

**SALADO PUBLIC LIBRARY DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2018**

**WILLIAMGRIMSLEY**  
**CERTIFIED PUBLIC ACCOUNTANT**

# Salado Public Library District

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# WILLIAMGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Salado Public Library District  
Salado, Texas

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Governmental activities and each major fund of the Salado Public Library District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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; this includes 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.

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of August 31, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***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 page 21, respectively, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 28, 2018, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



William A. Grimsley, CPA  
Gatesville, Texas  
December 28, 2018

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# SALADO PUBLIC LIBRARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the Year Ended August 31, 2018*

Our discussion and analysis of the Salado Public Library District's (the District) financial performance provides an overview and analysis of the District's financial activities for the year ended August 31, 2018. Please read it in conjunction with the Independent Auditor's Report starting on page 1, the accompanying basic financial statements starting on page 7, and the notes to the financial statements starting on page 13.

## FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the year by \$1,361,956 (net position). Of this amount, \$406,031 is unrestricted and may be used to meet the District's future obligations.
- During the year, the District had total revenues of \$373,140 compared to expenses of \$323,172, resulting in an increase in its net position by \$49,968.
- The District's net investment in capital assets of \$955,925, decreased by \$24,567, the net result of \$6,077 in capital additions less depreciation of \$30,644.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial health is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. This may include uncollected taxes and other revenues or expenses that are appropriated for the current year even though cash is not received or expended until the following year. The government-wide financial statements can be found on pages 7-8 of this report.

# SALADO PUBLIC LIBRARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the Year Ended August 31, 2018*

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The District maintains one governmental fund: the General Fund. The basic governmental fund financial statements can be found on pages 9-12 of this report.

**Notes to the Financial Statements.** The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements. These can be found starting on page 13.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position.** The District's assets exceeded liabilities by \$1,361,956 (net position) as of August 31, 2018. A large portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The primary change as compared to the prior year was an increase in cash and investments.

**Table I  
NET POSITION**

	2018	2017	\$ Change
Current and other assets	\$ 413,815	\$ 337,704	\$ 76,111
Capital assets, net	955,925	980,492	(24,567)
Total assets	<u>1,369,740</u>	<u>1,318,196</u>	<u>51,544</u>
Current liabilities	7,784	6,208	1,576
Total liabilities	<u>7,784</u>	<u>6,208</u>	<u>1,576</u>
Net position:			
Net investment in capital assets	955,925	980,492	(24,567)
Unrestricted	406,031	331,496	74,535
Total net position	<u>\$ 1,361,956</u>	<u>\$ 1,311,988</u>	<u>\$ 49,968</u>

**SALADO PUBLIC LIBRARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*For the Year Ended August 31, 2018*

**Changes in Net Position.** The following table provides a summary of the District's operations for the fiscal year 2018. Revenues totaled \$373,140 for the year, an increase of \$42,122 or 12.7% to the prior year. The increase was primarily from sales tax revenue. Expenses increased by \$22,072, primarily from expenditures for computer automation.

**Table II  
CHANGES IN NET POSITION**

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
General Revenues:			
Sales tax revenues	\$ 356,562	\$ 317,616	\$ 38,946
Interest income	3,704	3,117	587
Grant and contribution income	4,703	9,251	(4,548)
Library fees & other income	8,171	1,034	7,137
Total revenues	<u>373,140</u>	<u>331,018</u>	<u>42,122</u>
Expenses:			
General government	<u>323,172</u>	<u>301,100</u>	<u>22,072</u>
Total expenses	<u>323,172</u>	<u>301,100</u>	<u>22,072</u>
Change in net position	<u>\$ 49,968</u>	<u>\$ 29,918</u>	<u>\$ 20,050</u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Governmental Funds.** The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in accessing the District's financing requirements. In particular, unassigned and assigned fund balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As the District completed the year, its general fund (as presented in the balance sheet on page 9) reported a fund balance of \$406,031, (an increase from the prior year of \$74,535), primarily the result of an increase in sales tax revenue.

**General Fund Budget Highlights.** Actual revenues were \$58,140 higher than budget, primarily from higher than budgeted sales tax revenue. Operating expenditures were \$14,925 lower than the budget, primarily from lower payroll and utility expenses. The combination of higher revenues and lower expenses resulted in a favorable variance of \$73,065, against the budget. More detail is presented in the required supplementary information section on page 21.

# **SALADO PUBLIC LIBRARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*For the Year Ended August 31, 2018*

## **CAPITAL ASSET ADMINISTRATION**

### **Capital Assets**

During the fiscal year, the District invested \$6,077 in capital assets, primarily related to computer automation.

More detailed information about the District's capital assets is presented in the Notes to the Financial Statements located on page 19.

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

The District's appointed officials considered many factors when setting the fiscal year 2019 budget. Some of those factors include the economy and the anticipated needs of the District for operations and capital outlay in the next year.

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

This financial report is designed to provide a general overview of the District's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Secretary or Library Director, at the Salado Public Library, 1151 North Main Street, Salado, Texas 76571.

**BASIC FINANCIAL STATEMENTS  
(GOVERNMENT-WIDE)**

# Salado Public Library District

## Statement of Net Position

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*August 31, 2018*

	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 87,648
Investments	326,167
Capital assets:	
Land	217,000
Building and improvements	882,054
Land improvements	17,410
Furniture and equipment	193,118
Less: accumulated depreciation	(353,657)
<b>Total assets</b>	<b>\$ 1,369,740</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 3,783
Payroll liabilities	4,001
<b>Total liabilities</b>	<b>\$ 7,784</b>
 <b>NET POSITION</b>	
Net investment in capital assets	\$ 955,925
Unrestricted	406,031
<b>Total net position</b>	<b>\$ 1,361,956</b>

The accompanying notes are an integral part of these financial statements.

# Salado Public Library District

## Statement of Activities

*For the Year Ended August 31, 2018*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Change in Net Position</b>
		<b>Charges for Services</b>	<b>Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental activities	\$ 323,172	\$ -	\$ 4,703	\$ (318,469)
Total primary government	\$ 323,172	\$ -	\$ 4,703	\$ (318,469)
<b>General Revenues:</b>				
				356,562
				8,171
				3,704
			<b>Total</b>	368,437
			<b>Change in Position</b>	49,968
			<b>Net Position - Beginning of Year</b>	1,311,988
			<b>Net Position - End of Year</b>	\$ 1,361,956

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS  
(GOVERNMENTAL FUNDS)**

## Salado Public Library District Balance Sheet-Governmental Fund

*August 31, 2018*

	<b>General Fund</b>	<b>Total Governmental Fund</b>
<b>ASSETS</b>		
Cash	\$ 87,648	\$ 87,648
Investments	326,167	326,167
<b>Total assets</b>	<b>\$ 413,815</b>	<b>\$ 413,815</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 3,783	\$ 3,783
Payroll liabilities	4,001	4,001
<b>Total liabilities</b>	<b>7,784</b>	<b>7,784</b>
<b>Fund Balance</b>		
Unassigned	406,031	406,031
<b>Total fund balance</b>	<b>406,031</b>	<b>406,031</b>
<b>Total liabilities and fund balance</b>	<b>\$ 413,815</b>	<b>\$ 413,815</b>

The accompanying notes are an integral part of these financial statements.

**Salado Public Library District**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**

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*August 31, 2018*

Total fund balance – governmental funds \$ 406,031

Amounts reported for governmental activities in the statement  
of net position are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the fund. These  
assets consist of:

Land	\$ 217,000	
Buildings and improvements	882,054	
Land improvements	17,410	
Furniture and fixtures	193,118	
Accumulated depreciation	<u>(353,657)</u>	
Total capital assets		<u>955,925</u>

Net position of governmental activities (page 7) \$ 1,361,956

The accompanying notes are an integral part of these financial statements.

# Salado Public Library District

## Statement of Revenues, Expenditures and Changes in Governmental Funds

*For the Year Ended August 31, 2018*

	General Fund	Total Governmental Fund
<b>Revenues:</b>		
Sales tax	\$ 356,561	\$ 356,561
Library fees and other	8,172	8,172
Interest income	3,704	3,704
Grant income	1,103	1,103
Contributions and memorials	3,600	3,600
Other income	-	-
<b>Total Revenues</b>	373,140	373,140
<b>Expenditures:</b>		
Payroll and benefits	177,259	177,259
General and administrative	44,967	44,967
Facility maintenance and supplies	17,647	17,647
Utilities	11,838	11,838
Books and subscriptions	32,393	32,393
Insurance	4,959	4,959
Other expenses	3,465	3,465
Capital outlay	6,077	6,077
<b>Total Expenditures</b>	298,605	298,605
<b>Net Change in Fund Balance</b>	74,535	74,535
<b>Fund Balance, Beginning of Year</b>	331,496	331,496
<b>Fund Balance, End of Year</b>	\$ 406,031	\$ 406,031

The accompanying notes are an integral part of these financial statements.

**Salado Public Library District  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Governmental Funds  
to the Statement of Activities**

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*For the Year Ended August 31, 2018*

Net change in fund balance – total governmental fund \$ 74,535

Amounts reported for governmental activities in the statement of activities (page 8) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were lower than depreciation in the current period.

(24,567)

Change in net position of governmental activities (page8)

\$ 49,968

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

# Salado Public Library District

## Notes to the Financial Statements

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*For the Year Ended August 31, 2018*

### **Note 1- Summary of Significant Accounting Policies**

The accounting policies of the Salado Public Library District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America, applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

### **The Reporting Entity**

The District is Special Purpose District (SPD) of the State of Texas that was formed in May 1998. The District was created to provide library services to the community of Salado, Texas. The District is governed by a five-member Board of Trustees elected by the qualified voters within its boundaries.

The District is not included in any other governmental reporting entity as defined in GASB Statement No. 61. Additionally, no other entity meets the requirements for inclusion as a component unit in the District's financial statements.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the *Statement of Net Position* and the *Statement of Activities*) report information on all the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods or services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

# Salado Public Library District

## Notes to the Financial Statements

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*For the Year Ended August 31, 2018*

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District does not consider revenues collected after its year end to be available in the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. All other revenue items are considered measurable and available only when the District receives cash.

### **Cash**

Cash consist of the carrying value of bank accounts and petty cash.

### **Investments**

Investments consist of the carrying value of certificates of deposits and the carrying value in an external investment pool account.

### **Capital Assets**

Capital assets, which include land, buildings, improvements, furniture and fixtures, and equipment are reported in the statement of net position in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of circulating books and other library materials are recorded as an expense in the year purchased, as the useful lives of such items are relatively short. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation is calculated on a straight-line basis. Estimated useful lives are as follows:

Furniture and Fixtures	5 Years
Equipment	3-7 Years
Buildings and improvements	7-39 Years

# Salado Public Library District

## Notes to the Financial Statements

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*For the Year Ended August 31, 2018*

### **Net Position and Fund Balances**

In the government-wide financial statements, net position is classified into three Components:

*Net investment in capital assets* – Capital assets, net of accumulated depreciation, reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted* – Consists of assets with constraints placed on the use either by: 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first and then unrestricted resources as they are needed.

*Unrestricted* – All other net assets that do not meet the definition of “net investment in capital assets” or “restricted”.

The District reports governmental fund balances by the five following classification:

*Nonspendable* – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts that can only be used for specific purposes, imposed by formal action of the District’s highest level of decision making authority. In the case of the District, it is the District Board and the formal action would be an ordinance to modify or rescind the commitment.

*Assigned* – Amounts constrained by District management’s intent to be used for specific purposes but not formally restricted by external resources or committed by the District Board.

*Unassigned* – Amount of the remaining fund balance not in any of the other classifications.

For the classification of fund balances, the District considers restricted amounts to have been spent first when an expenditure is incurred for the purpose for which restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balances first, followed by committed, assigned, and lastly unassigned fund balance.

# Salado Public Library District

## Notes to the Financial Statements

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*For the Year Ended August 31, 2018*

### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimations and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

### **Budget and Budgetary Accounting**

The District adopts an annual budget covering the governmental fund operations. The budget is amended as required. The budget is adopted on an accrual basis of accounting, which is a comprehensive basis of accounting and conforms with GAAP.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for such criteria.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for such criteria.

### **Note 2 – Deposits**

#### **Legal and Contractual Provisions, Governing Deposits and Investments**

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

At August 31, 2018, the carrying amount of the District's cash deposits was \$87,078 and the bank balance was \$92,176, all of which was covered by the FDIC.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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)

# Salado Public Library District

## Notes to the Financial Statements

*For the Year Ended August 31, 2018*

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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in; (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) banker’s acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in compliance with the requirements of the Act and with local policies.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Risk</u>
Bank Certificated of Deposit- BCS	\$ 213,016	Open End	N/A
Bank Certificated of Deposit- BBVA	50,385	10 Months	N/A
Bank Certificated of Deposit- Horizon	52,336	5 Months	N/A
TexPool	10,430	Open End	AAAm
Total	<u>\$ 326,167</u>		

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for “money market investments” and “2a7-like pools”. Money market investments which are short-term, highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pool’s share price.

### **Policies, Governing Deposits and Investments**

In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The District was not exposed to custodial credit risk since its deposits at year-end and during the year ended August 31, 2018, were covered by depository insurance or by pledged collateral held by the District’s agent bank in the District’s name.

# Salado Public Library District

## Notes to the Financial Statements

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*For the Year Ended August 31, 2018*

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the District's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government and its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC.

### **Note 3 - Fair Value Measurements and Disclosures**

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements and Disclosures also established a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal year ended September 30, 2018, the application of valuation techniques applied for similar assets and liabilities has been consistent.

Financial instruments included in the District's statement of financial position include cash, investments, accounts receivable, and accounts payable. The recorded values of all the District's financial instruments approximate their fair value based on their short-term nature.

### **Note 4 – Sales Tax Revenue**

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

**Salado Public Library District**  
**Notes to the Financial Statements**

*For the Year Ended August 31, 2018*

**Note 5 – Capital Assets**

The following is a summary of changes in Capital Assets for the Year:

	Balance 8/31/2017	Additions	Retirements	Balance 8/31/2018
Capital assets not being depreciated:				
Land	\$ 217,000	-	-	\$ 217,000
Capital assets being depreciated:				
Buildings and improvements	882,054	-	-	882,054
Furniture and equipment	187,041	6,077	-	193,118
Land improvements	17,410	-	-	17,410
Construction in progress	-	-	-	-
Total	<u>1,086,505</u>	<u>6,077</u>	<u>-</u>	<u>1,092,582</u>
Total capital assets	1,303,505	6,077	-	1,309,582
Less: accumulated depreciation	<u>(323,013)</u>	<u>(30,644)</u>	<u>-</u>	<u>(353,657)</u>
Net capital assets	<u>\$ 980,492</u>	<u>\$ (24,567)</u>	<u>\$ -</u>	<u>\$ 955,925</u>

Depreciation was charged to functions within the primary government as follows:

Governmental activities	<u>\$ 30,644</u>
Total	<u>\$ 30,644</u>

**Note 6 – Debt**

The District had no long-term for the year ended August 31, 2018.

**Note 7 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen’s compensation coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits. The District has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years

**Salado Public Library District**  
**Notes to the Financial Statements**

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*For the Year Ended August 31, 2018*

**Note 8 – Retirement Plan**

The District's Simple IRA Plan is available to all employees after completing six months of continuous service. The District matches employee contributions up to a maximum of 3% of gross compensation. During the year, the District contributed \$3,716 to the plan.

**Note 9 – Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition of disclosure through December 28, 2018, the date the financial statements were available to be issued. No significant subsequent events were identified by the District.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Salado Public Library District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual on a Budgetary Basis - General Fund**  
**Year Ended August 31, 2018**

	Original Budget	Final Budget	Actual (1)	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Sales tax	\$ 305,000	\$ 305,000	\$ 356,561	\$ 51,561
Library fees and other	9,000	9,000	8,172	(828)
Interest income	-	-	3,704	3,704
Grant income	-	-	1,103	1,103
Contributions and memorials	1,000	1,000	3,600	2,600
<b>Total Revenue</b>	<b>315,000</b>	<b>315,000</b>	<b>373,140</b>	<b>58,140</b>
<b><u>EXPENDITURES</u></b>				
Payroll and benefits	186,559	186,559	177,259	9,300
General and administrative	47,100	47,100	44,967	2,133
Facility maintenance and supplies	18,440	18,440	17,647	793
Utilities	15,856	15,856	11,838	4,018
Books and subscriptions	31,030	31,030	32,393	(1,363)
Insurance	5,168	5,168	4,959	209
Other expenses	3,300	3,300	3,465	(165)
<b>Total Expenses</b>	<b>307,453</b>	<b>307,453</b>	<b>292,528</b>	<b>14,925</b>
<b>Net Income From Operations</b>	<b>\$ 7,547</b>	<b>\$ 7,547</b>	<b>\$ 80,612</b>	<b>\$ 73,065</b>

(1) The actual amounts have been adjusted to reflect the budgetary basis. For budgetary purposes, the District does not recognize capital outlays and the related effect on the change in fund balance. The difference from GAAP basis is as follows:

Net income from operations	\$ 80,612
Capital outlays	(6,077)
<b>Net change in fund balance - GAAP basis</b>	<b>\$ 74,535</b>

## **COMPLIANCE AND INTERNAL CONTROL SECTION**

# WILLIAM GRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees  
Salado Public Library District  
Salado, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Salado Public Library District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 28, 2018.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge of governance.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in the internal control that I consider material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William Arthur Grimsley, CPA  
Gatesville, TX  
December 28, 2018