

**WELLS BRANCH COMMUNITY
LIBRARY DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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For the Year Ended December 31, 2016

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FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

Independent Auditors' Report

Board of Trustees
Wells Branch Community Library District

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, 2016, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

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 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity 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 the budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



West, Davis & Company, LLP
Austin, Texas
March 31, 2017

Wells Branch Community Library District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 9.

FINANCIAL HIGHLIGHTS

- Sales tax revenue remained at \$1.2 million.
- The State reported that the District had been overpaid \$299,974 in sales tax receipts from January 2010 through June 2012 that balance due is now \$98 thousand, the Comptroller is withholding \$5,181 per month from sales tax receipts to repay that balance (See Note I to the audited financial statements).
- Net position increased by \$414 thousand.
- The District's fund balance increased by \$243 thousand or 21%.
- The District reduced its long-term debt by \$190 thousand.

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

- In 2016, the library added 5,351 physical items to the collection and deleted 5,358 physical items for a net decrease of 7 physical materials.
- There were 2,253 new patrons added in 2016, up 10% from 2,033 in 2015.
- The average total number of monthly Interlibrary Loan requests was 3.8.
- Circulation of physical items averaged 14,233 items per month, a mild increase over 14,223 in 2015. However, circulation of digital materials averaged 896 per month, more than double the 397 average from 2015.
- The average monthly door count was 8,753 in 2016, up 3% from 2015.
- The member amount saved in 2016 averaged \$177,714 per month (does not include digital circulation). This is up \$6,138 per month from 2015.
- The monthly average of adult volunteer hours in 2016 was 288, up 4% from 277 in 2015.
- As of December 31, 2016, the total value of the physical collection was \$1,126,697.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 9 through 10. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, starting on page 11, report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. 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 15 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) 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 11 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants. The District's administration establishes other funds to help it control and manage money for particular purposes. The District has only governmental fund type and within that only one fund – the General Fund.

Governmental funds—Most of the District's basic services are reported in governmental funds, i.e. the General Fund. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of 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 2016 to fiscal year 2015. 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 \$3.2 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1.4 million at December 31, 2016.

Table I
Wells Branch Community Library District

NET POSITION
in thousands

	Governmental Activities	
	2016	2015
Current and other assets	1,535	1,361
Capital assets	2,010	2,029
Total assets	3,545	3,390
Long-term liabilities	210	400
Other liabilities	129	198
Total liabilities	339	598
Net Position:		
Net investment in capital assets	1,800	1,629
Unrestricted	1,406	1,163
Total net position	3,206	2,792

Table II
Wells Branch Community Library District

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues:		
Charges for Services	39	47
Operating Grants	2	4
General Revenues:		
Sales taxes net of overpayments	1,214	1,183
Investment Earnings	3	1
Donations	50	44
Miscellaneous	-	-
Total Revenue	<u>1,308</u>	<u>1,279</u>
Expenses:		
General government	20	13
Library	865	780
Debt Service	9	12
Total Expenses	<u>894</u>	<u>805</u>
Increase in net position	<u>414</u>	<u>474</u>

The cost of all governmental activities this year was \$894 thousand. The Statement of Activities on page 10 shows the amount that our taxpayers ultimately financed for these activities through District sales tax revenue of \$1.2 million or 140%.

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 \$1.4 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 132 percent of that same amount.

The total fund balance of the District's general fund increased by \$243 thousand. Key factors to this change are as follows:

- Sales tax increase of \$31 thousand;
- Revenues exceed expenditures by \$110 thousand less than last year.

The District's total general revenues were \$1.3 million. A significant portion, \$1.2 million or 93 percent, comes from sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the budget was amended several times. This resulted in budgeted expenditures increasing by some \$54 thousand with the majority relating to increases in facilities of \$37 thousand, election costs of \$17 thousand.

CAPITAL ASSET ADMINISTRATION

As of December 31, 2016, the District had \$2 million invested in the library building, collection and office equipment.

DEBT ADMINISTRATION

As of December 31, 2016, the District had \$210 thousand in an outstanding note payable. This is \$190 thousand or 48% less than 2015.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Sales tax revenues are the vast majority of the District budget, and they have been increasing year over year. In 2016, the District budgeted for \$885,000 in sales tax income. Final tax revenue, after repayment to the Comptroller for a miscoded business from 2010, was \$1,152,061. That was an increase from final 2015 revenue of \$1,110,647.

For 2017, the Board of Trustees budgeted for a flat \$1,000,000 income from sales tax. One-time expenses added into the 2017 budget include new furnishings for the young adult and children's area, replacing the adult public computers, private browsing carrels for adult computers, and an image audit to be conducted by an outside source. Other changes to the budget from 2016 include the loss of meeting room rental fees as the room is being repurposed for library sponsored programming. The 2017 budget replenishes the election reserve as it was completely depleted by a contested election in 2016. The budget devotes 12.5% to collection materials and incorporates a 20% increase to programming funds, the addition of Hoopla Digital Services for patrons to download items directly, and increased charges for providing staff insurance.

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.

BASIC FINANCIAL STATEMENTS

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
Statement of Net Position
December 31, 2016

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 279,146	\$ 279,146
Investments	1,073,886	1,073,886
Due from State - Sales Tax	182,281	182,281
Capital Assets:		
Building and Improvements, Net	1,724,537	1,724,537
Collection Materials, Net	212,099	212,099
Furniture and Equipment, Net	72,129	72,129
Signage, Net	786	786
TOTAL ASSETS	\$ 3,544,864	\$ 3,544,864
<u>LIABILITIES</u>		
Accounts Payable	\$ 7,628	\$ 7,628
Accrued Liabilities	20,861	20,861
Interest Payable	-	-
Due to State - Sales Tax Overpayment (Note I)	98,446	98,446
Unearned Revenue	2,456	2,456
Noncurrent Liabilities:		
Due Within One Year	90,000	90,000
Due in More Than One Year	120,000	120,000
TOTAL LIABILITIES	\$ 339,391	\$ 339,391
<u>NET POSITION</u>		
Net investment in Capital Assets	\$ 1,799,551	\$ 1,799,551
Unrestricted	1,405,922	1,405,922
TOTAL NET POSITION	\$ 3,205,473	\$ 3,205,473

The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
Statement of Activities
For the Year Ended December 31, 2016

	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	\$ 19,563	\$ -	\$ -	\$ 19,563	\$ 19,563
Library	865,471	38,754	2,010	824,707	824,707
Debt Service Interest	9,202	-	-	9,202	9,202
Total Governmental Activities	<u>894,236</u>	<u>38,754</u>	<u>2,010</u>	<u>853,472</u>	<u>853,472</u>
 TOTAL	 <u><u>\$ 894,236</u></u>	 <u><u>\$ 38,754</u></u>	 <u><u>\$ 2,010</u></u>	 <u><u>\$ 853,472</u></u>	 <u><u>\$ 853,472</u></u>
 General Revenues:					
Sales Taxes				1,214,237	1,214,237
Interest Income				3,109	3,109
Donations				49,708	49,708
Other Revenues				-	-
Total General Revenues				<u>1,267,054</u>	<u>1,267,054</u>
Changes in Net Position				413,582	413,582
Net Position - Beginning of Year				<u>2,791,891</u>	<u>2,791,891</u>
Net Position - End of Year				<u><u>\$ 3,205,473</u></u>	<u><u>\$ 3,205,473</u></u>

The accompanying notes are an integral part of this statement.

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
Balance Sheet - Governmental Funds
December 31, 2016

ASSETS

Cash and Cash Equivalents	\$ 279,146
Investments	1,073,886
Due from State - Sales Tax	182,281
TOTAL ASSETS	\$ 1,535,313

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 7,628
Accrued Liabilities	20,861
Deposits	2,456
Due to State - Sales Tax Overpayment (Note I)	98,446
TOTAL LIABILITIES	\$ 129,391

FUND BALANCES

Unassigned	\$ 1,405,922
TOTAL FUND BALANCES	\$ 1,405,922
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,535,313

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, 2016

Total Fund Balance - Governmental Fund	\$ 1,405,922
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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	1,126,697
Furniture and Equipment	308,382
Signage	1,709
Less: Accumulated Depreciation	(1,965,340)
	2,009,551

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

Note Payable	(210,000)
Accrued Interest Payable	-
	(210,000)

Net position of governmental activities	\$ 3,205,473
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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, 2016

REVENUES

Sales Taxes	\$ 1,214,237
Charges for Program Services	38,754
Investment Income	3,109
Other	51,718
TOTAL REVENUES	1,307,818

EXPENDITURES

General Government	19,563
Library	686,507
Capital Outlay	159,090
Debt Service	199,202
TOTAL EXPENDITURES	1,064,362

Net Change in Fund Balance	243,456
Fund Balance - Beginning of Year	1,162,466
Fund Balance - End of Year	\$ 1,405,922

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, 2016

Net Change in Fund Balance - Total Governmental Funds	\$	243,456
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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		156,213
Depreciation expense		(176,087)
Gain/(Loss) on disposition of capital assets		-

Governmental funds report debt principal payments as expenditures. However, in the Statement of Activities, principal payments are used to reduce the outstanding balance of long-term debt. In addition, payable for note interest not due in the current period are not reported in the Funds.

Debt Service Principal		190,000
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Change in Net Position of Governmental Activities - Statement of Activities	\$	413,582
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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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016, the carrying amount of the District’s deposits (cash and interest-bearing savings) was \$279,146. The balance at the various banks was \$318,387. For the year ended December 31, 2016, 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	48 days average	AAA-m	\$ 718,197	66%
Bank Time Deposits	Less than 12 Months	NA	355,689	34%
			<u>\$ 1,073,886</u>	<u>100%</u>

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

C. Capital Assets

Capital asset activity for the period ended December 31, 2016 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	1,107,429	109,524	90,256	1,126,697
Furniture and Equipment	261,693	46,689	-	308,382
Signage	1,709	-	-	1,709
Total capital assets being depreciated	<u>3,908,934</u>	<u>156,213</u>	<u>90,256</u>	<u>3,974,891</u>
Less accumulated depreciation for:				
Buildings and Improvements	(749,053)	(64,513)	-	(813,566)
Collection Materials	(914,281)	(90,573)	(90,256)	(914,598)
Furniture and Equipment	(215,323)	(20,930)	-	(236,253)
Signage	(852)	(71)	-	(923)
Total accumulated depreciation	<u>(1,879,509)</u>	<u>(176,087)</u>	<u>(90,256)</u>	<u>(1,965,340)</u>
Total capital assets being depreciated, net	<u>2,029,425</u>	<u>(19,874)</u>	<u>-</u>	<u>2,009,551</u>
Governmental Activities capital assets, net	<u>\$ 2,029,425</u>	<u>\$ (19,874)</u>	<u>\$ -</u>	<u>\$ 2,009,551</u>

Depreciation was charged to functions as follows:

General Government	\$ -
Library	<u>176,087</u>
	<u>\$ 176,087</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, 2016

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. Five eligible employees participated in 2016. Contributions to the plan by the District were \$14,032 during 2016.

G. Compensated Leave

During the first three years of employment, all regular and part-time employees accrue vacation leave at the rate of 0.03846 hours per hour worked, up to 10 days per year. For years four through ten, employees accrue 0.05769 vacation hours per hour worked, up to 15 days per year. For years eleven and after, employees accrue 0.07692 vacation hours per hour worked, up to a 20 days per year. Employees may accumulate a maximum of 25 days of vacation. The amount of earned but unused vacation leave at December 31, 2016 is not significant.

Family/Sick leave is accrued at the rate of 0.02692 hours per hour worked, up to a maximum of 7 days per year. Regular employees may accumulate up to 25 days. Employees are not paid for unused sick leave upon termination of employment. No provision is required in the accompanying financial statements for unused sick leave.

H. Long-Term Debt

On January 24, 2003, in connection with the construction of the new facility, the District entered into a loan agreement with Bank of America, N.A. Principal amounts were advanced during the construction period up to the total of \$1,800,000 as of January 31, 2004, when the construction was substantially complete. Principal payments of \$22,500 are due quarterly beginning January 24, 2004. Interest, at a variable rate based on a factor of LIBOR on the outstanding principal of the note, is due on the last day of each interest period and on October 24, 2023. The interest rate as of December 31, 2016 was 2.514333%.

The District has pledged all sales tax revenue as security against this loan.

Beginning Balance	Payments	New Loans	Ending Balance
\$ 400,000	\$ 190,000	\$ 0	\$ 210,000

WELLS BRANCH COMMUNITY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

Maturities of the long-term debt for the years ending December 31 are:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 90,000	\$ 6,358	\$ 96,358
2017	90,000	4,162	94,162
2020	30,000	867	30,867
	<u>\$ 210,000</u>	<u>\$ 11,387</u>	<u>\$ 221,387</u>

I. Due to State – Sales Tax Overpayment

The District was informed in November of 2012, by the Texas Comptroller of Public Accounts (the Comptroller), that it had been overpaid \$299,974 in state sales tax. This overpayment covered a period from January 2010 until June 2012. The Comptroller stated that an unnamed business had erroneously reported that it resided in the District’s jurisdiction when in actuality it resided in another. The Comptroller has agreed to a payment plan that would reimburse the State over a five year period. The remaining balance would be repaid in monthly sales tax reductions of \$5,181 through July 2018.

J. 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 \$4,057 during 2016. The FOL’s expenditures totaled \$1,895 during 2016.

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, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes:				
Sales Tax	\$ 885,000	\$ 885,000	\$ 1,214,237	\$ 329,237
Total Taxes	885,000	885,000	1,214,237	329,237
Charges for Program Services:				
Fines, Forfeitures and Costs	20,000	20,000	21,227	1,227
Meeting Room Fees	20,000	20,000	17,527	(2,473)
Services and Fees	-	-	-	-
Total Fines, Forfeitures and Costs	40,000	40,000	38,754	(1,246)
Investment Income:				
Investment Income	1,000	1,000	3,109	2,109
Other Revenues:				
Donations	1,750	1,750	49,708	47,958
FOL Fundraising & Activities	1,000	1,000	-	(1,000)
Miscellaneous	1,400	1,400	-	(1,400)
Other	-	51,500	-	(51,500)
Grants	2,000	2,000	2,010	10
Total Other Revenue	6,150	57,650	51,718	(5,932)
TOTAL REVENUES	932,150	983,650	1,307,818	324,168
<u>EXPENDITURES</u>				
General Government:				
Finance and Legal	9,348	9,348	7,921	1,427
Board Expenses	4,000	17,500	11,642	5,858
Legislative	-	-	-	-
Total General Government	13,348	26,848	19,563	7,285
Library:				
Personnel	506,708	508,707	488,640	20,067
Programs	18,500	18,750	18,764	(14)
Office Expenses	8,300	8,800	8,762	38
Technology	29,360	27,360	22,230	5,130
Facilities	105,738	142,738	86,909	55,829
Advertising	9,400	5,450	5,266	184
Contributed Goods and Services	-	-	47,801	(47,801)
Other	1,600	1,600	8,135	(6,535)
	679,606	713,405	686,507	26,898
Capital Outlay:				
Collection	114,188	120,390	112,401	7,989
Other	22,500	22,500	46,689	(24,189)
	136,688	142,890	159,090	(16,200)
Debt Service:				
Principal	90,000	90,000	190,000	(100,000)
Interest	12,000	12,000	9,202	2,798
	102,000	102,000	199,202	(97,202)
TOTAL EXPENDITURES	931,642	985,143	1,064,362	(79,219)
Excess Revenues Over (Under) Expenditures	508	(1,493)	243,456	244,949
Net Changes in Fund Balance	508	(1,493)	243,456	244,949
Fund Balance - Beginning of Year	1,162,466	1,162,466	1,162,466	-
Fund Balance - End of Year	\$ 1,162,974	\$ 1,160,973	\$ 1,405,922	\$ 244,949

The accompanying notes are an integral part of this statement.