Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas

Independent Auditor's Report and Financial Statements

December 31, 2020

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
December 31, 2020

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Independent Auditor's Report

Board of Trustees
Fayetteville Public Library
Fayetteville, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fayetteville Public Library, a component unit of the City of Fayetteville, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the Fayetteville Public Library as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2020 the Library adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed 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.

Report on Summarized Comparative Information

We have previously audited the Library's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated July 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

Rogers, Arkansas
July 21, 2021

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
Management's Discussion and Analysis
Year Ended December 31, 2020

Introduction

As management of the Fayetteville Public Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the Library's financial activities for the year ended December 31, 2020. It should be read in conjunction with the accompanying basic financial statements of the Library.

Financial Highlights

Key financial highlights for 2020 are as follows:

- The assets of the Library exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $49,567,019 (*net position*). Unrestricted net position of $10,277,422 may be used to meet the Library's ongoing obligations and $9,542,445 is available to meet the Fayetteville Public Library Foundation (the "Foundation") obligations.

- The Library's total net position increased by $355,341 or 1%. The Foundation's net position increased by $6,552,390 or 56%.

- As of the close of the current year, the Library's governmental funds reported ending fund balances of $5,744,572 attributable to the Library and $5,112,420 attributable to its Foundation, a decrease of $3,738,472 or 42% for the Foundation and an decrease of $318,625 or 5% for the Library in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the governmental funds was $5,606,565 or 21% of total governmental fund expenditures. The Library portion of this amount excluding its Foundation was $5,606,565, or 60% of Library governmental fund expenditures.

- During 2020, the Library adopted GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which required the inclusion of fiduciary funds financial statements in the Library's basic financial statements. See *Note 1* for information related to the adoption of these standards.

Overview of Financial Statements

This annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information* (Budgetary Comparison Schedule). The basic financial statements include information that presents two different views of the Library.

The Library's basic financial statements not only include the Library but also its blended component unit, Fayetteville Public Library Foundation (the "Foundation"). The Foundation, although a legal separate entity, is, in substance, part of the Library's operations since its primary function is to raise funds for the benefit of the Library. The effect of the transactions between the Library and Foundation is eliminated in the basic financial statements.

Governmental funds are used to account for essentially the same functions reported as in the government-wide financial statements (statement of net position and statement of activities columns on pages 8 and 9, respectively). However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Library's near-term financing requirements.

Major funds of the Library are as follows:

General Fund – This is the Library's primary operating fund. It accounts for all financial resources of the general government.

Fayetteville Public Library Foundation Fund – This fund accounts for restricted and unrestricted contributions and other funds of the Library not included in the General Fund.

The adjustment column of the financial statements represents adjustments necessary to convert the governmental fund financial statements to the government-wide financial statements under the full accrual method of accounting. The adjustments columns provide reconciliations to facilitate the comparison between the governmental fund and government-wide financial statements.

The fourth column presents the Library's *government-wide financial statements* which are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities and deferred inflows of resources by $49,567,019 at the close of the most recent fiscal year.

A portion of the Library's net position (40%) is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.

Statements of Net Position

	2020	2019
Current and Other Assets	$ 27,858,762	$ 23,519,461
Capital Assets, net	34,312,360	20,255,046
Total Assets	62,171,122	43,774,507
Current and Other Liabilities	12,597,580	1,108,696
Total Liabilities	12,597,580	1,108,696
Deferred Inflows of Resources	6,523	6,523
Net Investment in Capital Assets	22,822,941	19,975,046
Restricted	6,924,211	10,620,580
Unrestricted	19,819,867	12,063,662
Total Net Position	$ 49,567,019	$ 42,659,288

An additional portion of the net position (46%) reflects its net investment in capital assets (*e.g.*, land, buildings and furniture and equipment). The Library uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. The remaining balance of net position (14%) represents resources that are subject to external restrictions on how they may be used. Combined unrestricted net position increased 65% and total net position increased 16%, due to revenues exceeding expenses in 2020 by $6,907,731.

Statements of Activities

	2020	2019
Revenues		
Grants and contributions	$ 9,720,725	$ 4,641,400
Property taxes	6,655,394	6,208,324
Fines and fees	25,876	105,621
Investment income (loss)	491,434	1,060,438
Loss on sale of capital assets	-	(54,790)
Miscellaneous	545,423	41,437
Total revenues	17,438,852	12,002,430
Expenses	10,531,121	8,362,488
Changes in Net Position	6,907,731	3,639,942
Net Position, Beginning of Year	42,659,288	39,019,346
Net Position, End of Year	$ 49,567,019	$ 42,659,288

In 2020, revenues increased by $5,436,422 or 45%, and expenses increased by $2,168,633 or 26%, primarily due to:

- An increase of donor contributions of $4,688,666 or 214%.
- An increase in personnel services of $303,135.
- An increase in services and charges of $585,787.
- An increase in depreciation of $726,294.

Financial Analysis of the Governmental Fund

As noted earlier, the focus of the Library's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a Library's net resources available for discretionary use at the end of the fiscal year.

As of the end of the current fiscal year, the general fund of the Library reported ending fund balances of $5,744,572. Approximately, 98% of the Library's ending fund balance amount constitutes unassigned fund balance, which is available for spending at the Library's discretion. The remainder of the fund balance has spending constraints placed on the purpose for which resources can be used.

As of the end of the current fiscal year, the Fayetteville Public Library (FPL) Foundation fund reported ending fund balances of $5,112,420. 100% of the fund balance has spending constraints placed on the purpose for which resources can be used.

The total fund balance of the general fund of the Library decreased by $318,625 during the current fiscal year. A key factor in the change is an increase in the capital outlay for the Library.

The total fund balance of the FPL Foundation fund decreased by $3,738,472 during the current fiscal year. A key factor in the change is an increase in capital outlay for the Foundation.

Capital Assets

At the end of 2020, the Library had $34,312,360 net investment in capital assets, as detailed in *Note 4* to the financial statements, an increase of $14,057,314. The increase is primarily due to capital assets additions in the amount of $16,318,091, net of depreciation expense of $1,745,833.

Budgetary Highlights

Differences between the final budget and the actual results (budgetary basis) as reported on page 25 can be briefly summarized as follows:

- Total revenues were under budget by 3.0%.
- Total expenditures were under budget by 11.6%.
- Overall change in fund balance was $949,914 or 74.9% less than budgeted.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional financial information should be mailed to the following address:

Office of the Director of Financial Services
Fayetteville Public Library
401 W. Mountain
Fayetteville, AR 72701

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
Governmental Funds Balance Sheet/Statement of Net Position
(with summarized comparative financial information for the statement of net position for the year ended December 31, 2019)
December 31, 2020

	General Fund	FPL Foundation Fund	Total
Assets			
Cash and cash equivalents	$ 4,951,380	$ 2,195,709	$ 7,147,089
Investments	687,937	473,081	1,161,018
Accounts receivable	226,492	33,283	259,775
Property taxes receivable, net of allowance; $207,483	7,317,774	-	7,317,774
Pledges receivable, net	-	6,965,833	6,965,833
Accrued interest receivable	3,523	493	4,016
Due from other funds	185,630		185,630
Prepaid expense	138,007	17,535	155,542
Restricted			
Cash and cash equivalents	-	785,894	785,894
Investments	-	4,051,625	4,051,625
Accrued interest receivable	-	10,196	10,196
Capital assets, net	-	-	-
Total assets	$ 13,510,743	$ 14,533,649	$ 28,044,392
Liabilities			
Line-of-credit agreement	-	-	-
Accounts payable	127,319	1,988,557	2,115,876
Accrued expenses	406,510	480,470	886,980
Due to other funds		185,630	185,630
Paycheck Protection Program Loan	-	-	-
Unearned revenue	523,724	-	523,724
Total liabilities	1,057,553	2,654,657	3,712,210
Deferred Inflows of Resources			
Unavailable revenue - property taxes	6,708,618	-	6,708,618
Unavailable revenue - contributions	-	6,766,572	6,766,572
Total deferred inflows of resources	6,708,618	6,766,572	13,475,190
Fund Balances/Net Position			
Fund balances			
Nonspendable			
Prepaid expense	138,007	17,535	155,542
Permanent endowment	-	1,250,000	1,250,000
Assigned	-	3,844,885	3,844,885
Unassigned	5,606,565	-	5,606,565
Total fund balances	5,744,572	5,112,420	10,856,992
Total liabilities, deferred inflows, and fund balances	$ 13,510,743	$ 14,533,649	$ 28,044,392
Net position			
Net investment in capital assets			
Restricted for capital assets			
Expendable			
Nonexpendable			
Restricted for debt service			
Expendable			
Restricted for children's library			
Expendable			
Nonexpendable			
Restricted for the volunteer program			
Expendable			
Restricted for NEH Grant			
Expendable			
Restricted for capital campaign expansion			
Expendable			
Unrestricted			
Total net position			

See Notes to Financial Statements

Adjustments	Statement of Net Position	2019 Summarized Statement of Net Position
$ -	$ 7,147,089	$ 5,159,890
-	1,161,018	3,405,779
-	259,775	8,154
-	7,317,774	6,422,905
-	6,965,833	1,892,927
-	4,016	8,327
(185,630)	-	-
-	155,542	151,417
-	785,894	420,266
-	4,051,625	6,038,140
-	10,196	11,656
34,312,360	34,312,360	20,255,046
$ 34,126,730	$ 62,171,122	$ 43,774,507
9,026,000	9,026,000	280,000
-	2,115,876	297,956
-	886,980	375,628
(185,630)	-	
45,000	45,000	-
-	523,724	155,112
8,885,370	12,597,580	1,108,696
(6,708,618)	-	-
(6,760,049)	6,523	6,523
(13,468,667)	6,523	6,523
(155,542)		
(1,250,000)		
(3,844,885)		
(5,606,565)		
(10,856,992)		
22,822,941	22,822,941	19,975,046
60,900	60,900	614,550
500,000	500,000	500,000
2,175,768	2,175,768	1,945,061
-	-	1,145,616
750,000	750,000	750,000
492,685	492,685	456,451
2,944,858	2,944,858	2,754,231
-	-	2,454,671
19,819,867	19,819,867	12,063,662
$ 49,567,019	$ 49,567,019	$ 42,659,288

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
(with summarized comparative financial information for the statement of activities for the year ended December 31, 2019)
Year Ended December 31, 2020

	General Fund	FPL Foundation Fund	Total
Revenues			
Contributions			
From primary government	$ 2,224,401	$ -	$ 2,224,401
Capital Campaign - Expansion	-	1,795,186	1,795,186
Other	2,082	62,624	64,706
Property taxes	6,044,863	-	6,044,863
Investment income (loss)	53,786	437,648	491,434
Fines and fees	25,876	-	25,876
Grant revenue	411,086	-	411,086
State aid	137,363	-	137,363
Loss on sale of capital assets	-	-	-
Miscellaneous	10,878	534,545	545,423
Total revenues	8,910,335	2,830,003	11,740,338
Expenditures/Expenses			
Current			
Personnel services	4,135,136	196,288	4,331,424
Services and charges	1,356,571	-	1,356,571
Materials and supplies	423,565	-	423,565
Maintenance	276,326	-	276,326
Public relations	-	5,132	5,132
Depreciation	-	-	-
Other	-	367,322	367,322
Transfers to primary government	1,865,867	-	1,865,867
Capital outlay	1,322,633	14,480,514	15,803,147
Debt Service			
Principal	-	2,646,000	2,646,000
Interest	-	159,081	159,081
Total expenditures/expenses	9,380,098	17,854,337	27,234,435
Excess (Deficiency) of Revenues Over Expenditures	(469,763)	(15,024,334)	(15,494,097)
Other Financing Sources (Uses)			
Issuance of debt	-	11,437,000	11,437,000
Transfers in - internal activities	151,138	(151,138)	-
Total other financing sources (uses)	151,138	11,285,862	11,437,000
Net change in fund balances	(318,625)	(3,738,472)	(4,057,097)
Change in net position	-	-	-
Fund Balances/Net Position			
Beginning of the year	6,063,197	8,850,892	14,914,089
End of year	$ 5,744,572	$ 5,112,420	$ 10,856,992

See Notes to Financial Statements

Adjustments	Statement of Activities	2019 Summarized Statement of Activities
$ -	$ 2,224,401	$ 2,124,401
5,087,983	6,883,169	2,194,503
-	64,706	103,516
610,531	6,655,394	6,208,324
-	491,434	1,060,438
-	25,876	105,621
-	411,086	72,304
-	137,363	146,676
-	-	(54,790)
-	545,423	41,437
5,698,514	17,438,852	12,002,430
-	4,331,424	4,028,289
-	1,356,571	770,784
-	423,565	284,615
-	276,326	152,009
-	5,132	7,115
1,745,833	1,745,833	1,019,539
-	367,322	211,980
-	1,865,867	1,888,157
(15,803,147)	-	-
(2,646,000)	-	-
-	159,081	-
(16,703,314)	10,531,121	8,362,488
-	-	-
(11,437,000)	-	-
-	-	-
(11,437,000)	-	-
4,057,097	-	-
6,907,731	6,907,731	3,639,942
27,745,469	42,659,288	39,019,346
$ 38,710,297	$ 49,567,019	$ 42,659,288

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
Statement of Fiduciary Net Position
December 31, 2020

	Pension Trust Funds
Assets	
Cash and cash equivalents	$ 717,206
Mutual funds	6,180,356
Accrued dividend receivable	493
Total assets	$ 6,898,055
Liabilities	
Due to brokers	$ 40,090
Total liabilities	40,090
Net Position	
Restricted for:	
Pensions	6,857,965
Total net position	6,857,965
Total liabilities and net position	$ 6,898,055

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2020

	Pension Trust Funds
Additions	
Employer contributions	$ 255,066
Participant contributions	256,891
Gain on investments	928,427
Dividend income	34,530
Other income	2,667
Total additions	1,477,581
Deductions	
Benefits paid	603,251
Administrative expenses	2,994
Total deductions	606,245
Change in Fiduciary Net Position	871,336
Beginning of year, as restated	5,986,629
End of year	$ 6,857,965

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
Notes to Financial Statements
December 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Fayetteville Public Library (Library) is located in Fayetteville, Arkansas. The Library is a component unit of the City of Fayetteville, Arkansas (City). The Mayor of the City appoints all seven members of the Library's Board of Trustees and the City provides the Library with financial assistance and a major portion of the Library's budget. The accompanying financial statements present the Library and its component unit, an entity for which the Library is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Library's operations.

Blended Component Unit. The Fayetteville Public Library Foundation (Foundation) provides fundraising for the Library and is governed by a board comprised of members appointed by the Board of Trustees of the Library. The Foundation is reported as the Library's other major governmental fund. Complete financial statements of the Foundation may be obtained from the office of its Director of Development at 401 W. Mountain, Fayetteville, Arkansas.

Fiduciary Component Units. The Library utilizes fiduciary funds to report assets that are held in a trustee or custodial capacity for others and that cannot be used to support the general operations of the Library. The Library's fiduciary funds consist of the Library Employee Retirement Savings Plan (401a Plan) and the Library 457 Plan (457b Plan/Deferred Compensation Plan) which are fiduciary component units under the provisions of GASB 84 and GASB 14, as amended. The 401(a) and 457 Plans are employee benefit trust funds used to manage employee retirement funds. The transactions and balances of the fiduciary funds are also reported using the economic resources measurement focus and the accrual basis of accounting.

Measurement Focus, Basis of Accounting and Presentation

Government-Wide Financial Statements

The government-wide financial statements of the Library have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally grants and property taxes) are recognized when all applicable eligibility requirements are met. Revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Charges for services (exchange or exchange-like transactions) and program-specific grants and contributions are reported as program revenues. All tax revenue, investment monies and nonprogram-specific grants and contributions are reported as general revenues. The Library first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Fund financial statements provide information about the Library's funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if the revenues are collected within 60 days after year-end. 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 when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Major revenue sources susceptible to accrual include property taxes, sales taxes and grants.

Fund Accounting

The financial activities of the Library are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. The Library uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The Library reports the following major governmental funds:

General Fund – This is the Library's primary operating fund. It accounts for all financial resources of the general government.

Fayetteville Public Library (FPL) Foundation Fund – This fund accounts for restricted and unrestricted contributions and other funds of the Library not included in the General Fund.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows/outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Library considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020, cash equivalents consisted of money market funds with brokers.

Restricted cash equivalents consist of those short-term liquid investments held for use by the Library that have been limited by donors to a specific time period or purpose.

Property Taxes

Property taxes are levied each November 1 on the assessed value listed as of January 1 for all real and personal property. The property tax is considered due on the first Monday in February (the lien date) after the levy; however, the tax is not considered delinquent until October 16 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes, which remain delinquent for a period of three years, are certified to the land commissioner where a lien is recorded and held on file. If property taxes remain delinquent for a period of seven years, the property will be subsequently sold by the land commissioner.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2020, property taxes receivable and related deferred inflows of resources of $6,708,618 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

During August 2016, the City of Fayetteville, Arkansas held a special election related to an increase in property taxes for the benefit of the Library. An increase of one and one-half (1.5) mills was passed as it relates to the maintenance and operation of the Fayetteville Public Library. In addition, a separate tax of one and two-tenths (1.2) mills was passed to be pledged to the issuance of bonds not to exceed $26,500,000 to finance capital improvements to the Fayetteville Public Library. These bonds were issued in June 2017. Property taxes of $2,175,768 for the 1.2 mills are included in the property tax receivable of $7,317,774 and are shown as restricted for debt service on the Statement of Net Position.

Pledges Receivable

Pledges receivable consist of promises to give made by donors. Pledges receivable are recorded net of estimated uncollectible amounts and discounted to present value for pledges due in more than one year. The Foundation provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Restricted investments consist of those investments held for use by the Library that have been limited by donors to a specific time period or purpose

Investment earnings include dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Library:

Buildings and improvements	50 years
Furniture and equipment	5-10 years
Library materials	3-10 years
Software	5-10 years
Film	5 years

Collections

All collections of works of art, historical treasures, and similar assets are capitalized. Items added to the collections are capitalized at cost if purchased or at estimated acquisition value on the acquisition date if donated. Collection items sold or removed are reported as unrestricted or temporarily restricted gains or losses depending on donor stipulations, if any, placed on the items at the time of acquisition. These collections are considered inexhaustible and have extraordinarily long useful lives, and as such, these items are not depreciated.

Compensated Absences

Library policies permit most employees to accumulate leave with pay benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as accrued leave benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is included in accrued expenses on the statement of net position.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the Library that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the Library that is applicable to a future period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenditures until the period(s) to which they relate. The governmental funds report unavailable revenues from two sources: property taxes and contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position reports unavailable revenue from contributions only due to time restrictions.

Net Position

Net position of the Library is classified in four components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Library. Restricted nonexpendable net position is noncapital assets whose restrictions are permanent in nature as specified by donors external to the Library. Unrestricted net position is remaining assets and deferred outflows less remaining liabilities and deferred inflows that do not meet the definition of net investment in capital assets, restricted expendable or restricted nonexpendable.

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

Fund Balance - Governmental Funds

The fund balances for the Library's governmental funds are displayed in five components:

Nonspendable - Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted - Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. Funds are externally restricted by contributors.

Assigned - Assigned fund balances include amounts intended to be used for specific purposes as specified by the Foundation's management or governing board.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The Library considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available. The Library applies restricted amounts first, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Recently Adopted Accounting Standards

The Library adopted GASB Statement No. 84, *Fiduciary Activities,* in 2020 which establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and OPEB arrangements, and other fiduciary activities. Additionally, the Library adopted GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* in 2020 which, among other things, modifies certain component unit criteria and changes the reporting of 457 plans.

The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on

As a result of adopting GASB 84, the Library now presents fiduciary funds financial statements which required an adjustment of $5,986,629 to record beginning net position at January 1, 2020. The expanded disclosures implemented as a result of this standard are included in *Note 9.*

Note 2: Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balances and the net change in fund balances of the Library's General Fund and the FPL Foundation Fund differs from net position and change in net position of the governmental activities reported in the statement of net position and statement of activities. These differences primarily result from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances. The following are reconciliations of fund balances to net position and the net change in fund balances to the net change in net position:

Total fund balances	$ 10,856,992
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,312,360
Amounts reported as deferred inflows of resources are not recognized at the fund level on the modified accrual basis are reported as revenues on the full accrual basis in the government-wide financial statements.	13,468,667
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,071,000)
Total net position	$ 49,567,019

Change in fund balances	$ (4,057,097)
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, for government-wide statements, the costs of those assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	14,057,314
Contribution revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	5,087,983
Property tax revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	610,531
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment consumes current financial resources. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	(8,791,000)
Change in net position	$ 6,907,731

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it.

State law requires collateralization of all deposits of public funds with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Library

The Library's deposit policy for custodial credit risk requires compliance with the provisions of state law. At December 31, 2020, the Library had bank balances of $951,278 that were all insured (FDIC) or collateralized with securities held by the Library or the Library's agents in the Library's name. The carrying value of these deposits as of December 31, 2020, was $845,758.

Foundation

The Foundation's deposit policy for custodial credit risk requires compliance with the provisions of state law. At December 31, 2020, $1,052,109 that were all insured (FDIC) or collateralized with securities held by the Foundation or the Foundation's agent in the Foundation's name. The carrying value of these deposits as of December 31, 2020, was $1,025,304.

Investments

Library

The Library may legally invest in direct obligations of the U.S. Government and agencies, collateralized certificates of deposit, prerefunded municipal bonds, corporate bonds, collateralized repurchase agreements, treasury money markets, local government trusts and savings accounts.

At December 31, 2020, the Library had the following investments and maturities:

	December 31, 2020			
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
U.S. treasury obligations	$ 203,309	$ -	$ 203,309	$ -
Money market mutual funds	4,103,817	4,103,817	-	-
Corporate bonds	484,627	86,802	225,923	171,902
	$ 4,791,753	$ 4,190,619	$ 429,232	$ 171,902

In compliance with GASB 72, the Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Library had the following recurring fair value measurements as of December 31, 2020:

- U.S. treasury obligations of $203,309 are valued using quoted market prices (Level 1 inputs).
- Money market mutual funds of $4,103,817 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of $484,627 are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Library's investment policy attempts to match investment maturities with cash flow requirements. Money market mutual funds are used to meet the short term cash flow needs of the Library. Other investments are allowed within a range of maturities of 90 days to 10 years and over. Some of the Library's investments have maturities over five years to maximize interest earnings.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Library's investment policy does not address custodial credit risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Library's policy to invest no more than 20% in corporate debt or in securities of a management type investment company or investment trust. It is the Library's policy to limit its investments in corporate bonds to issues that are rated investment grade by Standard & Poor's and Moody's Investors Service and shall maintain an A- average rating or better for Standard & Poor's and an A3 average rating or better for Moody's Investors Service. Investment in commercial paper will be rated A-1/P-1. At December 31, 2020, the Library's investments in U.S. agencies obligations and corporate bonds were rated an average rate of AA by Standard & Poor rating and an average rate of Aa1 by Moody's Investors Service.

Concentration of Credit Risk – The Library's policy states that investments shall be diversified by limiting investments to avoid concentration in securities from a specific issuer less than or equal to 5% of the cost basis of the Library's portfolio at the time of purchase.

Foundation

At December 31, 2020, the Foundation had the following investments and maturities:

	December 31, 2020			
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
Corporate bonds	$ 2,041,740	$ 217,099	$ 984,040	$ 840,601
Money market mutual funds	938,887	938,887	-	-
		$ 1,155,986	$ 984,040	$ 840,601
Corporate stocks	2,142,912			
Exchange-traded funds	183,267			
Mutual funds	156,785			
	$ 5,463,591			

In compliance with GASB 72, the Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation had the following recurring fair value measurements as of December 31, 2020:

- Corporate bonds and stocks of $2,041,740 and $2,142,912, respectively, are valued using quoted market prices (Level 1 inputs).
- Money market mutual funds and mutual funds of $938,887 and $156,785, respectively, are valued using quoted market prices (Level 1 inputs).
- Exchange-trade funds of $183,267 are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy limits its investment fixed income portfolio to maturities of no more than 10 years or non-public in nature.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Foundation's policy to limit its investments in corporate bonds to issues that are rated investment grade by Standard & Poor's and Moody's Investors Service and shall maintain an A+ average rating or better for Standard & Poor's and an A1 average rating or better for Moody's Investors Service. At December 31, 2020, the Foundation's investments in U.S. agencies obligations and corporate bonds were rated an average rate of A+ by Standard & Poor rating and an average rate of A1 by Moody's Investors Service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Foundation's investment policy does not address custodial credit risk.

Concentration of Credit Risk - The Foundation's investment policy dictates that except for U.S. Treasury or agency obligations, the Foundation's investment portfolio shall contain no more than 5% exposure to any issuer.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net position as follows:

Carrying value	
Library	
Deposits	$ 845,760
Cash on hand	1,804
Investments	4,791,753
Foundation	
Deposits	2,042,718
Investments	5,463,591
	$ 13,145,626
Included in the following statement of net position captions	
Cash and cash equivalents	$ 7,147,089
Restricted cash and cash equivalents	785,894
Investments	1,161,018
Restricted investments	4,051,625
	$ 13,145,626

Investment Income

Investment income for the year ended December 31, 2020, consisted of:

Interest and dividend income	$ 179,781
Net increase in fair value of investments	311,653
	$ 491,434

Note 4: Capital Assets

Capital assets activity for the year ended December 31, 2020, was:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 2,029,755	$ -	$ -	$ 2,029,755
Construction in progress	1,632,712	10,858,975	514,944	11,976,743
Buildings and improvements	21,080,385	-	-	21,080,385
Furniture and equipment	2,861,924	4,915,569	-	7,777,493
Library materials	4,925,948	501,978	-	5,427,926
Film	180,000	-	-	180,000
Software	155,230	41,569	-	196,799
Library owned art	150,000	-	-	150,000
	33,015,954	16,318,091	514,944	48,819,101
Less accumulated depreciation				
Buildings and improvements	6,214,444	451,174	-	6,665,618
Furniture and equipment	2,344,434	939,127	-	3,283,561
Library materials	3,922,826	334,298	-	4,257,124
Film	180,000	-	-	180,000
Software	99,204	21,234	-	120,438
	12,760,908	1,745,833	-	14,506,741
Capital assets, net	$ 20,255,046	$ 14,572,258	$ 514,944	$ 34,312,360

Note 5: Line of Credit

Foundation

The Foundation has a $15,000,000 revolving line of credit expiring in September 2022. At December 31, 2020, there was $9,026,000 borrowed against this line. The line is collateralized by all pledges, land, and land improvement of the Foundation. Interest was 5.25 percent at December 31, 2020, and is payable monthly.

Note 6: Paycheck Protection Program (PPP) Loan

The CARES Act and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Payroll Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Foundation received a PPP loan of $45,000 in April 2020. The loan has an interest rate of 1 percent, with monthly payments due monthly starting six months after the receipt of the loan.

The Foundation is accounting for the PPP loan is accordance with GASB Statement 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying balance sheet as long-term debt in accordance with the term of the PPP loan agreement.

Subsequent to year-end, the Foundation received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment in fiscal year 2021.

Note 7: Interfund Transfers

During the year ended December 31, 2020, the following transfers were made between the Library and the Foundation:

- $98,378 transfer of funds from the Foundation to the Library for payments relating to the expansion project.
- $44,779 transfer of funds from the Foundation to the Library for payments relating to Humanities Programming and Materials.
- $7,981 transfer of funds from the Foundation to the Library for payments relating to Elderly and Volunteer Programs

Note 8: Pension Plan

The Library contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Library's required contributions, determined in accordance with the terms of the plan. The plan is administered by Bank of Arkansas Wealth Management. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Library's governing body. Plan members were required to contribute, at a minimum, 3% of covered payroll up to a maximum of $19,000 for 2020. The Library's contribution is a discretionary 6% to 12% of each participant's annual compensation and both the employer and employee contributions are immediately fully vested. Contributions actually made during 2020 by plan members and the Library aggregated $256,891 and $255,066, respectively.

Note 9: Fiduciary Funds

Investment Risk

Due to the nature of the plans, the interest rate risk, credit risk, custodial risk and concentration of credit risk will vary for the participants depending on the investment options chosen by the participant.

Investments at December 31 for the Pension Trust Funds (the Trust Funds), include money market funds with a maturity of less than one year of $672,779 and $6,180,356 in mutual funds. $2,773,782 of these investments were level 1 and $3,406,574 were level 2.

At December 31, 2020, the Trust Funds invested in the Cavanal Hill Government Securities Money Market Fund, a publicly traded money market fund comprised primarily of short-term U.S. Treasury securities. This investment is classified in cash and cash equivalents in the statements of fiduciary net position due to its highly liquid nature. This fund maintains a stable net asset value of $1 and has a Standard and Poor's credit rating of AAAm.

Note 10: Risk Management

The Library is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note 11: Foundation Endowments and Similar Funds

The Foundation's Board of Directors has established an investment policy with the objective of protecting the principal of these investments and maximizing total investment return without assuming extraordinary risks. It is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to ensure a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. As of December 31, 2020, the Foundation had a total of $60,900, of net appreciation from investment of donor-restricted endowments available for expenditure. This amount is reported in restricted fund balance in the governmental fund balance sheet and in various categories of expendable restricted net position on the statement of net position. The laws of the state of Arkansas do not currently restrict the Foundation's ability to spend net appreciation on donor-restricted endowment funds.

Note 12: Economic Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial results of the Library. The Library invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Fayetteville Public Library
A Component Unit of the City of Fayetteville, Arkansas
Budgetary Comparison Schedule
Budgetary Basis
Year Ended December 31, 2020

	Budget		Actual	
	Original	Final	Budgetary Basis	Final Budget-Budgetary Basis Variance
Revenues				
Contributions				
From primary government	$ 2,224,451	$ 2,224,451	$ 2,224,401	$ (50)
From Foundation	105,522	105,522	151,138	45,616
Other	3,600	3,600	2,082	(1,518)
Property taxes	6,162,305	6,162,305	6,044,863	(117,442)
Investment income	80,694	80,694	53,786	(26,908)
Fines and fees	115,200	115,200	25,876	(89,324)
Grant revenue	157,100	474,870	411,086	(63,784)
State aid	146,600	146,600	137,363	(9,237)
Miscellaneous	27,900	27,900	10,878	(17,022)
Total revenues	9,023,372	9,341,142	9,061,473	(279,669)
Expenditures				
Current				
Personnel services	4,267,349	4,347,424	4,135,136	(212,288)
Materials and supplies	1,019,308	1,384,068	423,565	(960,503)
Services and charges	1,370,137	1,705,180	1,356,571	(348,609)
Maintenance	299,843	334,843	276,326	(58,517)
Transfers to primary government	1,998,585	1,998,585	1,865,867	(132,718)
Capital outlay	104,750	839,581	1,322,633	483,052
Total expenditures	9,059,972	10,609,681	9,380,098	(1,229,583)
Excess of Revenues Over (Under) Expenditures	(36,600)	(1,268,539)	(318,625)	949,914
Change in Fund Balances	(36,600)	(1,268,539)	(318,625)	949,914
Fund Balances, Beginning of Year	6,063,197	6,063,197	6,063,197	-
Fund Balances, End of Year	$ 6,026,597	$ 4,794,658	$ 5,744,572	$ 949,914

Budgets and Budgetary Accounting

The annual budget is prepared on the modified accrual basis for revenues and expenditures and adopted by the Library Board of Trustees. Subsequent amendments are approved by the Board. Budgetary control is maintained at the Library program level.

The budgetary basis used for budget purposes excludes the revenues and expenditures of the Foundation since it is a blended component unit of the Library and does not adopt an annual budget.