents resources available to fund the operations of the District next year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, consisting of three components: government-wide financial statements, fund financial statements and notes to the financial statements. The report also contains other required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The last column of the first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.

The first column of the first two statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending.

The accompanying notes provide essential information that is not disclosed on the face of the financial statements. Consequently, the notes form an integral part of the basic financial statements.

### Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The two government-wide statements report the District's net position, which represent the difference between assets and liabilities. Over time, the increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in local economic activity, which would affect the District's sales tax income.

### Fund Financial Statements

Fund financial statements provide more detailed information about the District's activities. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. The District has the following governmental fund: the general fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The District's basic services are reported in the governmental funds, which focus on how cash and other financial assets can readily be converted to available resources and on the available balances remaining at year-end.

This information may be useful in determining what financial resources are available in the near future to finance the District's future obligations.

### Basis of Reporting

The government-wide statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Statement of Net Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets	\$ 3,608,189	\$ 2,776,206
Non-current assets	571,651	-
Capital assets, net of accumulated depreciation	<u>3,448,145</u>	<u>2,775,738</u>
<b>Total assets</b>	<b>\$ <u>7,627,985</u></b>	<b>\$ <u>5,551,944</u></b>
<b>Liabilities</b>		
Current liabilities	\$ <u>510,141</u>	\$ <u>49,633</u>
<b>Net position</b>		
Net investment in capital assets	3,448,145	2,775,738
Unrestricted	<u>3,669,699</u>	<u>2,726,573</u>
<b>Total net position</b>	<b>\$ <u>7,117,844</u></b>	<b>\$ <u>5,502,311</u></b>

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statement of Activities For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>		
General revenues:		
Sales taxes	\$ 2,090,314	\$ 2,040,250
Other income	-	11,731
Interest income	140,228	32,748
Loss on disposal of capital assets	-	-
Total general revenues	<u>2,230,542</u>	<u>2,084,729</u>
Program revenues:		
Charges for services	14,367	14,210
Operating grants and contributions	177,378	60,834
Capital grants and contributions	509,063	-
Total program revenues	<u>700,908</u>	<u>75,044</u>
<b>Total revenues</b>	2,931,450	2,159,733
<b>Expenses</b>	<u>1,315,917</u>	<u>1,030,659</u>
Excess of revenues over expenditure	1,615,533	1,129,114
Net position, beginning	<u>5,502,311</u>	<u>4,373,197</u>
Net position, ending	<u>\$ 7,117,844</u>	<u>\$ 5,502,311</u>

### FINANCIAL ANALYSIS OF THE DISTRICT

Sales taxes are a major revenue source of the District, and sales tax revenues increased by \$50,064 or 2.5% from 2022 to 2023. Program revenues increased by \$625,864 from 2022 to 2023, primarily due to grants and contributions. Interest income increased by 107,480, due to the increased investments in TexPool for the capital campaign. Expenses increased by \$285,258 or 28% from 2022 to 2023. Other balances are comparable to the prior year.

### BUDGETARY HIGHLIGHTS

Actual revenues (budgetary basis) in 2023 exceeded budgeted amounts by \$113,027. Expenditures on a budgetary basis were under budgeted amounts by \$284,211 in 2023, primarily due to Capital Outlay expenditures.

### CAPITAL ASSETS

At the end of 2023, the District had invested \$3,448,145 in capital assets.

# **DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's Board considers many factors when setting the fiscal year 2024 budget. One of these factors is the economy. Other factors include the requirements of operating the facility, potential fluctuations in sales tax collected by the Texas State Comptroller's Office, costs associated with maintenance and repairs, costs of personnel and the variability of funding from grant monies and donations.

The District is funded primarily by sales tax revenues and contributions. When planning for the next year, the District's approach is to budget conservatively.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



**DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT**

**STATEMENT OF GOVERNMENTAL FUND BALANCE SHEET AND NET POSITION**

**DECEMBER 31, 2023**

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Current assets			
Cash	\$ 227,410	\$ -	\$ 227,410
Sales taxes receivable	398,358		398,358
Prepaid assets	10,006		10,006
Investments	<u>2,972,415</u>		<u>2,972,415</u>
Total current assets	<u>3,608,189</u>	<u>-</u>	<u>3,608,189</u>
Other assets			
Leased collections, net of amortization of \$20,863	-	62,588	62,588
Pledges receivable	<u>-</u>	<u>509,063</u>	<u>509,063</u>
Total other assets	<u>-</u>	<u>571,651</u>	<u>571,651</u>
Capital assets			
Land		1,701,694	1,701,694
Capital assets, net of accumulated depreciation		<u>1,746,451</u>	<u>1,746,451</u>
Total capital assets	<u>-</u>	<u>3,448,145</u>	<u>3,448,145</u>
	<u>\$ 3,608,189</u>	<u>\$ 4,019,796</u>	<u>\$ 7,627,985</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 15,733	\$ -	\$ 15,733
Credit cards payable	\$ 3,431		\$ 3,431
Accrued expenses - payroll	43,134		43,134
Accrued expenses - construction in progress	447,843		447,843
	<u>510,141</u>	<u>-</u>	<u>510,141</u>
<b>FUND BALANCE/NET POSITION</b>			
FUND BALANCE			
Non-spendable fund balance - prepaid assets	10,006	(10,006)	-
Assigned fund balance - future facility	2,528,150	(2,528,150)	-
Unassigned fund balance	<u>559,892</u>	<u>(559,892)</u>	<u>-</u>
	<u>\$ 3,098,048</u>		
<b>NET POSITION</b>			
Net investment in capital assets		3,448,145	3,448,145
Unrestricted		3,669,699	<u>3,669,699</u>
			<u>7,117,844</u>
			<u>\$ 7,627,985</u>

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

**DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCE AND NET POSITION**

**YEAR ENDED DECEMBER 31, 2023**

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>			
Library operations			
Human resources	\$ 744,515		\$ 744,515
General administrative expenses	24,747		24,747
Library maintenance	73,781		73,781
Professional services	12,565		12,565
Utilities	15,467		15,467
Equipment and supplies	24,963		24,963
Technology	36,230		36,230
Collection expense	190,714	(62,588)	128,126
Library program services	20,622		20,622
Marketing and promotion	12,319		12,319
Capital campaign expenses	25,763		25,763
Other operating expenses	5,321		5,321
Capital improvement expenditures	-	-	-
Depreciation expense	-	191,498	191,498
Leased Assets Amortization			
Capital outlay	<u>863,905</u>	<u>(863,905)</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>2,050,912</u>	<u>(734,995)</u>	<u>1,315,917</u>
 Program revenue:			
Charges for services	14,367		14,367
Operating grants and contributions	177,478		177,478
Capital grants and contributions	-	509,063	509,063
<b>TOTAL PROGRAM REVENUE</b>	<u>191,845</u>	<u>509,063</u>	<u>700,908</u>
<b>PROGRAM EXPENDITURES OVER REVENUE</b>	<u>(1,859,067)</u>	<u>1,244,058</u>	<u>(615,009)</u>
 <b>GENERAL REVENUE</b>			
Sales taxes	2,090,314	-	2,090,314
Interest income	140,228		140,228
Other income (Loss)	-	-	-
	<u>2,230,542</u>	<u>-</u>	<u>2,230,542</u>
 <b>REVENUE OVER EXPENDITURES</b>	<u>371,475</u>	<u>1,244,058</u>	<u>1,615,533</u>
 <b>BEGINNING FUND BALANCE/NET POSITION</b>	<u>2,726,573</u>		<u>5,502,311</u>
 <b>ENDING FUND BALANCE/NET POSITION</b>	<u>\$ 3,098,048</u>		<u>\$ 7,117,844</u>

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

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### **NOTE A: ORGANIZATION**

The Dripping Springs Community Library District (District) is a political subdivision for the State of Texas created to provide general library services to the community of Dripping Springs, Texas and surrounding areas. The District is governed by a Board of Trustees (Board) which has governance responsibilities over all activities related to library operations within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the District. The District receives funding from local and state government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 61, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

### **NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to U.S. generally accepted accounting principles applicable to governments promulgated by the Governmental Accounting Standard Board (GASB) and the American Institute of Certified Public Accountants (AICPA). Following is a summary of the significant accounting policies:

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities on the full accrual basis of accounting. Governmental activities include programs supported primarily by taxes, grants and contributions. The District reports all of its activities as governmental activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the Library operates have shared in the payment of the direct costs. Charges for services include revenue from parties that purchase, use or directly benefit from goods or services provided by the District. Examples include book sales, copy and printing fees, and other fines and fees, etc. If a revenue item is not part of program revenue, it is considered general revenue used to support all of the District's functions.

#### FUND FINANCIAL STATEMENTS

The fund financial statements provide reports on the financial condition and results of operations for governmental funds. The District has only one major fund – the General Fund. The General Fund's financial condition and results of operations are reported in a separate column.

#### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the 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 the related cash flows. Sales taxes are recognized as revenues in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### **NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenue from local sources consists primarily of sales taxes and contributions. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant.

### **FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. They are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The following fund types and account groups are maintained by the District:

#### Governmental Fund Types

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

### **RESTRICTED RESOURCES**

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

### **CASH AND CASH EQUIVALENTS**

The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, and other investments with a maturity of 3 months or less.

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### **NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### CAPITAL ASSETS

All fixed assets and fixed asset improvements over \$500 are recorded when purchased as expenditures in the governmental funds and capitalized in the government-wide statements at original cost. Donated assets are valued at their fair market value on the date donated. Repairs are not capitalized and the replacement of general fixed assets are capitalized only if the lives of the new assets significantly exceed the remaining lives of the original assets. The District 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. Building, improvements, and 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 of accounting over an estimated useful life of seven years.

The collection consists of fiction and nonfiction books and audiovisual and computer materials. The District follows the practice of carrying collection materials at original cost at the time of purchase or fair market value at the time of donation. Periodicals are expensed in the year purchased. Collection materials are depreciated using the straight-line method over the estimated useful life of five years.

#### PROGRAM REVENUE

Program revenue consists of income from book sales, fines, and other library fees.

#### ENCUMBRANCES

Encumbrance accounting, whereby commitments related to unperformed contracts for goods or services are recorded, is not used by the District because operations of the District are not subject to appropriation.

#### ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 these estimates.

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### **NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### REPORTING FUND BALANCES

The District adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted – These funds are governed by externally enforceable restrictions.
- Committed – Fund balances in this category are limited by the government’s highest level of decision making (in this case the Board of Trustees). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned – For funds to be assigned, there must be an intended use which can be established by the Board of Trustees or an official delegated by the board, such as a library director. For example, during the budget process, the board decided to use some existing fund balance to support activities in the upcoming year.
- Unassigned – This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The District’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

The District’s fund balance as of December 31, 2023 consisted of \$10,006 of non-spendable fund balances for prepaid expenses. Assigned fund balance is \$2,528,150 for the future facility fund. The remaining fund balance is unassigned.

#### DONATED SERVICES

A substantial number of volunteers have made significant contribution of their time to the District’s program and supporting services. These services were not of a specialized nature. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement of valuation.

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### **NOTE C: DEPOSITS AND INVESTMENTS**

#### CASH DEPOSITS AND CASH EQUIVALENTS

At December 31, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$226,641 and the bank balance was \$352,853. As of December 31, 2023, all of the District's cash deposits were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

#### INVESTMENTS

The District is authorized to invest (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.

#### Interest Rate Risk

Interest rate risk is the potential for a decline in market value due to rising interest rates. The District manages its interest rate risk by investing funds in government investment pools.

#### Concentration of Credit Risk

In accordance with the District's investment policy, the District will diversify its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

#### Credit Risk

Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. The Library minimizes credit risk losses by limiting investments to the safest types of securities.

The District maintains accounts with the Texas Local Government Investment Pool (TexPool). Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

At year end, investments in TexPool Prime were rated AAAM by Standard & Poor's. All pools operate on a \$1 net asset value basis. In order to maintain a stable \$1 price of the fund, the pool will sell portfolio holdings if the ratio of the fair value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005. The pools are stated at their measured amortized cost, which is assumed to approximate fair value. The amount held in TexPool (at amortized cost) as of December 31, 2023 was \$2,972,415, with a Weighted Average Maturity of 39 days.

The District has not found the need to develop policies for foreign currency risk.

# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### NOTE C: DEPOSITS AND 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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as 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.

### NOTE D: CAPITAL ASSETS

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2023</u>
Capital assets not depreciated:				
Land	\$ 1,701,694	\$ -	\$ -	\$ 1,701,694
Construction in Progress	188,129	733,480	-	921,609
Depreciable assets:				
Buildings and improvements	883,388	-	-	883,388
Land improvements and landscaping	12,852	-	-	12,852
Furniture and equipment	275,312	-	-	275,312
Computer Equipment	121,593	37,136	(23,613)	135,116
Book collection	1,128,393	93,288	(72,290)	1,149,391
Less accumulated depreciation	<u>(1,535,622)</u>	<u>(191,498)</u>	<u>95,903</u>	<u>(1,631,217)</u>
	<u>\$ 2,775,739</u>	<u>\$ 672,406</u>	<u>\$ -</u>	<u>\$ 3,448,145</u>

Depreciation was charged to the function of library operations for \$191,498.

### NOTE E: RISK MANAGEMENT

The District is exposed to various risks of loss including general liability, property damage, and worker's compensation. The District insures against risk through participation in the Texas Municipal League Intergovernmental Risk Pool, a public risk entity risk pool, consisting of approximately 2,800 member cities/political subdivisions located throughout the state of Texas. The District pays premiums to the risk pool for its general liability, property, and workers' compensation coverage. The District's risk is limited to



# DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

the amount of premiums paid unless the pool should fail, in which case, the District would be liable for its ratable share of the pool deficit.

### **NOTE F: RETIREMENT PLAN**

The District's Simple IRA Plan is available to all employees. The District matches employee contributions up to a maximum of 3% of gross compensation. During the year, the District contributed \$7,157 to the plan.

### **NOTE G: FRIENDS OF THE LIBRARY CONTRIBUTION**

Friends of the Library contributed \$17,500 during the year ended December 31, 2023.

These funds were used for:

• Program Expenses	\$ 9,905
• Collection Development	398
• Library Supplies	614
• Technology	<u>6,583</u>
	<u>\$ 17,500</u>

### **NOTE H: ADJUSTMENTS TO CONVERT FUND STATEMENTS TO GOVERNMENT-WIDE STATEMENTS**

Fund balance to net position:

Fund balance per General Fund	\$ 3,098,048
Capital assets (to capitalize the capital assets)	3,448,145
Pledges receivable	509,063
Leased collections	<u>62,588</u>
Net Position per Statement of Net Position	<u>\$ 7,117,844</u>

Revenue over/(under) expenditures:

Revenue over expenditures per General Fund	\$ 371,475
Collection expense for leased collections	62,588
Depreciation expense (to record current year depreciation)	(191,498)
Pledges receivable	509,063
Capital outlay (to capitalize current year capital outlays)	<u>863,905</u>
Revenue over expenditures per Statement of Activities	<u>\$ 1,615,533</u>

### **NOTE I: SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through April 17, 2024, the date on which the financial statements were available to be issued. There are no events requiring disclosure.

**DRIPPING SPRINGS COMMUNITY LIBRARY DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual on a Budgetary Basis - General Fund**  
**For the Fiscal Year Ended December 31, 2023**

	Budgeted Amounts <u>Original and Final</u>	Budgetary Basis (1) <u>Actual Amounts</u>	Variance with Final Budget <u></u>
<b>Revenues:</b>			
Sales tax revenue	\$ 2,250,000	\$ 2,090,314	\$ (159,686)
Contributions	18,300	142,478	124,178
Governmental contributions	35,000	35,000	-
Operating revenue	6,048	14,367	8,319
Interest	12	140,228	140,216
Other income	-	-	-
<b>Total revenues</b>	<u>2,309,360</u>	<u>2,422,387</u>	<u>113,027</u>
<b>Expenditures</b>			
Human resources	810,295	744,515	65,780
General administrative expenses	49,405	24,747	24,658
Library maintenance	140,000	73,781	66,219
Professional services	35,000	12,565	22,435
Utilities	21,100	15,467	5,633
Equipment and supplies	31,500	24,963	6,537
Technology	101,000	36,230	64,770
Collection expense	348,000	190,714	157,286
Library program services	20,000	20,622	(622)
Marketing and promotion	15,000	12,319	2,681
Capital campaign expenses		25,763	
Other operating expenses	1,200	5,321	(4,121)
Capital Outlay		863,905	(863,905)
Friends of Library Fund	17,500	-	17,500
Future facility fund	719,360	-	719,360
Total expenditures	<u>2,309,360</u>	<u>2,050,912</u>	<u>284,211</u>
Net change in fund balance	-	371,475	397,238
Fund balances, beginning of year	<u>2,726,573</u>	<u>2,726,573</u>	-
Fund balances, end of year	<u>\$ 2,726,573</u>	<u>\$ 3,098,048</u>	<u>\$ 397,238</u>

(1) The actual amounts have been adjusted to reflect the budgetary basis. For budgeting purposes, the District does not recognize in-kind contributions nor the related effect on expenditures or fixed assets. The differences from GAAP basis to budgetary basis are as follows:

Total revenues in accordance with GAAP	\$ 2,931,450
Long-Term Pledges Receivable	(509,063)
Budgetary basis total revenue	<u>\$ 2,422,387</u>
Total expenditures in accordance with GAAP	\$ 1,315,917
Depreciation expense	(191,498)
Leased collections, net of amortization	62,588
Capital outlay capitalized	863,905
Future Facility Fund Receivable	-
Budgetary basis total expenditures	<u>\$ 2,050,912</u>

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