

**UPPER SAN JUAN LIBRARY DISTRICT
ARCHULETA COUNTY, COLORADO**

FINANCIAL STATEMENTS

DECEMBER 31, 2016



RECEIVED

By the Office of the State Auditor at 4:02 pm, Aug 24, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide financial Statements:	
Statement of Net Position.....	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet Governmental Fund	10
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	13
Notes to the Basic Financial Statements	14
Required Supplementary Information Section	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual	26

This page intentionally left blank

INTRODUCTORY SECTION

This page intentionally left blank



Ruby M. Sisson
MEMORIAL
LIBRARY

June 1, 2017

Residents of Archuleta County
Pagosa Springs, Colorado

We are pleased to submit the Management's Discussion and Analysis Report for Upper San Juan Library District for the fiscal year ended December 31, 2016.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with district management based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free from material misstatements. We believe the data, as presented, is accurate in all material aspects and that it is presented in manner designed to fairly set forth the financial position and results of operations of the District; and that all disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

REPORT PRESENTATION

We are presenting Management's Discussion and Analysis as an introduction to the financial information. It immediately follows the auditor's opinion. This section provides an overview and analysis of the District's significant transactions to aid readers in understanding their financial impact and relationship to the financial statements and schedules provided. This section is presented to provide more meaningful information to our readers and to demonstrate accountability for our financial actions.

OBJECTIVES ACHIEVED IN 2016

- Converted the early literacy collection to the BISAC model
- Installed a self-checkout station and media dispenser
- Began process to install a book return at the Uptown City Market
- Formed a sub-committee to write a new three-year strategic plan

RESOURCE SHARING

We continue to use the resource sharing opportunities provided by the Colorado State Library (CLS) and Colorado Library Consortium (CLiC).



Ruby M. Sisson
MEMORIAL
LIBRARY

- We belong to AspenCat, an open source union catalog, administered by CLiC. Our patrons not only have access to the 28,745 items in our collection, they may also have access to over one million items belonging to the other 106 AspenCat libraries.
- The courier service, operated by CLiC, provides daily delivery service to subscribing libraries throughout the state. In 2016 we borrowed 9,385 items and loaned 2,638 items. Compared to 2015, our borrowing increased by 15.9% and the number of items loaned decreased by 21.6%.
- By utilizing the purchasing power of the State Library and CLiC, we subscribed to the following educational databases at substantial savings: EBSCOHost, Learning Express, and the Encyclopedia Britannica. Downloadable audiobooks, e-books and magazines were also purchased through CLiC. In 2016 our patrons downloaded 5,000 items and logged 432 sessions on our electronic databases. Compared to 2015, this is a decrease in usage of 32.0%.

COLLECTION DEVELOPMENT

Providing our patrons with materials that are current and relevant to the diverse interests of the community is one of our principal goals. In 2016, we added 3,685 new items to our collection including 597 from donations, and deleted 2,907 worn or outdated items. Our materials budget for 2017 is \$52,885 or 9.6% of our total expenses.

CONTINUING EDUCATION

We believe providing our staff with continuing education is one way to provide our community with the best possible service. Some of our staff attended the CLiC Springs Workshops, the AspenCat Users Group Meeting, and the Colorado Association of Libraries (CAL) annual conference. Other educational and networking opportunities include the Colorado Public Library Director's Annual Meeting, the SW Librarians Meeting and the SW Director's Meeting. In 2017, staff education is 1% of our total budget.

CIRCULATION, COMPUTER USAGE, and NUMBER OF PATRON VISITS

- During 2016, we checked out 98,589 items, a decrease of 4.8% from 2015.
- Computer usage decreased 4% as 20,070 sessions were logged on the public computers. This number does not include patrons who used their own devices in the library or accessed our wireless service after hours.



Ruby M. Sisson
MEMORIAL
LIBRARY

- Over 91,000 patrons walked through our doors, which is a very slight increase from 2015.

DONATIONS, GRANTS, and VOLUNTEERS

The library is very fortunate to have the on-going support of the community. In 2016, we received \$22,243 in donations and \$12,384 in grants. The revenue from donations and grants was 6.14% of our total revenue. Our volunteers contributed 699 hours, about one-third of a full-time position.

PROGRAMMING

Providing programs for all ages is also a priority. From Early Literacy to Teen to Adult Education and Lifelong Learning, last year 6,190 people attended one or more of our 507 programs. Our programming budget for 2017 is 1% of our total expenses.

The Upper San Juan Library Board of Trustees and the staff of the Ruby M. Sisson Memorial Library are dedicated to providing our community with the best possible service, materials and programming. Our goal is to exceed the expectations of our members.

Respectfully submitted,

Meg Wempe
Director

This page intentionally left blank

FINANCIAL SECTION

This page intentionally left blank

Independent Auditor's Report

Board of Trustees
Upper San Juan Library District
Pagosa Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Upper San Juan Library District (District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



HintonBurdick, PLLC
St. George, Utah
June 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Upper San Juan Library District (District), we offer 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, 2016. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities and deferred inflows (net position) by \$2,313,875 at the close of the fiscal year.
- Total net position decreased by \$30,884.
- Total revenue received in the General Fund was \$44,772 more than the final budget and expenditures were \$54,640 less than the final budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District. The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities. Property taxes finance most of these activities.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major funds use the accounting approaches as explained below.

Governmental funds – All of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by \$2,313,875 as of December 31, 2016 as shown on the following condensed statement of net position.

Statement of Net Position

	12/31/2016	12/31/2015
Current and other assets	\$ 834,549	\$ 843,906
Capital assets	1,952,162	2,008,444
Total assets	<u>2,786,711</u>	<u>2,852,350</u>
Current liabilities	7,127	10,179
Non-current liabilities	20,636	33,489
Total liabilities	<u>27,763</u>	<u>43,668</u>
Deferred inflows of resources	445,073	463,923
Net position:		
Net investment in capital assets	1,952,162	2,008,444
Restricted	16,690	17,825
Unrestricted	345,023	318,490
Total net position	<u>\$ 2,313,875</u>	<u>\$ 2,344,759</u>

Governmental Activities

The cost of all governmental activities this year was \$594,479. General revenue from property taxes and other revenue totaled \$510,380.

The District's programs include: Public Library. The program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the District's general taxes support the District's program.

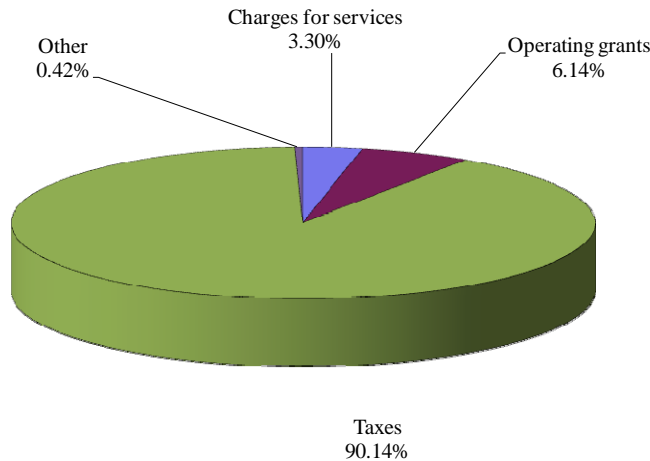
Changes in Net Position

Revenues:		
Program revenues:		
Charges for services	\$ 18,986	\$ 23,411
Operating grants and contributions	34,627	13,395
General revenues:		
Taxes	508,002	492,403
Other revenue/(expense)	1,980	4,206
Total revenues	<u>563,595</u>	<u>533,415</u>
Expenses:		
Public library	<u>594,479</u>	<u>590,605</u>
Total expenses	<u>594,479</u>	<u>684,904</u>
Increase/(decrease) in net assets	(30,884)	(151,489)
Net position, beginning	<u>2,344,759</u>	<u>2,496,248</u>
Net position, ending	<u>\$ 2,313,875</u>	<u>\$ 2,344,759</u>

Total resources available during the year to finance governmental operations were \$2,908,354 consisting of net position at January 1, 2016 of \$2,344,759, general revenues of \$510,380 and program revenues of \$53,613. The total cost of governmental activities during the year was \$594,479. Governmental net position decreased by (\$30,884) to \$2,313,875.

The following graph provides a breakdown of revenues by source for all government activities.

Revenue By Source - Governmental Activities



General Fund Budgetary Highlights

The final appropriations for the general fund at year-end were \$54,640 less than actual expenditures. Actual revenues were more than the final budget by \$44,772.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital assets include land, buildings and improvements, and equipment, furniture and fixtures. At the end of fiscal year 2016, net capital assets of the government activities totaled \$1,952,162. Depreciation on books and capital assets is recognized in the government-wide financial statements. (See note 4 to the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for calendar year 2017, the District Board and management estimated the budget for operating revenues and expenditures to be slightly lower than the prior year budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact District's Management at 811 San Juan Street P.O. Box 849 Pagosa Springs, CO 81147

BASIC FINANCIAL STATEMENTS

UPPER SAN JUAN LIBRARY DISTRICT
Statement of Net Position
December 31, 2016

Assets

Cash and cash equivalents	\$	386,163
Receivables		448,386
Capital assets (net of accumulated depreciation):		
Land		306,254
Buildings and improvements		1,450,603
Furniture and equipment		32,306
Books		162,999
Total assets		2,786,711

Liabilities

Accounts payable and other current liabilities		7,127
Noncurrent liabilities:		
Due in more than one year		20,636
Total liabilities		27,763

Deferred Inflows of Resources

Unavailable revenue-property taxes		445,073
Total deferred inflows of resources		445,073

Net Position

Net investment in capital assets		1,952,162
Restricted for:		
Emergency		16,690
Unrestricted		345,023
Total net position	\$	2,313,875

See accompanying notes and accountant's report.

UPPER SAN JUAN LIBRARY DISTRICT
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Total
Governmental activities:						
Public Library	\$ 594,479	\$ 18,986	\$ 34,627	-	\$ (540,866)	\$ (540,866)
Total governmental activities	594,479	18,986	34,627	-	(540,866)	(540,866)
Total primary government	\$ 594,479	\$ 18,986	\$ 34,627	\$ -	\$ (540,866)	\$ (540,866)
General Revenues:						
Taxes:						
Property taxes					461,667	461,667
Specific ownership tax					46,335	46,335
Unrestricted investment earnings					1,980	1,980
Total general revenues & transfers					509,982	509,982
Change in net position					(30,884)	(30,884)
Net position - beginning					2,344,759	2,344,759
Net position - ending					\$ 2,313,875	\$ 2,313,875

See accompanying notes and accountant's report.

UPPER SAN JUAN LIBRARY DISTRICT
Balance Sheet
Governmental Fund
December 31, 2016

	<u>General Fund</u>
Assets	
Cash	\$ 386,163
Property taxes receivable, net of allowance of \$0	448,386
Total assets	<u>834,549</u>
 Liabilities, Deferred Inflows, and Fund Balances	
Liabilities	
Accounts payable	4,555
Accrued liabilities	2,572
Total liabilities	<u>7,127</u>
 Deferred inflows of resources:	
Unavailable revenue-property taxes	445,073
Total deferred inflows of resources	<u>445,073</u>
 Fund balances:	
Committed for capital projects	162,000
Restricted for emergency reserve	16,690
Unassigned	203,659
Total fund balances	<u>382,349</u>
 Total liabilities, deferred inflows, and fund balances	 <u>\$ 834,549</u>

See accompanying notes and accountant's report.

UPPER SAN JUAN LIBRARY DISTRICT
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
For the Year Ended December 31, 2016

Total fund balances - governmental funds	\$	382,349
--	----	---------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$	3,023,957	
Accumulated depreciation		<u>(1,071,795)</u>	
			1,952,162

Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			(20,636)
--	--	--	----------

Net position of governmental activities			<u><u>\$ 2,313,875</u></u>
---	--	--	----------------------------

See accompanying notes and accountant's report.

UPPER SAN JUAN LIBRARY DISTRICT
Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Fund
For the Year Ended December 31, 2016

	General Fund
Revenues:	
Taxes	\$ 508,002
Charges for services	18,588
Grants	12,384
Donations	22,243
Interest Income	1,980
Other revenues	398
Total revenues	563,595
 Expenditures:	
Current:	
Building	45,151
Office	44,635
Programs	12,235
Public relations	1,152
Public use	62,077
Staff education	1,340
Salaries & benefits	353,278
Treasurer's fees	13,894
Capital outlay	17,288
Total expenditures	551,050
Excess revenues over (under) expenditures	12,545
Net change in fund balance	12,545
Fund balance - beginning of year	336,315
Prior period adjustment	33,489
Fund balance - end of year	\$ 382,349

See accompanying notes and accountant's report.

UPPER SAN JUAN LIBRARY DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of the Governmental Fund
To the Statement of Activities
For the Year Ended December 31, 2016

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

Net change in fund balances - total governmental funds	\$	12,545
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$	41,404
Depreciation expense		<u>(97,686)</u>
		(56,282)
Compensated absences expenses reported in the statement of activities do not require use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>12,853</u>
Change in net position of governmental activities	\$	<u><u>(30,884)</u></u>

See accompanying notes and accountant's report.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting entity

Upper San Juan Library District is a special district of Archuleta County, Colorado. The District was established on January 1, 1986. The District is governed by a Board of Trustees who are appointed representatives from the Town of Pagosa Springs and Archuleta County. The purpose of the District is to promote the establishment and development of publicly supported library services. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The District currently has no component units.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The District currently has no enterprise funds or fiduciary funds.

The District reports the following major governmental funds:

The **General Fund** is the district's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 related cash flows. Property taxes are recognized as revenues 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.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 1. Summary of Significant Accounting Policies, Continued

The 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and Cash Equivalents

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

Capital Assets and Depreciation

All capital assets of the District are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated acquisition value as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of land as land was listed regardless of cost. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 1. Summary of Significant Accounting Policies, Continued

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Governmental Activities	
<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-40 Years
Buildings and Building Improvements	40 Years
Books	7-15 Years
Furniture, Fixtures and Equipment	5-30 Years
Vehicles	5-30 Years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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/ expenditure) until then. The District does not have any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities statement of net position reports deferred inflows from property taxes levied for a future year.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 1. Summary of Significant Accounting Policies, Continued

any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

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 are established by Archuleta County. Property taxes attach as an enforceable lien on property as of January 1 and are due and payable February 28 and July 31. All unpaid taxes levied in January become delinquent on August 1. The Archuleta County Treasurer collects all tax revenues due to the District. The amounts are remitted on a monthly basis to the District.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 1. Summary of Significant Accounting Policies, Continued

Use of Estimates

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

Budget Policy and Process

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with the State statutes, prior to September 1, the Librarian submits to the District Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets are included for administration control. The level of control for the detailed budgets is at the department head function level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Librarian is required to present a monthly report to the District Board explaining any variance from the approved budget.

Budget amounts included in the financial statements report both the original and final amended budget. There were no revisions made to the original budget during the year. In 2016, the District did not over spend their budget.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred.

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises.”

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund’s fund balance is classified as restricted for

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 1. Summary of Significant Accounting Policies, Continued

emergencies as required by the Amendment. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment's language in order to determine its compliance.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 12.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 14.

NOTE 3. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Deposits	
Cash in bank	<u>\$ 386,163</u>
Total deposits and investments	<u><u>\$ 386,163</u></u>

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 3. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk; however, 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. The PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2016 the carrying amount of the District's deposits was \$386,163. As of December 31, 2015 the bank balance of the District's deposits was \$386,163 of which \$250,000 was insured by federal depository insurance and \$152,671 was collateralized by the PDPA as noted above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of 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; and, guaranteed investment contracts. The District's investment policy follows Colorado statutes. At December 31, 2016, the District had no investments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the District's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 4. Capital Assets and Depreciation

Governmental Activities:	Balance			Balance
	12/31/2015	Additions	Deletions	12/31/2016
Capital assets, not being depreciated:				
Land	\$ 306,254	\$ -	\$ -	\$ 306,254
Total capital assets, not being depreciated	<u>306,254</u>	<u>-</u>	<u>-</u>	<u>306,254</u>
Capital assets, being depreciated:				
Buildings and improvements	1,969,695	-	-	1,969,695
Equipment & furniture	326,775	17,288	-	344,063
Books	379,829	24,116	-	403,945
Total capital assets, being depreciated	<u>2,676,299</u>	<u>41,404</u>	<u>-</u>	<u>2,717,703</u>
Less accumulated depreciation for:				
Buildings and improvements	(456,783)	(62,309)	-	(519,092)
Equipment & furniture	(305,541)	(6,216)	-	(311,757)
Books	(211,785)	(29,161)	-	(240,946)
Total accumulated depreciation	<u>(974,109)</u>	<u>(97,686)</u>	<u>-</u>	<u>(1,071,795)</u>
Total capital assets, being depreciated, net	<u>1,702,190</u>	<u>(56,282)</u>	<u>-</u>	<u>1,645,908</u>
Governmental activities capital assets, net	<u>\$ 2,008,444</u>	<u>\$ (56,282)</u>	<u>\$ -</u>	<u>\$ 1,952,162</u>

The entire \$97,686 of depreciation was charged to the governmental activity, Public Library.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE 5. Pension Plans

Colorado County Officials and Employees Retirement Association

The Colorado County Officials and Employees Retirement Association (Association) was established to serve as trustee and provide continuing administration of a trust fund for retirement benefits for eligible county and municipal officers and county, municipal, and special district employees. The Association established a defined contribution plan called Colorado County Officials and Employees Retirement Plan (Plan) through which contributions of the employers are combined with contributions of the employees and invested in income earning instruments for the benefit of the Plan participants. Any county, municipality, or special district of the State of Colorado may, with the consent of the Association, can become a member of the Association and participate in the Plan by adopting it for its officers and employees.

Full-time Employees and officers of Association members are required to participate in the Plan after the completion of one year of service, but participation is optional for all elected officers. The Plan is controlled by a five-member governing board selected in accordance with Colorado State statutes.

Employer contributions to the Plan is 4% of compensation. Employee contributions must match employer contributions and are funded on a current basis. Employees may make additional voluntary contributions not to exceed 10% of compensation.

The Association is a separate legal entity and the District does not approve budgets, not does it have the ability to significantly affect its operations. The District's contribution to the plan was \$7,678 on a total salary of \$326,783.

NOTE 6. 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 has purchased insurance through commercial companies for protection from said risks.

NOTE 7. Prior Period Adjustment

In the prior year, the District recognized compensated absences in the government wide and fund financial statements. Compensated absences should be recognized only in the government wide financial statements. An adjustment of \$33,489 was made on the fund financial statements to eliminate the accrued leave from the funds.

This page intentionally left blank

UPPER SAN JUAN LIBRARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUND:

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

UPPER SAN JUAN LIBRARY DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 492,923	\$ 492,923	\$ 508,002	\$ 15,079
Charges for services	16,700	16,700	18,588	1,888
Grants	1,500	1,500	12,384	10,884
Donations	5,000	5,000	22,243	17,243
Interest Income	2,500	2,500	1,980	(520)
Other revenues	200	200	398	198
Total revenues	518,823	518,823	563,595	44,772
EXPENDITURES:				
Current:				
Building	62,575	62,575	45,151	17,424
Office	51,180	51,180	44,635	6,545
Programs	6,500	6,500	12,235	(5,735)
Public relations	4,900	4,900	1,152	3,748
Public use	67,360	67,360	62,077	5,283
Staff education	3,950	3,950	1,340	2,610
Salaries & benefits	384,525	384,525	353,278	31,247
Treasurer's fees	16,700	16,700	13,894	2,806
Capital outlay	8,000	8,000	17,288	(9,288)
Total expenditures	605,690	605,690	551,050	54,640
Excess revenues over(under) expenditures	(86,867)	(86,867)	12,545	99,412
Net change in fund balance	(86,867)	(86,867)	12,545	99,412
Fund balance - beginning of year	336,315	336,315	336,315	-
Prior period adjustment	-	-	33,489	33,489
Fund balance - end of year	\$ 249,448	\$ 249,448	\$ 382,349	\$ 132,901