

**PINE RIVER PUBLIC  
LIBRARY DISTRICT**

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2017

**PINE RIVER PUBLIC LIBRARY DISTRICT**

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Pine River Public Library District  
Bayfield, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pine River Public Library District (the 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**

The District's 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 an opinion 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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Pine River Public Library District as of December 31, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on page 25 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.

*FredrickZink & Associates, PC*

FredrickZink & Associates, PC  
Durango, Colorado  
June 27, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Pine River Public Library District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's financial statements, which follow this MD&A.

### Financial Highlights

- The District's total assets exceeded its liabilities and deferred inflows of resources on December 31, 2017 by \$5,043,989. This represented a decrease of \$338,861 from net position at December 31, 2016. This perspective on net position includes spendable resources as well as the investment in buildings, collections and other capital assets of \$3,762,853; restricted emergency reserves of \$28,866.
- During the year, the District's expenses were \$338,861 more than the \$756,894 generated in program and general revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from 2016, and no new programs were added in 2017.
- The District's general fund reported an ending fund balance of \$1,290,578, a decrease of \$205,300 in comparison to the prior year. The portion of the total fund balance for the General Fund that is unrestricted and available for spending at the District's discretion is \$1,250,086.

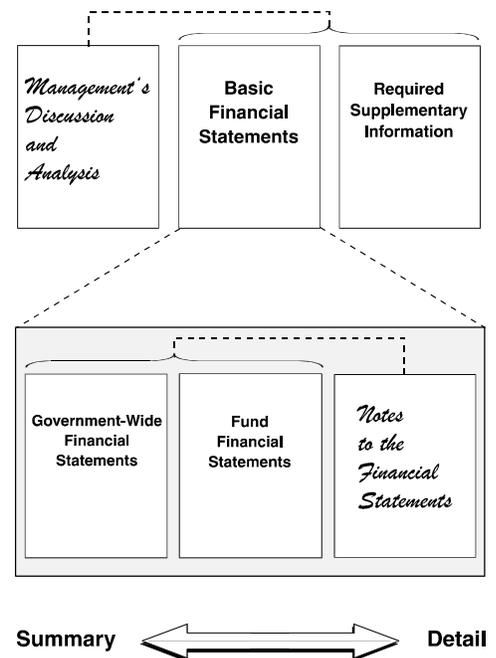
### Overview of the Financial Statements

This annual financial report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental fund* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.

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. Figure A-1 shows how the required parts of this annual financial report are arranged and related to one another.

**Figure A-1, Required Components of the District's Annual Financial Report**



## **Basic Financial Statements**

### *Government-wide Statements*

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

### *Fund Financial Statements*

A fund is a grouping 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 fund financial statements focus on the activities of the District's individual governmental funds and are divided into two parts: 1) the "modified accrual basis statements" and 2) the "budgetary basis statements".

The financial statements on pages 10 and 12 of the audited financial statements focus on assets that can readily be converted into cash in the short-term and liabilities that will be settled in the short term. Governmental funds in the "modified accrual basis statements" are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting method provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the District's programs.

The annual budgets shown in the "budgetary basis statements" are prepared as described in Note 1. These budgets are presented using the modified accrual basis of accounting and are found in the Required Supplementary Information section.

The "budgetary basis statements" for the General Fund, demonstrate how the District complied with the year's approved budget. The "budgetary basis statements" are presented using the same classifications as those used in the legal budget document.

### *Notes to the Basic Financial Statements*

Notes to the basic financial statements provide additional information that is essential to fully understanding the financial statement data.

## Government-Wide Financial Analysis

The Statement of Net Position and the Statement of Activities present the District's financial information as a whole.

### Condensed Statement of Net Position

	2017	2016
Current and other assets	\$ 1,857,509	\$ 2,070,621
Capital assets, net	<u>3,762,853</u>	<u>3,895,654</u>
Total assets	<u>5,620,362</u>	<u>5,966,275</u>
Current liabilities	26,272	23,727
Noncurrent liabilities	<u>9,442</u>	<u>7,848</u>
Total liabilities	<u>35,714</u>	<u>31,575</u>
Deferred inflows of financial resources	<u>540,659</u>	<u>551,850</u>
Total liabilities and deferred inflows of financial resources	<u>576,373</u>	<u>583,425</u>
Net position		
Net investment in capital assets	3,762,853	3,895,654
Restricted net position	28,866	23,676
Unrestricted net position	<u>1,252,270</u>	<u>1,463,520</u>
Total net position	<u>\$ 5,043,989</u>	<u>\$ 5,382,850</u>

#### Net Position:

The District's assets exceeded its liabilities and deferred inflows by \$5,043,989 as of December 31, 2017, a decrease in the District's net position of \$338,861 during 2017. This overall decrease is mainly due to the decrease in the net investment in capital assets portion of total net position, primarily as a result of depreciation expense. The current year's special item is the result of memorandum of understanding with the Town of Bayfield, which decreased the net position by an additional \$161,000. The District reports \$3,762,853 invested in capital assets, which includes land, buildings, library materials, furniture and equipment. The District uses capital assets to provide services to patrons; consequently, these assets are not available for future spending. The remaining portions of the District's net position are classified as either restricted or unrestricted. The restricted portion include \$28,866 for an emergency reserve. The remaining balance of \$1,252,270 is unrestricted and can be used for future operations.

The District's Changes in Net Position

**Condensed Statement of Activities**

	2017	2016
Program revenue		
Charges for services	\$ 9,177	\$ 8,834
Grants and contributions	15,435	18,725
General revenues		
Property and other taxes	614,052	780,352
Interest	4,461	3,983
Miscellaneous	8,769	7,224
	<u>651,894</u>	<u>819,118</u>
Program expenses		
Primary government	<u>934,755</u>	<u>907,969</u>
Special items		
The Colorado Health Foundation park grant	105,000	-
Town of Bayfield park agreement	(161,000)	-
	<u>(56,000)</u>	<u>-</u>
Change in net position	(338,861)	(88,851)
Net position – beginning	<u>5,382,850</u>	<u>5,471,701</u>
Net position – ending	<u>\$ 5,043,989</u>	<u>\$ 5,382,850</u>

**Fund Financial Analysis**

On December 31, 2017, the District reported a fund balance of \$1,290,578 in the General Fund. Of that, \$28,866 is reserved for emergencies under TABOR. Of the remaining fund balance, \$1,250,086 is available for future commitments and is unassigned fund balance, and \$11,626 is nonspendable prepaid expenditures.

The General Fund balance decreased in 2017 by \$205,300 due to continued decreases in property tax revenue as the result of falling oil and gas revenues, and mandatory property tax rebalancing due to the Gallagher Amendment.

Property taxes were the most significant source of general revenues for the District. Property taxes accounted for 72% of total revenues. Specific ownership taxes account for about 9% of total revenues. Grants and contributions made up 16% of the District's total revenues and the remaining funds came from investment interest, charges for services, and miscellaneous income. Grants and donations were especially high this year due to a \$105,000 grant from the Colorado Health Foundation for playground equipment in the new Bayfield Library Park.

## General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. The budget was amended to account for the \$105,000 grant received from the Colorado Health Foundation for playground equipment in the new Bayfield Library Park and to increase expenditures for the special item outflow to the Town of Bayfield to aid in the construction of the Bayfield Library Park. However actual expenditures were \$5,556 below the final budget amounts and resources available were \$4,944 above the final budgeted amount.

Significant budget variances from the final were as follows:

<u>Account</u>	<u>2017 Final Budget</u>	<u>2017 Actual</u>	<u>Budget Variance</u>	<u>Reason</u>
<b>Revenues:</b>				
Property Tax	551,850	542,858	(8,992)	Current year uncollected taxes
Miscellaneous	-	8,769	8,769	Unexpected insurance refund
<b>Expenses:</b>				
Personnel Services	547,344	548,964	(1,620)	Salary and Benefits increase
Treasurer's Fee	20,000	16,310	3,690	Conservative budgeting

## Capital Assets

The District's investment in capital assets as of December 31, 2017, totals \$3,762,853 net of accumulated depreciation. These assets include buildings, land, furniture, equipment, books, and audio visual equipment. Additional information on the District's capital assets can be found in Note 4 of the financial statements.

Major capital asset transactions during the calendar year include purchasing books and audio visual materials of \$36,045, furniture and equipment in the amount of \$4,649 and \$5,800 in land improvements.

## Economic Factors and Next Year's Budget Outlook

The La Plata County Treasurer projects continued decreases in property tax revenue over the next few years due to falling oil and gas revenues, and mandatory property tax rebalancing due to the Gallagher Amendment. As a result, the Board of Trustees is conservative when budgeting each fiscal year and is equally diligent when monitoring each year's budget to ensure the longevity of the District.

Looking to the future, the Board projects there will be a need for an addition to our building to accommodate the growing population. In order to continue current services, a mill levy increase may be required.

Between 2017 and 2018, assessed property values within the District's special tax district decreased. Property tax revenue in 2018 will decrease from \$551,850 to \$540,659. The District receives property tax revenues in the year following the year of assessment. Accordingly, the District's operating budget for 2018 has been decreased due to the decrease in revenue.

The District's Board of Trustees is committed to continuing to offer the highest level of service and thus has agreed to supplement the operating budget by \$208,349 in order to avoid reducing staff. It is the Board's belief that it is the staff that made the "Best Small Library in America" honor possible and it is the staff that will enable the District to thrive even through an era of budget reductions.

## Requests for Information

This report is designed to provide an overview of the District's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to Shelley Walchak, Director, Pine River Library District, P.O. Box 227, Bayfield, CO 81122, or you may call 970-884-2222.

## **BASIC FINANCIAL STATEMENTS**

**PINE RIVER PUBLIC LIBRARY DISTRICT**

**STATEMENT OF NET POSITION**

December 31, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash.....	\$ 271,030
Investments.....	1,028,921
Due from other governments.....	5,273
Property taxes receivable, net.....	540,659
Prepaid items.....	11,626
Total current assets.....	<u>1,857,509</u>
Noncurrent assets	
Capital assets, not being depreciated.....	866,456
Capital assets, depreciated, net of accumulated depreciation.....	2,896,397
Total noncurrent assets.....	<u>3,762,853</u>
<b>Total assets.....</b>	<b><u>5,620,362</u></b>
<b>Liabilities and deferred inflows of resources</b>	
Current liabilities	
Accounts payable.....	9,722
Accrued liabilities.....	16,550
Total current liabilities.....	<u>26,272</u>
Noncurrent liabilities	
Compensated absences.....	9,442
Total liabilities.....	<u>35,714</u>
Deferred inflows of resources	
Property taxes.....	540,659
Total deferred inflows of resources.....	<u>540,659</u>
<b>Total liabilities and deferred inflows of resources.....</b>	<b><u>576,373</u></b>
<b>Net position</b>	
Net investment in capital assets.....	3,762,853
Restricted for declared emergencies.....	28,866
Unrestricted.....	1,252,270
<b>Total net position.....</b>	<b><u>\$ 5,043,989</u></b>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Total
				Governmental Activities
<b>Governmental activities:</b>				
Public library.....	\$ 934,755	\$ 9,177	\$ 15,435	\$ (910,143)
<b>General revenues</b>				
Property taxes.....				542,858
Specific ownership and other taxes.....				71,194
Interest.....				4,461
Miscellaneous.....				8,769
Total general revenues.....				<u>627,282</u>
<b>Special items</b>				
The Colorado Health Foundation park grant.....				105,000
Contributions to the Town of Bayfield.....				(161,000)
Total special items.....				<u>(56,000)</u>
<b>Total general revenues and special items.....</b>				<u>571,282</u>
<b>Change in net position.....</b>				(338,861)
<b>Net position, beginning.....</b>				<u>5,382,850</u>
<b>Net position, ending.....</b>				<u>\$ 5,043,989</u>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUND**

December 31, 2017

	<b><u>General Fund</u></b>
<b><u>ASSETS</u></b>	
Cash.....	\$ 271,030
Investments.....	1,028,921
Due from other governments.....	5,273
Property taxes receivable, net.....	540,659
Prepaid items.....	<u>11,626</u>
<b>Total assets.....</b>	<b><u>\$ 1,857,509</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</u></b>	
<b>Liabilities</b>	
Accounts payable.....	\$ 9,722
Accrued liabilities.....	<u>16,550</u>
<b>Total liabilities.....</b>	<b><u>26,272</u></b>
<b>Deferred inflows of resources</b>	
Unavailable revenue - property taxes.....	<u>540,659</u>
<b>Total deferred inflows of resources.....</b>	<b><u>540,659</u></b>
<b>Fund balance</b>	
Nonspendable	
Prepaid expenditures.....	11,626
Restricted	
Declared emergencies.....	28,866
Unassigned.....	<u>1,250,086</u>
<b>Total fund balance.....</b>	<b><u>1,290,578</u></b>
<b>Total liabilities, deferred inflows and fund balance.....</b>	<b><u>\$ 1,857,509</u></b>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION**

December 31, 2017

**Total fund balance - governmental fund..... \$ 1,290,578**

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

Capital assets used in the governmental activities are not financial resources and  
therefore are not reported in the fund..... 3,762,853

Accrued compensated absences are not due and payable in the current period  
and therefore are not reported in the fund..... (9,442)

**Total net position - governmental activities..... \$ 5,043,989**

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

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

For the Year Ended December 31, 2017

	<b><u>General Fund</u></b>
<b>Revenues</b>	
Taxes.....	\$ 614,052
Grants and contributions.....	15,435
Charges for services.....	9,177
Interest.....	4,461
Miscellaneous.....	8,769
<b>Total revenues.....</b>	<b><u>651,894</u></b>
<b>Expenditures</b>	
Current	
Library operations.....	791,496
Capital outlay.....	9,698
<b>Total expenditures.....</b>	<b><u>801,194</u></b>
<b>Deficiency of revenues over expenditures.....</b>	<b><u>(149,300)</u></b>
<b>Special items</b>	
The Colorado Health Foundation park grant.....	105,000
Contributions to the Town of Bayfield.....	(161,000)
<b>Total special items.....</b>	<b><u>(56,000)</u></b>
<b>Net change in fund balance.....</b>	<b>(205,300)</b>
<b>Fund balance, beginning.....</b>	<b><u>1,495,878</u></b>
<b>Fund balance, ending.....</b>	<b><u>\$ 1,290,578</u></b>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

**Net change in fund balance - total governmental fund..... \$ (205,300)**

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

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

Capital asset additions.....	\$ 46,494	
Depreciation.....	<u>(179,295)</u>	
Net difference in capital outlay treatment.....		(132,801)

Governmental funds do not record the change in accrued compensated absences during the year as an expenditure. However, in the statement of activities, this change is shown as additional expense. This is the amount of decrease in accrued compensated absences in the current year.....

(760)

**Change in net position - governmental activities..... \$ (338,861)**

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

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pine River Public Library District (the "District") is a Colorado special district created December 4, 1972. The District is governed by a Board of Trustees, who are appointed by the Board of Commissioners of La Plata County. The purpose of the District is to promote the establishment and development of publicly supported library services.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

#### **Reporting entity**

As required by generally accepted accounting principles, these financial statements present the District (the primary government) and its component units. Component units are legally separate organizations for which the appointed officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

#### **Nature of operations**

The District provides library services for the general public, primarily the Town of Bayfield, La Plata County, Colorado and the surrounding area.

#### **Basic financial statements**

Basic financial statements are presented at both the government-wide and fund financial level. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements report information about the reporting government as a whole. These statements focus on the sustainability of the District as an entity and the change in financial position resulting from the activities of the year. These statements consist of the Statement of Net Position and the Statement of Activities.

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

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The District's single fund is classified as governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds would be consolidated into a single column in the financial section of the basic financial statements. The District does not have any non-major funds.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Measurement focus, basis of accounting and financial statement presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due. Property taxes, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which is recognized when due. The District has no long-term debt.

The District reports the following major governmental fund:

#### ***General Fund***

This fund accounts for the financial resources of the District. Principal sources of revenue are property taxes, intergovernmental revenue and interest. Primary expenditures are for library services and general administration. The General Fund is the District's operating fund.

#### **Budgets and budgetary accounting**

The District adopts an annual budget for the General Fund which is prepared on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Trustees to obtain citizen comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

#### **Encumbrances**

The District does not report encumbered balances as of December 31, 2017 as all encumbrances lapse at year end.

#### **Cash and equivalents**

The District's cash is comprised of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued** December 31, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, when applicable. The allowance for property taxes was \$8,992 as of December 31, 2017.

#### Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

#### Capital assets

Capital assets, which include land, buildings, furniture, equipment and library materials, are reported in the government wide financial statements. In the governmental fund financial statements, capital assets are charged to expenditures when purchased. Capital assets, which are defined as assets with an initial, individual cost of \$1,000 or more, with the exception of library materials capitalized regardless of cost, and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if historical cost is not available. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the District values these capital assets at the estimated fair value of the item at the date of donation.

Capital assets of the District are depreciated using the straight-line method. The composite method is used in the depreciation of library materials. These assets are depreciated over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	40
Land improvements	20 - 27.5
Furniture, equipment and technology	3 - 10
Library collection	4 - 7

#### Deferred outflows/inflows of resources

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

The government reports both deferred inflows, which arise under the full accrual and modified accrual basis of accounting. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

#### Compensated absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid compensatory time, based on the employee's length and hours of service. Compensatory time must be used within one year of accrual, and a maximum of 60 hours of compensatory time may accrue for each employee at any given time. At year end, the estimated value of accumulated compensatory time was \$9,442.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Accrued liabilities and long-term obligations**

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

#### **Net position or fund balances**

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

*Net Position* – Net position is assets minus liabilities plus deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

*Fund Balance* – Generally, fund balance reflects assets minus liabilities and deferred inflows of resources. Financial reporting standards establish criteria for classifying fund balance amounts into specifically defined categories to make the nature and extent of constraints on these amounts more useful and understandable. The categories comprise a hierarchy based on the extent to which constraints must be honored for a specified purpose and for which amounts can be spent. Fund balances of governmental funds may be categorized as nonspendable, restricted, committed, assigned, and unassigned.

*Nonspendable Fund Balance* – cannot be spent because it is either in nonspendable form or is legally or contractually required to be maintained intact. Examples include items not expected to be converted to cash such as inventories and prepaid assets.

*Restricted Fund Balance* – is restricted for specific purposes based on constraints externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – is constrained for a specific purpose by formal action (resolution or ordinance) adopted by the Board of Trustees, and can be rescinded only through the same type of formal action used to establish the original commitment. Trustee actions require either an ordinance or resolution. Both are equally binding for their respective purposes and are mutually exclusive, not interchangeable with one another.

*Assigned Fund Balance* – is constrained for specific purposes as determined by management and the Board of Trustees through the budget process. The Executive Director is the only employee authorized to assign fund balance.

*Unassigned Fund Balance* – is unconstrained and comprised of residual uncategorized fund balance amounts. The General Fund reports a positive unassigned fund balance.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Net position or fund balances** - Continued

As previously discussed, the District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are considered to be reduced first, followed by assigned amounts and then unassigned amounts.

#### **Program revenues**

Amounts reported as program revenues include 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### **Property taxes**

Property taxes for the current year are certified in arrears to La Plata County on December 15 and attach as a lien on property the previous January 1. For example, property taxes owed in 2017 were certified to the County in December 2016 and were available for collection on the due date, January 1, 2017. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. La Plata County bills and collects property taxes for all taxing districts in the County. The property tax receipts collected by La Plata County are remitted to the District in the subsequent month.

Property taxes are reported as a receivable and as deferred inflows of resources when the District has an enforceable legal claim to the taxes and as revenue when available for collection in the following year.

#### **Specific ownership taxes**

Specific ownership taxes are collected by La Plata County for motor vehicles and other personal property registered in the District's assessment area. Specific ownership taxes are recorded as revenue when collected by La Plata County.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Subsequent events**

Management has evaluated subsequent events through June 27, 2018, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

**PINE RIVER PUBLIC LIBRARY DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**  
December 31, 2017

**NOTE 2 - CASH AND INVESTMENTS**

The District's cash deposit balances (including certificates of deposit) as of December 31, 2017 are as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
FDIC insured	\$ 500,000	\$ 500,000
PDPA secured (not in District's name)	810,304	799,951
Total	<u>\$ 1,310,304</u>	<u>\$ 1,299,951</u>

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11- 10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2017, all of the District's deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

Information regarding the District's investments in certificates of deposit as of December 31, 2017 is as follows:

	<u>Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
First National Bank of Durango certificates of deposit:			
Six month certificate	\$ 204,830	0.10%	January 2018
Twelve month certificate	274,423	0.20%	January 2018
Eighteen month certificate	274,834	0.40%	July 2018
Twenty-four month certificate	<u>274,834</u>	0.40%	July 2019
Total certificates of deposit	<u>\$ 1,028,921</u>		

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2017.

- Level 1 - Quoted prices for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices-in markets that are not active, or other input that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2017

### **NOTE 2 - CASH AND INVESTMENTS - Continued**

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- Certificates of Deposit - For the valuation at December 30, 2017, the District used significant other observable inputs as of the valuation date, particularly dealer market price for comparable investments as of the valuation date (Level 2).

The District recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2017, there were no changes in the methods or assumptions utilized to derive the fair value of the District's assets and liabilities.

#### **Credit Risk**

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contract

The District limits investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

#### **Concentration of credit risk - investments**

The District places no limit on the amount that may be invested in any one issuer. As of December 31, 2017, the District did not hold any such investments requiring additional disclosure.

#### **Interest rate risk - investments**

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. As of December 31, 2017, the District did not hold any investments with a maturity over 24 months.

#### **Custodial credit risk - investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017, the District did not hold any such investments requiring additional disclosure.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2017

### **NOTE 3 - PROPERTY TAXES RECEIVABLE**

Property taxes receivable as of December 31, 2017, consists of the following:

Property taxes - 2016 and prior	\$	8,992
Property taxes - 2017		<u>540,659</u>
Total receivable		549,651
Less: allowance for doubtful accounts		<u>8,992</u>
	\$	<u><u>540,659</u></u>

The District reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$540,659 of property taxes receivable is unavailable revenue representing property tax levied in 2017 but not available until 2018.

### **NOTE 4 - CAPITAL ASSETS**

A summary of changes in general capital assets during the year ended December 31, 2017 is as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 866,456	\$ -	\$ -	\$ 866,456
Capital assets being depreciated:				
Cost basis				
Building	2,863,082	-	-	2,863,082
Land improvements	463,112	5,800	-	468,912
Furniture, equipment and technology	549,439	4,649	-	554,088
Library collection	373,536	36,045	(30,633)	378,948
Total cost basis	<u>4,249,169</u>	<u>46,494</u>	<u>(30,633)</u>	<u>4,265,030</u>
Accumulated depreciation				
Building	(448,920)	(72,163)	-	(521,083)
Land improvements	(93,384)	(21,682)	-	(115,066)
Furniture, equipment and technology	(383,220)	(52,135)	-	(435,355)
Library collection	(294,447)	(33,315)	30,633	(297,129)
Total accumulated depreciation	<u>(1,219,971)</u>	<u>(179,295)</u>	<u>30,633</u>	<u>(1,368,633)</u>
Capital assets being depreciated, net	<u>3,029,198</u>	<u>(132,801)</u>	<u>-</u>	<u>2,896,397</u>
Governmental activities capital assets, net	<u>\$ 3,895,654</u>	<u>\$ (132,801)</u>	<u>\$ -</u>	<u>\$ 3,762,853</u>

Depreciation expense for the year ended December 31, 2017 was \$179,295 and was charged to government activities expense.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2017

### **NOTE 5 - EMPLOYEE BENEFIT PLANS**

The District offers a Taxable Health Stipend to eligible employees. All year-round employees are eligible (part and full-time). The only ineligible employees are temporary (seasonal) employees. The amount paid to an employee is based on hours worked. Each employee receives up to \$620 per month (\$7,440 per year). Part-time employee's health stipends are prorated based on hours worked. All payments are subject to personal income tax. The District's Taxable Health Stipend payments for the year ended December 31, 2017 totaled \$67,318.

The District has adopted a "Savings Incentive Match Plan for Employees of Small Employers" (SIMPLE Plan) for the benefit of eligible employees as outlined in the Summary Plan Description (SPD). Eligibility is limited to employees who reasonably expect to make \$5,000 in compensation for the year. The District provides matching funds up to 3% of the employee's salary. Employee and employer contributions are fully vested at all times. The District's total contribution to the plan for the year ended December 31, 2017 was \$10,104.

### **NOTE 6 – SPECIAL ITEMS**

During the year, the District received a \$105,000 grant from The Colorado Health Foundation to build a playground, with an emphasis on natural design, and to provide recreation activities for children from Pre-K through 12<sup>th</sup> grade. The District worked in conjunction with the Town of Bayfield to execute the grant. The District retained \$4,000 for administrative and related project costs and the remaining \$101,000 was contributed to the Town of Bayfield for the purpose of acquiring playground equipment for the Bayfield Library Park.

The District entered into a memorandum of understanding with the Town of Bayfield to convey a limited interest in adjacent land located on lot 31, Bayfield Business Center, for a term of twenty years, as the site for the park. The District agreed to continue to allow the property to be used as a park after the end of the agreement, unless the District needs the property for purposes of expansion or other governmental needs. The District's cash contribution under the agreement was \$60,000. The Town agreed to provide ongoing maintenance for the park including care of turf and other ground covering, trees, shrubs, irrigation system and pathways and to carry general liability and property insurance for the property. Future costs will be limited to all utilities associated with the park, including any water, sewer, electricity, natural gas, or other utilities.

### **NOTE 7 - COLORADO TABOR**

In November 1992, the people of the State of Colorado passed an amendment to the State's constitution (Article X, Section 20) known as the Taxpayer's Bill of Rights (TABOR), which was effective December 31, 1992. TABOR's intended purpose was to reasonably restrain the growth of government by imposing spending and revenue limits on the state and any local government, excluding enterprises. Provisions of TABOR require, among other things, that:

- Each district shall reserve for use in declared emergencies 3% or more of its fiscal year spending (as defined by TABOR) excluding bonded debt service, and this amount is set aside as part of reserved fund balance, called "declared emergencies".
- If revenue from sources not excluded from fiscal year spending exceeds the limits prescribed by TABOR in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset. Revenue collected, kept, or spent illegally since four full fiscal years before an individual or class action enforcement suit is filed shall be refunded with 10% annual simple interest from the initial conduct.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2017

### **NOTE 7 - COLORADO TABOR - Continued**

- With minor exceptions, advance voter approval is required for any new tax, tax rate increase, or mill levy above that for the prior year or creation of any multiple-fiscal year direct or indirect district debt or other financial obligation without certain cash reserve amounts or a non-appropriation clause contained within the legal.

At December 31, 2017, the District had reserved \$28,866 in the General Fund for declared emergencies.

### **NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for the risks of loss, including worker's compensation and employee accident insurance. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the District's insurance coverage during the past year.

### **NOTE 9 - COMMITMENTS AND CONTINGENCIES**

#### **Power purchase agreement**

In January 2013, the District entered into a power purchase agreement (PPA) to buy power from a solar energy contractor (Provider). The District agreed to a no-fee 25 year lease of the Library rooftop for the installation of the PPA provider's solar array. The agreement calls for the District to purchase all power produced by the PPA provider's solar array for a term of 25 years. The cost per kilowatt hour (kWh) of power will be at La Plata Electric Association's (LPEA) average rate plus a 1.4¢ annual increase until a predetermined cap is reached. The kWh rate will be no lower than at 12¢/kWh and capped at 17¢/kWh. Annual energy cost from this array will range from a low of \$5,552 to maximum high of \$7,496 assuming the LPEA rates continue as they have for the last 20 years. If there is no rate escalation, then the year one pricing will carry forward. At the conclusion of the sixth year of the contract, the District will have the option to buy the system, or continue with the leasing arrangement.

#### **Grants**

The District periodically receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, will be immaterial.

#### **Claims and litigation**

The District is unaware of any pending or threatened litigation that might have a material effect on the financial statements.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued** December 31, 2017

### **NOTE 10 - CHANGE IN DEPRECIABLE LIVES OF PROPERTY AND EQUIPMENT**

The District reviews the estimated useful lives of its fixed assets on an ongoing basis. This review in 2017 indicated that the actual lives of certain equipment and buildings were shorter than the estimated useful lives used for depreciation purposes in the District's financial statements. As a result, effective January 1, 2017, the District changed its estimates of the useful lives of its computer equipment and buildings to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of computer equipment, previously depreciated from 5-7 years, were decreased to 3-5 years. The useful life of the building, previously depreciated at 50 years was decreased to 40 years. The effect of this change in estimate increased 2017 depreciation expense by \$14,277.

**REQUIRED SUPPLEMENTARY INFORMATION**

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

### GENERAL FUND - BUDGET AND ACTUAL

For the Year Ended December 31, 2017

(Unaudited)

	Original Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes.....	\$ 551,850	\$ 551,850	\$ 542,858	\$ (8,992)
Specific ownership and other taxes.....	70,000	70,000	71,194	1,194
<b>Total taxes.....</b>	<b>621,850</b>	<b>621,850</b>	<b>614,052</b>	<b>(7,798)</b>
Grants and contributions.....	12,900	12,900	15,435	2,535
Service charges and fees.....	9,200	9,200	9,177	(23)
Interest.....	3,000	3,000	4,461	1,461
Miscellaneous.....	-	-	8,769	8,769
<b>Total revenues.....</b>	<b>646,950</b>	<b>646,950</b>	<b>651,894</b>	<b>4,944</b>
<b>Expenditures</b>				
Books and materials.....	70,576	70,576	67,971	2,605
Programming.....	20,000	20,000	16,020	3,980
Repairs and maintenance.....	60,000	60,000	60,676	(676)
Facility fees.....	6,120	6,120	5,779	341
Utilities.....	26,000	26,000	24,400	1,600
Technology.....	17,510	17,510	19,037	(1,527)
Small furniture and equipment.....	2,500	2,500	3,858	(1,358)
Treasurer's fee.....	20,000	20,000	16,310	3,690
Administration operations.....	26,900	26,900	28,481	(1,581)
Personnel.....	547,344	547,344	548,964	(1,620)
<b>Total library operations.....</b>	<b>796,950</b>	<b>796,950</b>	<b>791,496</b>	<b>5,454</b>
Capital outlay.....	-	9,800	9,698	102
<b>Total expenditures.....</b>	<b>796,950</b>	<b>806,750</b>	<b>801,194</b>	<b>5,556</b>
<b>Deficiency of revenues     over expenditures.....</b>	<b>(150,000)</b>	<b>(159,800)</b>	<b>(149,300)</b>	<b>10,500</b>
<b>Special items</b>				
The Colorado Health Foundation park grant.....	-	105,000	105,000	-
Contributions to the Town of Bayfield.....	-	(161,000)	(161,000)	-
<b>Total special items.....</b>	<b>-</b>	<b>(56,000)</b>	<b>(56,000)</b>	<b>-</b>
<b>Net change in fund balance.....</b>	<b>(150,000)</b>	<b>(215,800)</b>	<b>(205,300)</b>	<b>10,500</b>
<b>Fund balance, beginning.....</b>	<b>1,440,001</b>	<b>1,495,878</b>	<b>1,495,878</b>	<b>-</b>
<b>Fund balance, ending.....</b>	<b>\$ 1,290,001</b>	<b>\$ 1,280,078</b>	<b>\$ 1,290,578</b>	<b>\$ 10,500</b>

See accompanying Independent Auditor's Report.