

Draft as of 03/26/2024
to be used only for management discussion
purposes; engagement is incomplete; this
draft is subject to final review and possible
revision.

**WELLS BRANCH COMMUNITY
LIBRARY DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

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FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

Independent Auditors' Report

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Board of Trustees
Wells Branch Community Library District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Wells Branch Community Library District (the 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 as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of December 31, 2023 and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistence with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

West, Davis & Company, LLP
Austin, Texas
March 27, 2024

Wells Branch Community Library District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Draft as of 03/26/2024
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In this section of the Annual Financial Report, we, the managers of Wells Branch Community Library District (the District), discuss and analyze the District's financial performance. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Sales tax revenue increased in 2023 to \$2.5 million from \$2.2 million in 2022.
- The District's end of year balance in investments increased from \$4.1 million on December 31, 2022 to \$5.7 million on December 31, 2023.

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

The District was fully open with a complete calendar of programs in 2023. We are open 7 days per week for a total of 2,970 hours in the year, during which we had 70,310 people through the door. We delivered 968 in-person programs without charge to 17,595 people.

- In 2023, the District added 6,117 physical items to the collection, an increase of nearly 40% from the 4,408 added in 2022. We also determined that a deep deselection was needed in advance of the remodel, so we deleted 7,485 physical items that had been on the shelves for at least 3 years without circulation. That led to an overall decrease of 1,222 items.
- The total value of the physical collection went from \$1,169,791 with 55,101 items at year end 2022 to \$1,139,535 with 53,879 items at year end 2023.
- Emphasis was placed on purchases of electronic and digital items for remote circulation again in 2023 with electronic materials accounting for \$70,943 of the \$163,794 in materials expenditures. In comparison, the 2022 spending for materials was \$118,683.
- There were 1,583 new patron accounts added in 2023, slightly more than the 1,577 added in 2022.
- The average total number of monthly Interlibrary Loan requests was 2 for our patrons in 2023. While we received 23 items from other libraries throughout the year, we sent out 66 of our items to other libraries for their patrons.
- Circulation of physical items averaged 13,198 per month in 2023, up from the 12,243 per month average for 2022. Digital materials increased nearly 20%, averaging 2,537 per month in 2023 from 2,123 per month in 2022. Average monthly total circulation, physical and digital combined, increased from 14,366 in 2022 to 15,735 in 2023.
- There were 70,310 visits to the District in 2023, which is an average of 5,859 visits per month. In 2022, the monthly average of visits was 4,942. That's an increase of over 18%.
- The member amount saved in 2023 averaged \$123,820 per month for physical circulation, which is down from the 2022 average of \$145,528. The number looks like a decrease, but does not include digital circulation, which is steadily increasing.
- The number of volunteer hours in 2022 was 1,218. That number decreased in 2023 to 1,068.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 10 through 11. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, starting on page 12, report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold within the District or to external customers and how the sales revenues covered the expenses of the services.

The notes to the financial statements starting on page 16 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as library fines and fees, and revenues provided by taxpayers. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years (such as accrued legal fees).

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has only one type of activity:

- Governmental activities—Most of the District's basic services are reported here, including the general government and library services. Sales and use taxes and fees finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants. The District's administration establishes other funds to help it control and manage money for particular purposes. The District has only governmental fund type and within that only one fund – the General Fund.

Governmental funds—Most of the District's basic services are reported in governmental funds, i.e. the General Fund. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District began financial operations in 1999 with its fiscal year starting every January 1. Below are comparative figures for fiscal year 2023 to fiscal year 2022. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District’s governmental activities.

The net position of the District's governmental activities increased to \$7.8 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6.1 million at December 31, 2023.

Table I
Wells Branch Community Library District
NET POSITION
in thousands

	Governmental Activities	
	2023	2022
Current and other assets	6,190	4,590
Capital assets	1,661	1,738
Total assets	<u>7,851</u>	<u>6,328</u>
Long-term liabilities	48	39
Other liabilities	53	20
Total liabilities	<u>101</u>	<u>59</u>
Net Position:		
Net investment in capital assets	1,661	1,738
Unrestricted	6,089	4,531
Total net position	<u>7,750</u>	<u>6,269</u>

Table II
Wells Branch Community Library District
CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues:		
Charges for Services	8	7
Operating Grants	2	2
General Revenues:		
Sales taxes	2,491	2,196
Investment Earnings	248	61
Donations	20	20
Miscellaneous	-	-
Total Revenue	<u>2,769</u>	<u>2,286</u>
Expenses:		
General government	36	34
Library	1,251	1,150
Debt Service	-	-
Total Expenses	<u>1,287</u>	<u>1,184</u>
Increase in net position	<u>1,482</u>	<u>1,102</u>

The cost of all governmental activities this year was \$1.3 million. The Statement of Activities on page 11 shows the amount that our taxpayers ultimately financed for these activities through District sales tax revenue of \$2.5 million or 90%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$4.6 million.

The general fund is the only operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to the total fund expenditures. Fund balance represents 436 percent of that same amount.

The total fund balance of the District's general fund increased by \$1.6 million. Key factors to this change are as follows:

- An increase in investment income of \$188 thousand.
- An increase of \$295 thousand in sales tax revenue.

The District's total general revenues were \$2.8 million. A significant portion, \$2.5 million or 90 percent, comes from net sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the budget was amended once. The budget for Personnel was increased from \$777,013 to \$793,513 or \$16,500 and the budget for Facilities was increased from \$177,279 to \$182,079 or \$4,800.

CAPITAL ASSET ADMINISTRATION

As of December 31, 2023, the District had \$1.7 million invested in the library building, collection and office equipment.

DEBT ADMINISTRATION

As of December 31, 2023, the District has \$48 thousand in accrued Personal Time Off (PTO).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In 2023, the District budgeted for \$1.6 million and received \$2.49 million in sales tax revenue, which accounts for nearly the entire budget. Despite economic turbulence over many sectors, the District's income continues to increase over the years. As such, the District has been able to maintain full services and staff while developing a healthy fund for renovation. Plans for said renovation are being developed. The District did a number of outreach events and focus group activities to determine community priorities for the updated facility.

The 2024 budget includes \$2 million in sales tax revenue, which is more than any previous budget expectation. The budget also includes increased income from earned interest and reduced donations and fees, though those numbers have never been statistically significant in District budgeting.

The District's budget is divided into three categories for the annual report to the state - staffing and related employee costs, collection costs, and general operating costs, which includes furniture, facility maintenance/repairs, technology, programming, and utilities. In 2022, the budget was 64% to staffing, 12% to collections, and 24% to general operations. In 2023, the budget went 65% to staffing, 15% to collections, and 20% to general operations.

The 2024 budget has a 10% increase from the original 2023 budget for staffing to cover the incremental Cost-of-living Adjustment (COLA) raises given. The starting wage for entry-level work in the District is now \$20 per hour, which is now competitive with the new entry rates for City of Austin departments. We are in line with pay rates for other small libraries in the area. The cost of employee insurance has gone up considerably as well. Other items to note in the 2024 budget include:

- Special project funding to create a story walk and increase the digital collection and library of things.
- Materials budget increased to \$216K.
- 10% increase in the program budget
- \$800K to the renovation fund for capital expense. Community priorities we hope to address with the renovation include a separated teen gathering area, quiet/private study spaces, increased program space, updated electrical and lighting, and a lobby/entry area where people can eat and drink.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at Wells Branch Community Library District, 15001 Wells Port Drive, Austin, Texas 78728 or phone 512.989.3188.

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BASIC FINANCIAL STATEMENTS

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

Statement of Net Position
December 31, 2023

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	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 117,235	\$ 117,235
Investments	5,664,038	5,664,038
Due from State - Sales Tax	408,337	408,337
Other	-	
Capital Assets:		
Building and Improvements, Net	1,272,946	1,272,946
Collection Materials, Net	256,993	256,993
Furniture and Equipment, Net	102,165	102,165
Signage, Net	29,302	29,302
TOTAL ASSETS	<u>\$ 7,851,016</u>	<u>\$ 7,851,016</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 53,052	\$ 53,052
Unearned Revenue	-	-
Noncurrent Liabilities:		
Due Within One Year	-	-
Due in More Than One Year	47,669	47,669
TOTAL LIABILITIES	<u>\$ 100,721</u>	<u>\$ 100,721</u>
<u>NET POSITION</u>		
Net investment in Capital Assets	\$ 1,661,406	\$ 1,661,406
Unrestricted	6,088,889	6,088,889
TOTAL NET POSITION	<u>\$ 7,750,295</u>	<u>\$ 7,750,295</u>

The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

**Statement of Activities
For the Year Ended December 31, 2023**

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	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
<u>FUNCTIONS/PROGRAMS</u>					
Government Activities:					
General Government	\$ 36,017	\$ -	\$ -	\$ 36,017	\$ 36,017
Library	1,251,391	8,172	1,773	1,241,446	1,241,446
Debt Service Interest	-	-	-	-	-
Total Governmental Activities	<u>1,287,408</u>	<u>8,172</u>	<u>1,773</u>	<u>1,277,463</u>	<u>1,277,463</u>
TOTAL	<u>\$ 1,287,408</u>	<u>\$ 8,172</u>	<u>\$ 1,773</u>	<u>\$ 1,277,463</u>	<u>\$ 1,277,463</u>
General Revenues:					
Sales Taxes				2,490,709	2,490,709
Interest Income				248,669	248,669
Donations				19,861	19,861
Other Revenues				-	-
Total General Revenues				<u>2,759,239</u>	<u>2,759,239</u>
Changes in Net Position				1,481,776	1,481,776
Net Position - Beginning of Year				<u>6,268,519</u>	<u>6,268,519</u>
Net Position - End of Year				<u>\$ 7,750,295</u>	<u>\$ 7,750,295</u>

The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

Balance Sheet - Governmental Funds

December 31, 2023

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ASSETS

Cash and Cash Equivalents	\$ 117,235
Investments	5,664,038
Prepaid Expenses	-
Due from State - Sales Tax	408,337
TOTAL ASSETS	<u>\$ 6,189,610</u>

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 53,052
Deposits	-
TOTAL LIABILITIES	<u>\$ 53,052</u>

FUND BALANCES

Unassigned	\$ 6,136,558
TOTAL FUND BALANCES	<u>\$ 6,136,558</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,189,610</u>

The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2023

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Total Fund Balance - Governmental Fund	\$	6,136,558
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. These assets consist of the following:

Building and Improvements		2,538,103
Collection Materials		1,655,853
Furniture and Equipment		761,306
Signage		42,671
Less: Accumulated Depreciation		(3,336,527)
		1,661,406

Payables for bond principal which are not due in the current period are not reported on the Governmental Fund Balance Sheet.

Accrued Leave		(47,669)
Accrued Interest Payable		-
		(47,669)

Net position of governmental activities	\$	7,750,295
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The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Year Ended December 31, 2023

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REVENUES

Sales Taxes	\$ 2,490,709
Charges for Program Services	8,172
Investment Income	248,669
Other	21,634
TOTAL REVENUES	2,769,184

EXPENDITURES

General Government	36,017
Library	992,055
Capital Outlay	174,293
Debt Service	-
TOTAL EXPENDITURES	1,202,365

Net Change in Fund Balance	1,566,819
Fund Balance - Beginning of Year	4,569,739
Fund Balance - End of Year	\$ 6,136,558

The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2023

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Net Change in Fund Balance - Total Governmental Funds \$ 1,566,819

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and is reported as depreciation expense. This activity is reconciled as follows:

Cost of assets capitalized	174,293
Depreciation expense	(250,434)
Gain/(Loss) on disposition of capital assets	-

Governmental funds do not report liabilities for compensated absences. However, in the Statement of Activities, changes in the accrued liabilities are recorded.

Accrued vacation leave	(8,902)
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Change in Net Position of Governmental Activities - Statement of Activities \$ 1,481,776

The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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A. Summary of Significant Accounting Policies

The basic financial statements of Wells Branch Community Library District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The District’s Board of Trustees (the “Board”), a five-member group, has governance responsibilities over all activities related to the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the District. The District receives funding from a local sales and use tax, as well as other sources and must comply with the requirements of Chapter 326 of the Local Government Code of the State of Texas under which the District was created. However the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District maintains no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

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Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earnings and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of sales and use taxes. Sales and use tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

**Draft as of 03/26/2024
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3. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash and cash equivalents are comprised of bank demand and time deposits (certificates of deposit).

b. Sales and Use Tax

The District is authorized to assess and the Comptroller of Public Accounts collects and distributes to the District a 0.5% sales and use tax on qualified sales within the District.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

The collection consists of fiction and nonfiction books and audiovisual and computer materials that are recorded in the catalog database. The District follows the practice of carrying materials at original cost at time of purchase or fair market value at time of donation. Periodicals are expensed in the year purchased.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building & Improvements	24-40
Collection Materials	5
Furniture & Equipment	5
Signage	24

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, which are not scheduled for collection within one year of year-end.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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e. Uses of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

f. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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B. Deposits and Investments

The District funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District’s agent bank agrees with pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Cash Deposits

At December 31, 2023, the carrying amount of the District’s deposits (cash and interest-bearing savings) was \$117,235. The balance at the various banks was \$136,759. For the year ended December 31, 2023, the District’s deposits were fully insured by the Federal Deposit Insurance Corporation.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments, which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Percentage</u>
TexPool Investment Pool	23 days average	AAA-m	\$ 5,577,904	98%
Bank Time Deposits	Less than 12 Months	NA	86,134	2%
			<u>\$ 5,664,038</u>	<u>100%</u>

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

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Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agency but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District investments representing more than 5% of total investments are disclosed above.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

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C. Capital Assets

Capital asset activity for the period ended December 31, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Buildings and Improvements	\$ 2,538,103	\$ -	\$ -	\$ 2,538,103
Collection Materials	1,496,451	159,402	-	1,655,853
Furniture and Equipment	746,415	14,891	-	761,306
Signage	42,671	-	-	42,671
Total capital assets being depreciated	<u>4,823,640</u>	<u>174,293</u>	<u>-</u>	<u>4,997,933</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,200,644)	(64,513)	-	(1,265,157)
Collection Materials	(1,280,882)	(117,978)	-	(1,398,860)
Furniture and Equipment	(592,976)	(66,165)	-	(659,141)
Signage	(11,591)	(1,778)	-	(13,369)
Total accumulated depreciation	<u>(3,086,093)</u>	<u>(250,434)</u>	<u>-</u>	<u>(3,336,527)</u>
Total capital assets being depreciated, net	<u>1,737,547</u>	<u>(76,141)</u>	<u>-</u>	<u>1,661,406</u>
Governmental Activities capital assets, net	<u>\$ 1,737,547</u>	<u>\$ (76,141)</u>	<u>\$ -</u>	<u>\$ 1,661,406</u>

Depreciation was charged to functions as follows:

General Government	\$ -
Library	<u>250,434</u>
	<u>\$ 250,434</u>

D. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

E. Commitments and Contingencies

The District leases the land on which the building is located under a long-term lease with the Wells Branch Municipal Utility District, the lease expires in 2102. Minimum lease payments are \$500 per year through 2102.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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F. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Permanent employees may contribute up to 25% of their salary. The District will match 100% of the employees' contribution up to 7.5% of the employees' salary. The District requires employees working thirty-five hours or more per week to participate in the plan. Four eligible employees participated in 2023. Contributions to the plan by the District were \$24,626 during 2023.

G. Compensated Leave

All Personal Time Off (PTO) is accrued and measured based on an employee's Full Time Equivalent (FTE) as compared to a forty (40) hour work week. An employee who is scheduled to work 40 hours per week has an FTE of eight hours per day. An employee who is scheduled to work 15 hours per week has an FTE of 3 hours per day. Full-time and part-time employees accrue 0.0577 hours of PTO per hour worked (15 FTE days per year) for years 1 through year 3; 0.0847 hours per hour worked (22 FTE days per year) for years 4 through 10; and 0.1155 hours per hour worked (30 FTE days per year) for years 11 or more.

Employees may accumulate a maximum of 40 days of PTO. After the completion of three months of employment, upon employee resignation or termination for any reason other than cause, unused PTO will be compensated subject to the District's policy on notice of resignation. The amount of earned but unused PTO at December 31, 2023 is \$47,669.

H. Friends of the Library

The Friends of the Library (FOL) supports the interests and welfare of the District by promoting volunteerism, fostering the library through cultural and social events and raising funds to support the library's programs. The Friends of the Library is not a component unit of the District as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity."

The FOL had total receipts of \$78 during 2023 while expenditures totaled \$827 resulting in an ending fund balance of \$2,444.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not consider a part of the basic financial statements.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2023

Draft as of 03/26/2024
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	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final
				Budget Positive (Negative)
REVENUES				
Taxes:				
Sales Tax	\$ 1,600,000	\$ 1,600,000	\$ 2,490,709	\$ 890,709
Total Taxes	1,600,000	1,600,000	2,490,709	890,709
Charges for Program Services:				
Fines, Forfeitures and Costs	5,000	5,000	8,172	3,172
Meeting Room Fees	-	-	-	-
Services and Fees	-	-	-	-
Total Fines, Forfeitures and Costs	5,000	5,000	8,172	3,172
Investment Income:				
Investment Income	10,000	10,000	248,669	238,669
Other Revenues:				
Donations	250	250	19,861	19,611
FOL Fundraising & Activities	-	-	-	-
Miscellaneous	-	-	-	-
Book Sales	-	-	-	-
Miscellaneous Grant	2,500	2,500	1,773	(727)
Total Other Revenue	2,750	2,750	21,634	18,884
TOTAL REVENUES	1,617,750	1,617,750	2,769,184	1,151,434
EXPENDITURES				
General Government:				
Finance and Legal	14,117	14,117	10,151	3,966
Board Expenses	15,800	15,800	-	15,800
Election	-	-	25,866	(25,866)
Total General Government	29,917	29,917	36,017	(6,100)
Library:				
Personnel	777,013	793,513	769,888	23,625
Programs	37,500	38,500	29,260	9,240
Office Expenses	8,500	9,500	9,337	163
Technology	61,500	61,500	22,688	38,812
Facilities	162,279	167,079	132,484	34,595
Advertising	7,200	7,200	7,195	5
Contributed Goods and Services	-	-	19,763	(19,763)
Other	-	1,500	1,440	60
	1,053,992	1,078,792	992,055	86,737
Capital Outlay:				
Collection	161,775	161,775	159,402	2,373
Other	15,000	15,000	14,891	109
	176,775	176,775	174,293	2,482
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
TOTAL EXPENDITURES	1,260,684	1,285,484	1,202,365	83,119
Excess Revenues Over (Under) Expenditures	357,066	332,266	1,566,819	1,234,553
Net Changes in Fund Balance	357,066	332,266	1,566,819	1,234,553
Fund Balance - Beginning of Year	4,569,739	4,569,739	4,569,739	-
Fund Balance - End of Year	\$ 4,926,805	\$ 4,902,005	\$ 6,136,558	\$ 1,234,553

The accompanying notes are an integral part of this statement.