



LONE CONE LIBRARY DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017

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August 20 , 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

March 6, 2018

Board of Trustees
Lone Cone Library District
Norwood, Colorado

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of Lone Cone Library District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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 District'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 District'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.



Board of Trustees
Lone Cone Library District
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and the major fund of Lone Cone Library District, as of December 31, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lone Cone Library District's basic financial statements. The component unit schedule of cash flows is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

LONE CONE LIBRARY DISTRICT

Management's Discussion and Analysis

For the Year Ended December 31, 2017

The Board of Trustees of the Lone Cone Library District (the District), offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

In 2016, the District passed a mill levy increase of 6.95 mills to allow for the financing of \$2,000,000 in Certificates of Participation (COP) for the construction of a new facility and to cover immediate and future operating costs. In 2016 the District was also awarded a \$1,500,000 grant from the Department of Local Affairs (DOLA). During 2017, the library was able to complete a lease purchase agreement putting \$2,000,000 into an escrow account and begin spending the DOLA funds. We also collected the returns of the higher mill levy. The District, also, increased the staff by one additional position and increased salary rates to be more competitive in the marketplace. In addition, the District hired both Anderson Hallas Architects and FCI Construction to move the construction process forward.

Financial Highlights

- The District financed \$2,015,000 through a lease purchase agreement.
- The District revenue from property tax receipts increased from \$185,518 in 2016 to \$425,467 in 2017 due to the increased mill levy rate.
- With the expectation of breaking ground in 2017, the projected budget for Capital outlay was \$4,046,525. The District spent only \$290,041 on Capital outlay as ground breaking has been delayed until 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. These components are discussed below.

Because of the nature and significance of the relationship between the Lone Cone Library District and Lone Cone Library Foundation (the Foundation), the Foundation is determined to be a component unit of the District. Therefore, the Foundation's financial information is presented discretely within the financial statements of the District.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. The statement of governmental net position presents information on all of the District's assets, liabilities, and deferred inflows with the difference between assets and liabilities plus deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The statement of activities presents information showing how the District'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 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.

In the government-wide financial statements, the District's activities are shown in one category; *governmental activities*. The District's activities are principally supported by property taxes.

The government-wide financial statements can be found on pages 9 and 10.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District has a general fund only.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the General Fund balance sheet and the General Fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District has only one governmental fund—the General Fund. The District's General Fund's financial statements can be found on pages 11 and 13.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement on page 17 has been provided for the fund to demonstrate compliance with the budget.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 18 through 27.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information for the Lone Cone Library Foundation. This information can be found on page 28 in the Schedule of Cash Flows for the Foundation.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of the government's financial position. In this case, the District's assets exceeded its liabilities and deferred inflows by \$590,555 as of December 31, 2017.

The following summarizes the District's net position as of December 31:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|-------------------|-------------------|
| Assets | | |
| Current and other assets..... | \$ 672,496 | \$ 512,436 |
| Restricted cash | 1,960,228 | - |
| Capital assets | <u>412,387</u> | <u>126,686</u> |
| Total Assets | <u>3,045,111</u> | <u>639,122</u> |
| Liabilities | | |
| Current liabilities | 90,567 | - |
| Long-term liabilities | <u>1,980,244</u> | <u>-</u> |
| Total Liabilities | <u>2,070,811</u> | <u>-</u> |
| Deferred Inflows | | |
| Property taxes..... | <u>383,745</u> | <u>414,374</u> |
| Net Position | | |
| Net investment in capital assets..... | 374,450 | 126,686 |
| Restricted for emergencies | 20,018 | 5,761 |
| Unrestricted | <u>196,087</u> | <u>92,301</u> |
| Net Position | <u>\$ 590,555</u> | <u>\$ 224,748</u> |

The majority of the District's current assets are invested in cash and cash equivalents and a receivable for property taxes. The District has been able to provide for adequate operations without incurring debt. Restricted net position of \$20,018 represent a 3% emergency reserve required by an amendment to the State constitution (TABOR) and are not available for use by the District.

The following summarizes the change in the District's net position for the year ended December 31:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for Services..... | \$ 2,214 | \$ - |
| Capital Grants and Contributions | 232,769 | - |
| General revenues: | | |
| Taxes | 443,201 | 185,518 |
| Investment income | 1,456 | 731 |
| Miscellaneous | <u>2,724</u> | <u>15,038</u> |
| Total Revenues | <u>682,364</u> | <u>201,287</u> |
| Expenses | | |
| Culture and Recreation | 247,164 | 190,144 |
| Debt Issuance Costs | 15,000 | - |
| Interest on long-term debt | <u>54,393</u> | <u>-</u> |
| Total Expenses | <u>316,557</u> | <u>190,144</u> |
| Change in Net Position | 365,807 | 11,143 |
| Net Position - January 1 | <u>224,748</u> | <u>213,605</u> |
| Net Position - December 31 | <u>\$ 590,555</u> | <u>\$ 224,748</u> |

A majority of the District's revenue was from property and specific ownership taxes. The District also received \$232,769 in Capital grants. The District's financial position improved during 2017 with a change in net position of \$365,807 which occurred primarily due to the increase in revenue beginning in 2016 and Capital grants.

Governmental Funds Financial Analysis

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

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

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund had a fund balance of \$2,176,333 as of December 31, 2017, an increase of \$2,078,271. The increase in fund balance occurred due to the Lease proceeds of \$2,015,000 which was not all spent in 2017 but will be spent in future years.

The unassigned portion of the fund balance in the amount of \$188,157 is available for spending. The District's required 3% reserve for emergencies is set at \$20,018 at December 31, 2017. A significant portion of the fund balance, \$1,960,228, is restricted for the building project.

General Fund Budgetary Highlights

- 2017 actual revenues were under budget by \$1,757,160 because we did not break ground in 2017 as we had expected to do.
- 2017 actual expenditures were less than budgeted by \$3,820,031 also because we did not break ground in 2017 as we had expected to do.

Capital Assets and Long-Term Debt

Capital assets, net of accumulated depreciation, increased by \$285,701 in 2017 due primarily to the capital project in progress.

Long-term debt increased by \$1,980,244 as the District entered into a capital lease purchase agreement to build a new library after a successful mill levy increase in 2016.

Economic Factors and Next Year’s Budget

The District will hire one (1) new full time employee in 2018 and expand the hours of some of our part-time staff. This will increase the full time staff to a total of 3 employees and increase the payroll for the District by 6.5%. The District will also purchase the equipment and support materials to support the expanded rolls of the increased staff.

Due to the Gallagher Amendment and a reduction in Oil and Gas production, tax revenues have decreased for 2018. The District anticipates the capital construction process to begin in May and will use any revenues not needed for operating to cover these costs. The District does not anticipate the need to seek an increase in the mill levy in 2018.

Component Unit

The following summarizes the Foundation’s financial position at December 31:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|------------------|-------------|
| Assets | | |
| Current and other assets..... | <u>\$ 55,016</u> | <u>\$ -</u> |
| Total Assets | <u>55,016</u> | <u>-</u> |
| Liabilities | | |
| Unearned Revenue..... | <u>30,000</u> | <u>-</u> |
| Total Liabilities | <u>30,000</u> | <u>-</u> |
| Net Assets | | |
| Unrestricted | <u>25,016</u> | <u>-</u> |
| Total Net Assets | <u>\$ 25,016</u> | <u>\$ -</u> |

The Foundation's changes in financial position can be summarized as follows:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|------------------|-------------|
| Revenues | | |
| Contributions..... | \$ 30,091 | \$ - |
| Investment income..... | 11 | - |
| Other revenue..... | <u>1,095</u> | <u>-</u> |
| Total Revenues | <u>31,197</u> | <u>-</u> |
| Expenses | | |
| Program..... | 6,018 | - |
| Management and general | <u>163</u> | <u>-</u> |
| Total Expenses | <u>6,181</u> | <u>-</u> |
| Change in Net Assets | 25,016 | - |
| Net Assets - January 1..... | <u>-</u> | <u>-</u> |
| Net Assets - December 31 | <u>\$ 25,016</u> | <u>\$ -</u> |

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the District Board of Trustees; Lone Cone Library District; PO Box 127, 1110 Lucerne Street; Norwood, CO 81423. Interested citizens can also visit our website at <https://norwood.colibraries.org/>.

Lone Cone Library District
STATEMENT OF NET POSITION

December 31, 2017

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash | \$ 64,911 |
| Investments | 140,749 |
| Receivables | |
| Property taxes | 383,745 |
| Grant | 81,668 |
| Other | 1,423 |
| Restricted cash | 1,960,228 |
| Capital assets, net of accumulated depreciation | 412,387 |
| Total Assets | 3,045,111 |
| LIABILITIES | |
| Accounts payable | 17,886 |
| Accrued payroll | 4,760 |
| Unearned revenue | 50,000 |
| Accrued interest | 17,921 |
| Long-term liabilities | |
| Portion due and payable within one year | |
| Lease payable | 71,411 |
| Portion due and payable after one year | |
| Lease payable | 1,908,833 |
| Total Liabilities | 2,070,811 |
| DEFERRED INFLOWS | |
| Property taxes | 383,745 |
| Total Deferred Inflows | 383,745 |
| Total Liabilities and Deferred Inflows | 2,454,556 |
| NET POSITION | |
| Net investment in capital assets | 374,450 |
| Restricted for emergencies | 20,018 |
| Unrestricted | 196,087 |
| Total Net Position | \$ 590,555 |

The accompanying notes are an integral part of this statement.

Lone Cone Library District
STATEMENT OF ACTIVITIES

Year ended December 31, 2017

| Function/Programs | Expenses | Program Revenues | | | Total Governmental Activities |
|---------------------------------------|-------------------|----------------------|-----------------------------------|---------------------------------|-------------------------------|
| | | Charges for Services | Operating Grants and Contribution | Capital Grants and Contribution | |
| Governmental activities: | | | | | |
| Culture and recreation | \$ 247,164 | \$ 2,214 | \$ - | \$ 232,769 | \$ (12,181) |
| Debt issuance costs | 15,000 | - | - | - | (15,000) |
| Interest on long-term debt | 54,393 | - | - | - | (54,393) |
| Total governmental activities | \$ 316,557 | \$ 2,214 | \$ - | \$ 232,769 | (81,574) |
| General revenues: | | | | | |
| Property and specific ownership taxes | | | | | 443,201 |
| Miscellaneous | | | | | 2,724 |
| Investment income | | | | | 1,456 |
| Total general revenues | | | | | 447,381 |
| Change in net position | | | | | 365,807 |
| Net position - beginning | | | | | 224,748 |
| Net position - ending | | | | | \$ 590,555 |

The accompanying notes are an integral part of this statement.

Lone Cone Library District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017

| | General | Total Governmental Funds |
|---|---------------------|--------------------------------|
| ASSETS | | |
| Cash | \$ 64,911 | \$ 64,911 |
| Investments | 140,749 | 140,749 |
| Receivables | | |
| Property taxes | 383,745 | 383,745 |
| Grant | 81,668 | 81,668 |
| Other | 1,423 | 1,423 |
| Restricted cash | 1,960,228 | 1,960,228 |
| Total Assets | <u>\$ 2,632,724</u> | <u>\$ 2,632,724</u> |
| LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY | | |
| Liabilities | | |
| Accounts payable | \$ 17,886 | \$ 17,886 |
| Accrued payroll | 4,760 | 4,760 |
| Unearned revenue | 50,000 | 50,000 |
| Total Liabilities | <u>72,646</u> | <u>72,646</u> |
| Deferred inflows | | |
| Property taxes | 383,745 | 383,745 |
| Total Deferred Inflows | <u>383,745</u> | <u>383,745</u> |
| Fund equity | | |
| Restricted for building project | 1,960,228 | 1,960,228 |
| Restricted for emergencies | 20,018 | 20,018 |
| Assigned for fundraising | 7,930 | 7,930 |
| Unassigned | 188,157 | 188,157 |
| Total Fund Equity | <u>2,176,333</u> | <u>2,176,333</u> |
| Total Liabilities, Deferred Inflows, and Fund Equity | <u>\$ 2,632,724</u> | <u>\$ 2,632,724</u> |

The accompanying notes are an integral part of this statement.

Lone Cone Library District

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2017

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

| | |
|---|--------------------------|
| Total fund balance - governmental funds | \$ 2,176,333 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 412,387 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (1,980,244) |
| Accrued interest and fees are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(17,921)</u> |
| Net Position of Governmental Activities | <u><u>\$ 590,555</u></u> |

The accompanying notes are an integral part of this statement.

Lone Cone Library District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended December 31, 2017

| | General | Total Governmental Funds |
|--------------------------------|---|--------------------------------|
| Revenues | | |
| Property taxes | \$ 425,467 | \$ 425,467 |
| Specific ownership taxes | 17,734 | 17,734 |
| Grants | 217,669 | 217,669 |
| Gifts and donations | 15,100 | 15,100 |
| Charges for services | 2,214 | 2,214 |
| Miscellaneous | 2,724 | 2,724 |
| Investment income | 1,456 | 1,456 |
| Total revenues | <u>682,364</u> | <u>682,364</u> |
| Expenditures | | |
| Culture and recreation | 242,824 | 242,824 |
| Debt service | | |
| Principal | 34,756 | 34,756 |
| Interest | 36,472 | 36,472 |
| Debt issuance costs | 15,000 | 15,000 |
| Capital outlay | 290,041 | 290,041 |
| Total expenditures | <u>619,093</u> | <u>619,093</u> |
| | Excess of Revenues Over (Under) Expenditures | 63,271 |
| Other financing sources | | |
| Lease proceeds | 2,015,000 | 2,015,000 |
| | Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 2,078,271 |
| Fund Balance - beginning | <u>98,062</u> | <u>98,062</u> |
| Fund Balance - ending | <u>\$ 2,176,333</u> | <u>\$ 2,176,333</u> |

The accompanying notes are an integral part of this statement.

Lone Cone Library District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year ended December 31, 2017

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

| | |
|--|-------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 2,078,271 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (was less than) depreciation in the current period (\$290,041 - \$4,340). | 285,701 |
| Governmental funds report the repayment of principal on long-term debt as expenditures. However, these repayments are not reported as expenses in the statement of activities, but rather a reduction of debt in the statement of net position. This amount is the effect of the difference in the treatment of these repayments. | 34,756 |
| Proceeds from debt issuance provide current financial resources to governmental funds, but increase liabilities in the statement of net position. | (2,015,000) |
| Governmental funds do not record the amount of interest and fees on long-term debt that has accrued since the end of the year. However, these liabilities are reported in the statement of net position and the related expense is reported in the statement of activities. This is the amount by which accrued interest and fees changed from the prior year. | <u>(17,921)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 365,807</u> |

The accompanying notes are an integral part of this statement.

Lone Cone Library Foundation

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Cash \$ 55,016

Total assets \$ 55,016

LIABILITIES

Unearned revenue \$ 30,000

Total liabilities 30,000

NET ASSETS

Unrestricted 25,016

Total net assets 25,016

Total liabilities and net assets \$ 55,016

The accompanying notes are an integral part of this statement.

Lone Cone Library Foundation

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

| | <u>Unrestricted</u> | <u>Total</u> |
|--|---------------------|------------------|
| REVENUE AND OTHER SUPPORT | | |
| Contributions | \$ 30,091 | \$ 30,091 |
| Donations - in-kind | 1,095 | 1,095 |
| Interest income | 11 | 11 |
| Total revenue and other support | <u>31,197</u> | <u>31,197</u> |
| EXPENSES | | |
| Program services | 6,018 | 6,018 |
| Supporting services | | |
| Management and general | 163 | 163 |
| Total expenses | <u>6,181</u> | <u>6,181</u> |
| Change in net assets | 25,016 | 25,016 |
| Net assets at beginning of year | <u>-</u> | <u>-</u> |
| Net assets at end of year | <u>\$ 25,016</u> | <u>\$ 25,016</u> |

The accompanying notes are an integral part of this statement.

Lone Cone Library District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2017

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------------------|------------------|--|
| Revenues | | | |
| Property taxes | \$ 414,374 | \$ 425,467 | \$ 11,093 |
| Specific ownership taxes | - | 17,734 | 17,734 |
| Grants | 2,013,250 | 217,669 | (1,795,581) |
| Gifts and donations | 10,200 | 15,100 | 4,900 |
| Charges for services | 1,550 | 2,214 | 664 |
| Miscellaneous | - | 2,724 | 2,724 |
| Investment income | 150 | 1,456 | 1,306 |
| Total revenues | 2,439,524 | 682,364 | (1,757,160) |
| Expenditures | | | |
| Culture and recreation | | | |
| Personnel | 165,400 | 168,055 | (2,655) |
| Administrative | 12,339 | 29,039 | (16,700) |
| Purchased services and consulting | 17,000 | 9,425 | 7,575 |
| Capital asset maintenance | 9,000 | 9,927 | (927) |
| Programming and library services | 13,360 | 9,372 | 3,988 |
| Library materials | 17,000 | 17,006 | (6) |
| Debt service | | | |
| Interest expense | 79,250 | 36,472 | 42,778 |
| Principal reduction | 79,250 | 34,756 | 44,494 |
| Debt issuance costs | - | 15,000 | (15,000) |
| Capital outlay | 4,046,525 | 290,041 | 3,756,484 |
| Total expenditures | 4,439,124 | 619,093 | 3,820,031 |
| Excess of Revenues Over (Under) Expenditures | (1,999,600) | 63,271 | 2,062,871 |
| Other Financing Sources | | | |
| Lease proceeds | 2,000,000 | 2,015,000 | 15,000 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 400 | 2,078,271 | 2,077,871 |
| Fund Balance - January 1 | - | 98,062 | 98,062 |
| Fund Balance - December 31 | \$ 400 | \$ 2,176,333 | \$ 2,175,933 |

The accompanying notes are an integral part of this statement.

Lone Cone Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Lone Cone Library District (the District) was established in 1978 as a political subdivision of the State of Colorado to provide library services throughout San Miguel County. The District is governed by a seven member board of trustees (the Board) appointed by the San Miguel County Commissioners (the Commissioners). The Commissioners' accountability for the District does not extend beyond making appointments to the board. Each year the Board of Trustees certifies the mill levy to the San Miguel County Board of County Commissioners, who then levy taxes upon the properties.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

2. Reporting Entity

Although the San Miguel County Commissioners appoint the Board of Trustees, the District is not financially accountable to San Miguel County; therefore the District is not a component unit of the County. The financial statements of the District include all of the integral parts of the District's operations. The District applied the GASB accounting criteria in effect to determine that the Lone Cone Library Foundation (the Foundation) should be included in the District's financial statements as a discretely presented component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB 39. The Foundation is a non-profit corporation under Internal Revenue Code Section 501(c) (3) formed to provide funds to support the Lone Cone Library District, its services, programs, and capital needs.

3. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the State of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the government. The primary government and the discretely presented component unit are presented separately within the financial statements with the focus on the primary government. The District does not have any business-type activities.

The District's statement of net position presents the financial position of the governmental activities of the District at year-end. The Foundation's statement of financial position presents the financial position of the Foundation at year-end using not-for-profit accounting and financial reporting principles.

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Statement of Activities demonstrates the degree to which the program expenses of a given function or segment are offset by program revenue. Program expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported, instead, as general revenues. The Foundation's statement of activities presents the activities of the Foundation using not-for-profit accounting and financial reporting principles.

Fund Financial Statements

Fund financial statements are designed to present financial information for the District in more detail. Fund financial statements are provided for governmental funds.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflow of resources, fund balance, revenue and expenditures. Governmental resources are allocated to and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District has one fund, the *General Fund*, which is the District's primary operating fund and accounts for all financial resources of the District.

4. Fund Accounting

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows is reported as fund balance.

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Revenue is considered available if received within sixty days following year end. The governmental fund financial statements include reconciliation to better identify the relationship between the government-wide and government fund statements.

Foundation's Basis of Presentation

The Foundation's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may, or will be met, by actions of the Foundation and/or the passage of time. Temporarily restricted net assets are reclassified to unrestricted as their time and/or purpose requirements are met.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Lone Cone Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

7. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Trustees formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District followed the timetable below in approving and enacting a budget for the ensuing years:

- (1) For the 2017 budget year, prior to August 23, 2016, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2016, the District's accountant submitted to the District's Board of Trustees a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2017 budget, prior to December 15, 2016, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (5) For the 2017 budget, the final budget and appropriating resolution was adopted prior to December 31, 2016.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

8. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of 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. Library collection materials are not capitalized; the proceeds from sales of library collection materials are used to acquire other library collection materials. Major outlays for capital assets and improvements are capitalized as projects are completed for amounts of \$200 or greater.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

| | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and improvements | 7 to 40 years |
| Equipment | 5 years |
| Furniture and fixtures | 5 to 10 years |

9. Property Taxes

Property taxes are not due and payable until after the assessment year has ended, and are not included in the budget or Statement of Revenues, Expenditures, and Changes in Fund Balance of the assessment year. Property taxes are recorded as deferred inflows in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected. Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Contributions

Contributions including unconditional promises to give are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. If restrictions of donor-restricted contributions are met in the same reporting period, the contribution is reported as unrestricted. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

NOTE B – CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2017, the District had cash deposits of \$2,034,953 of which \$324,725 was covered by federal depository insurance. The remainder was covered by PDPA.

At December 31, 2017, the carrying amount and bank balance of the Foundation's cash deposits was \$55,016. This amount is covered by federal depository insurance.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

As of December 31, 2017, the District had \$140,749 invested in the Colorado Local Government Liquid Asset Trust, (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure.

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B – CASH AND INVESTMENTS – CONTINUED

The District 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. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair value.

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

| | <u>Balance 12/31/16</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Balance 12/31/17</u> |
|---|-----------------------------|-------------------|---------------------|-----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 83,247 | \$ - | \$ - | \$ 83,247 |
| Construction in progress | <u>9,478</u> | <u>289,600</u> | <u>-</u> | <u>299,078</u> |
| Capital assets not being depreciated, net | 92,725 | 289,600 | - | 382,325 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 85,124 | - | - | 85,124 |
| Equipment | 39,273 | 441 | (17,246) | 22,468 |
| Furniture and fixtures | 37,398 | - | (29,360) | 8,038 |
| Less: accumulated depreciation | <u>(127,834)</u> | <u>(4,340)</u> | <u>46,606</u> | <u>(85,568)</u> |
| Capital assets being depreciated, net | <u>33,961</u> | <u>(3,899)</u> | <u>-</u> | <u>30,062</u> |
| Capital assets, net | <u>\$ 126,686</u> | <u>\$ 285,701</u> | <u>\$ -</u> | <u>\$ 412,387</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|-----------------|
| Culture and recreation | <u>\$ 4,340</u> |
| Total depreciation expense – governmental activities | <u>\$ 4,340</u> |

NOTE D – LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2017 are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---------------|------------------------------|--------------------|--------------------|---------------------------|
| Lease payable | <u>\$ -</u> | <u>\$2,015,000</u> | <u>\$ (34,756)</u> | <u>\$ 1,980,244</u> |

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E – LEASE PAYABLE

The District entered into a lease purchase agreement in 2017 for the purpose of constructing and equipping a new combined library and community center. Under the agreement the District leases land it owns, which will be used for the new facility, to HSE Leasing, LLC who, in turn, leases the land back to the District. HSE Leasing, LLC deposits \$2,000,000 into an escrow fund to be disbursed to pay costs of the project, and the District must repay the amount in semiannual payments over a 20-year period beginning September 2017. Interest accrues on the principal balance at 3.62% per annum. Repayment of the amounts owed is collateralized by the land and new facility. The lease includes a purchase option which is in effect beginning in September 2022.

Debt service requirements under the lease are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2018 | \$ 71,411 | \$ 71,044 | \$ 142,455 |
| 2019 | 74,019 | 68,436 | 142,455 |
| 2020 | 76,723 | 65,732 | 142,455 |
| 2021 | 79,525 | 62,930 | 142,455 |
| 2022 | 82,430 | 60,025 | 142,455 |
| 2023-2027 | 459,578 | 252,698 | 712,276 |
| 2028-2032 | 549,874 | 162,402 | 712,276 |
| 2033-2037 | <u>586,684</u> | <u>54,364</u> | <u>641,048</u> |
| | <u>\$ 1,980,244</u> | <u>\$ 797,631</u> | <u>\$ 2,777,875</u> |

NOTE F – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. Any excess funds, which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2016 (latest information available) is as follows:

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – RISK MANAGEMENT – CONTINUED

| | |
|----------------------------------|----------------------|
| Assets | <u>\$ 52,645,796</u> |
| Liabilities | \$ 28,757,242 |
| Capital and surplus | <u>23,888,554</u> |
| Total | <u>\$ 52,645,796</u> |
| Revenues | \$ 18,932,979 |
| Investment income and other | <u>405,790</u> |
| Total revenue | <u>19,338,769</u> |
| Expenses | <u>14,100,230</u> |
| Excess of revenues over expenses | <u>\$ 5,238,539</u> |

NOTE G – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1992. At December 31, 2017, a reserve of \$20,018 was required.

Under TABOR, future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the provisions of TABOR.

Lone Cone Library District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – FUND BALANCE

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. When both restricted and unrestricted funds are available for expenditure, restricted funds are used first.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated potential subsequent event disclosures through March 6, 2018 (date of availability of financial statements for issuance). There were no subsequent events identified that require disclosure.

SUPPLEMENTARY INFORMATION

Lone Cone Library Foundation
STATEMENT OF CASH FLOWS

Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|---|
| Contributions received | \$ 30,091 |
| Grants received | 30,000 |
| Interest income | 11 |
| Cash paid to suppliers and employees | <u>(5,086)</u> |
| | Net cash provided (used) by operating activities <u>55,016</u> |
| Net increase (decrease) in cash and cash equivalents | 55,016 |
| Cash and cash equivalents at beginning of year | <u>-</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 55,016</u></u> |
| Reconciliation of change in net assets to net cash provided (used) by operating activities: | |
| Change in net assets | \$ 25,016 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Increase (decrease) in unearned revenue | <u>30,000</u> |
| Total adjustments | <u>30,000</u> |
| | Net cash provided (used) by operating activities <u><u>\$ 55,016</u></u> |