



RUDD & COMPANY PLLC
certified public accountants | *business consultants*

MADISON LIBRARY DISTRICT

**Basic Financial Statements
and
Supplementary Information
with
Independent Auditors' Report
Year Ended September 30, 2012**

giving direction to your future

MADISON LIBRARY DISTRICT
Table of Contents
September 30, 2012

Independent Auditors' Report..... 1-2

Basic Financial Statements

Statement of Net Assets3

Statement of Activities4

Balance Sheet – Governmental Funds.....5

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets6

Statement of Revenues, Expenditures, and Changes in Fund
Balances – Governmental Funds7

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to
the Statement of Activities.....8

Combined Balance Sheet – Expendable Trust Fund9

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances – Expendable Trust Fund10

Notes to Financial Statements 11-19

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund
Balances – Budget and Actual- General Fund20

Schedule of Revenues, Expenditures, and Changes in Fund
Balances – Budget and Actual- Capital Improvement Fund21

Schedule of Revenues, Expenditures, and Changes in Fund
Balances – Budget and Actual- Debt Service Fund.....22

**Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*** 23-24



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Madison Library District
Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities and the major funds of Madison Library District as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Madison Library District management. Our responsibility is to express an opinion on these financial statements based on our audit.

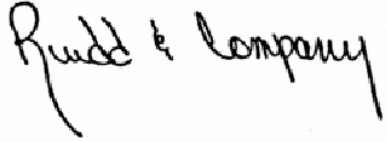
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Madison Library District as of September 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013 on our consideration of Madison Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 20 through 22 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.

Madison Library District has not presented management discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A rectangular box containing a handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive style.

January 16, 2013

MADISON LIBRARY DISTRICT
Statement of Net Assets
Governmental Activities
September 30, 2012

Assets

Current Assets

Cash and cash equivalents	\$ 406,902
Property taxes	39,416
Other receivable	26
Fines receivable (net of allowance for doubtful accounts of \$19,800)	<u>36,772</u>

Total Current Assets 483,116

Capital Assets

Land, buildings and equipment , net of depreciation	4,118,904
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Other Assets

Bond issuance costs	<u>81,207</u>
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Total Assets 4,683,227

Liabilities

Current Liabilities

Accounts payable	14,928
Other liability	189
Current portion on long-term obligation	<u>145,000</u>

Total Current Liabilities 160,117

Long-term Liabilities

Bond premium	61,757
Bond payable	<u>3,210,000</u>

Total Long-term Liabilities 3,271,757

Total Liabilities 3,431,874

Net Assets

Invested in capital assets, net of related debt	649,544
Unrestricted	<u>601,809</u>

Total Net Assets \$ 1,251,353

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

MADISON LIBRARY DISTRICT
Statement of Activities
September 30, 2012

Expenses

General Government	
Staff expenses	\$ 454,339
Library materials	91,937
Operating expenses	227,157
Depreciation expense	357,522
Interest Expense	<u>166,174</u>
Total program expenses	<u>1,297,129</u>

Program revenues

Charges for services	53,918
Operating grants	<u>2,598</u>
Total program revenues	<u>56,516</u>
Net program expense	<u>1,240,613</u>

General revenues

Property tax	1,011,066
Sales tax	32,009
Interest	<u>2,922</u>
Total general revenues	<u>1,045,997</u>

Decrease in net assets (194,616)

Net assets - beginning of the year 1,445,969

Net assets - end of the year \$ 1,251,353

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

MADISON LIBRARY DISTRICT
Balance Sheet
Governmental Funds
September 30, 2012

Assets	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
Current Assets				
Cash and cash equivalents	\$ 318,075	\$ 79,133	\$ 9,694	\$ 406,902
Property taxes	27,328	-	12,088	39,416
Other receivable	26	-	-	26
Fines receivable (net of allowance for doubtful accounts of \$19,800)	36,772	-	-	36,772
Total Assets	\$ 382,201	\$ 79,133	\$ 21,782	\$ 483,116
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 10,178	\$ 4,750	\$ -	\$ 14,928
Other liabilities	189	-	-	189
Deferred revenues	24,525	-	10,760	35,285
Total Liabilities	34,892	4,750	10,760	50,402
Fund Balances				
Restricted	-	74,383	11,022	85,405
Unassigned	347,309	-	-	347,309
Total Fund Balances	347,309	74,383	11,022	432,714
Total Liabilities and Fund Balances	\$ 382,201	\$ 79,133	\$ 21,782	\$ 483,116

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

MADISON LIBRARY DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2012

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

Total Fund Balance - Governmental Funds	\$ 432,714
<p>Certain receivables are not financial resources and are reported as deferred revenues</p>	
Property tax deferred revenue	35,285
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$5,102,109 and the accumulated depreciation is \$983,205.</p>	
	4,118,904
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>	
Long-term debt	(3,355,000)
Bond premium (Net of amortization of \$3,860)	(61,757)
Bond issuance cost (Net of amortization of \$5,075)	81,207
	<hr/>
Total Net Assets - Governmental Activities	<u>\$ 1,251,353</u>

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

MADISON LIBRARY DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
September 30, 2012

	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Local Sources:				
Property taxes	\$ 702,419	\$ -	\$ 308,257	\$ 1,010,676
Earnings on investments	1,441	1,481	-	2,922
Grants and donations	2,598	-	-	2,598
Other	85,927	-	-	85,927
Total Revenues	<u>792,385</u>	<u>1,481</u>	<u>308,257</u>	<u>1,102,123</u>
Expenditures				
Current:				
Salaries and benefits	454,339	-	-	454,339
Library materials and operating costs	319,094	-	-	319,094
Interest on bonds	-	-	164,959	164,959
Principal on bonds	-	-	140,000	140,000
Capital Outlay	-	8,968	-	8,968
Total Expenditures	<u>773,433</u>	<u>8,968</u>	<u>304,959</u>	<u>1,087,360</u>
Excess (Deficiency) of Revenues over Expenditures	18,952	(7,487)	3,298	14,763
Fund Balance Beginning of Year	<u>328,357</u>	<u>81,870</u>	<u>7,724</u>	<u>417,951</u>
Fund Balance End of Year	<u>\$ 347,309</u>	<u>\$ 74,383</u>	<u>\$ 11,022</u>	<u>\$ 432,714</u>

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

MADISON LIBRARY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
September 30, 2012

Net Changes in Fund Balances - Total Governmental Funds	\$ 14,763
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	390
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense:	
Less Depreciation	(357,522)
Add Capital Outlay	8,968
Governmental funds report principal payments on debt as an expenditure. However, in the statement of activities, debt payments are not an expense and bond issuance costs are not amortized:	
Principal payments on long-term obligations	140,000
Amortization of bond premium	3,860
Amortization of bond issuance costs	(5,075)
	<hr/>
Change in Net Assets of Governmental Activities	<u>\$ (194,616)</u>

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

MADISON LIBRARY DISTRICT
Combined Balance Sheet
All Fiduciary Fund Types
September 30, 2012

Assets

Cash and Cash Equivalents	<u>\$ 23,249</u>
Total Assets	<u>\$ 23,249</u>

Liabilities and Fund Balances

Fund Balances	
Unreserved:	
Undesignated	<u>\$ 23,249</u>
Total Fund Balances	<u>23,249</u>
Total Liabilities and Fund Balances	<u>\$ 23,249</u>

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

MADISON LIBRARY DISTRICT
Combined Statement of Revenues, Expenses,
and Changes in Fund Balance
Expendable Trust Fund
September 30, 2012

Revenues

Interest revenue	\$	1,581
Unrealized gain on assets		<u>59</u>

Total Revenue 1,640

Expenditures

Transfers		<u>600</u>
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Excess of Expenditures over Revenues 1,040

Fund Balance - Beginning 22,209

Fund Balance - Ending \$ 23,249

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

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

1. Summary of Significant Accounting Policies

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

The Board of Trustees has responsibilities for all activities relating to the Madison Library District. The Board is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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*, as is the fiduciary fund financial statement. 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.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

1. Summary of Significant Accounting Policies (Continued)

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 sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major funds:

Governmental Funds

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District.
- The *capital improvement fund* accounts for resources accumulated and payments made for the construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for patrons within the District.
- The *debt service fund* accounts for resources and payments on long-term obligations.

Fiduciary Fund Types

- Trust and Agency Funds – Trust and agency funds are used to account for assets held by the District in a trustee capacity. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Budgetary Policy

The District prepares a budget for its general fund operations. The schedule of revenues and expenditures budget and actual-general fund presents comparison of the legally adopted budget with the actual data on a budgetary basis.

Under Idaho Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events. The budget was not amended during 2012.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Furniture	10
Equipment	7
Computer Equipment	5

Use of 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 and disclosure of contingent 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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balances represent tentative plans for future use of financial resources that are subject to change.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

2. Cash and Investments

The District maintains a primary checking account and several short-term savings accounts at local financial institutions.

The District's cash accounts are insured through the Federal Deposit Insurance Corporation up to \$250,000 per depository.

1. Deposits – At September 30, 2012, the carrying amount of the District's deposits was \$306,328 and the respective bank balances totaled \$312,928.
2. Custodial Credit Risk, Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of September 30, 2012, all amounts of the District's total deposits were covered by federal depository insurance, and thus not exposed to custodial credit risk.
3. Investments – As of September 30, 2012, the District had invested \$29,891 in the State Treasurer's pooled cash investment account. Fair market value was equal to the carrying amount and the investments have a maturity of less than one year. The District also invested \$93,932 in a Zion's Bank collateralized money market account to give a total of \$123,823 in investments. The Zions's Bank account has underlying securities in the District's name collateralizing those balances which reduces the District's overall risk.
4. Custodial Credit Risk, Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of the investments. The State diversifies these funds to reduce this risk. In addition, the entire balance at Zion's Bank is secured by pledged assets at September 30, 2012.
5. Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the District structures its portfolio so that securities mature to meet cash requirements for ongoing operations. Because the State Investment Pool as of September 30, 2012 had a weighted average maturity of 114 days, it was presented as an investment with a maturity of less than one year and included with cash and short-term investments.
6. Credit Risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the District's policy to limit investments to the safest types of securities and to diversify the District's investment portfolio so that potential losses on securities will be minimized. The District follows Idaho statute that outlines qualifying investment options.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

2. Cash and Investments (Continued)

The following is a reconciliation of the District's deposit and investment balance as of September 30, 2012:

Cash and Investments reported on the statement of net assets	\$ 406,902
Cash and Investments reported on the statement of fiduciary net assets	<u>23,249</u>
Total cash and cash investments	<u>\$ 430,151</u>
Investments categorized	\$ 123,823
Deposits categorized	<u>306,328</u>
Total cash and cash investments	<u>\$ 430,151</u>

3. Property Tax

Property taxes of the District are based on the assessments against property owners. Tax levies on such assessed values are certified to the county prior to the commencement of the fiscal year.

Taxes are collected by Madison County and remitted to the District primarily in January and July of the fiscal year. Accordingly, the tax revenues for the year ended September 30, 2012 are based on the assessed values established in 2011.

The District defers recognition of property taxes assessed but not collected within sixty days of the fiscal year-end. Such amounts will be recognized as revenues in the fiscal year they become available.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

4. Capital Assets

A summary of changes in Property, Plant and Equipment is as follows:

	Balance September 30, 2011	Additions	Dispositions	Balance September 30, 2012
Non Depreciable Assets - Land	\$ 203,065	\$ -	\$ -	\$ 203,065
Buildings	3,654,837	-	(2,708)	3,652,129
Equipment	1,235,239	11,676	-	1,246,915
Total Buildings and Equipment	4,890,076	11,676	(2,708)	4,899,044
Total	\$ 5,093,141	\$ 11,676	\$ (2,708)	\$ 5,102,109
Accumulated Depreciation	\$ 625,683	\$ 357,522	\$ -	\$ 983,205

5. Retirement Plan

The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and city employees, Idaho code provides for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

5. Retirement Plan (Continued)

The contribution requirement of the Madison Library District and its employees is established and amended by the PERSI Board of Trustees. For the year ended September 30, 2012, the required contribution rate as a percentage of covered payroll for members was 6.23%. The employer rate as a percentage of covered payroll was 10.39%. Madison Library District contributions required and paid were \$27,994, \$32,353, and \$32,533 for the years ended September 30, 2012, 2011, and 2010 respectively.

6. Expendable Trust Fund

The expendable trust funds were established to account for donations received by the Library District. The funds are to be used for purposes designated by the donors. The expendable trust funds are comprised of the Jackson Trust and the Smith Trust.

7. Long-Term Bonds

On August 5, 2008, the District issued \$3,920,000 in Revenue Bonds through the Idaho Bond Bank Authority. These bonds have an interest rate ranging from 3.5% to 5.5%. The net proceeds are being used to add on to and remodel the existing library. Revenues from tax assessments will be used to pay the bonds. The following is a summary of the long-term obligations:

	<u>2012</u>
Revenue Bonds Series 2008E, Principal due in annual Installments in September, interest rates 3.5% to 5.5% due in semi-annual installments in March and September through 2028, original amount \$3,920,000	\$ 3,355,000
Less Current Maturities of Long-Term Debt	<u>145,000</u>
Long-Term Debt Net of Current Maturities	<u>\$ 3,210,000</u>

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

7. Long-Term Bonds (Continued)

Scheduled principal repayments on long-term obligations for the next five years are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 145,000	\$ 159,713	\$ 304,713
2014	150,000	154,275	304,275
2015	160,000	148,275	308,275
2016	165,000	141,875	306,875
2017	170,000	134,862	304,862
Thereafter	2,565,000	785,887	3,350,887
	<u>\$3,355,000</u>	<u>\$1,524,887</u>	<u>\$4,879,887</u>

Interest expense on long-term bonds for the year ended September 30, 2012 was \$164,959.

8. Subsequent Events

In preparing these financial statements, the District has evaluated events and transaction for potential recognition or disclosure through January 16, 2013, the date the financial statements were available to be issued.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2012

9. Fund Balances

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

Details of constraints on fund balances of governmental funds:

	General Fund	Special Revenue Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Restricted:			
Capital Improvements	\$ -	\$ 74,383	\$ 74,383
Debt Payments	-	11,022	11,022
Unassigned	347,309	-	347,309
Total fund balances	<u>\$ 347,309</u>	<u>\$ 85,405</u>	<u>\$ 432,714</u>

Required Supplementary Information

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund
September 30, 2012

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Property taxes	\$ 704,462	\$ 702,419	\$ (2,043)
Earnings on investments	3,000	1,441	(1,559)
Grants and donations	18,000	2,598	(15,402)
Other	74,580	85,927	11,347
Total Revenues	800,042	792,385	(7,657)
Expenditures			
Current:			
Salaries and benefits	488,881	454,339	34,542
Library materials & operating costs	298,889	319,094	(20,205)
Total Expenditures	787,770	773,433	14,337
Excess of Revenues over Expenditures	12,272	18,952	6,680
Fund Balance Beginning of Year	328,357	328,357	-
Fund Balance End of Year	\$ 340,629	\$ 347,309	\$ 6,680

See independent auditors' report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Capital Improvement Fund
September 30, 2012

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Earnings on investments	\$ 100	\$ 1,481	\$ 1,381
Total Revenues	100	1,481	1,381
Expenditures			
Current:			
Library materials & operating costs	-	-	-
Capital Outlay	23,486	8,968	14,518
Total Expenditures	23,486	8,968	14,518
Excess of Revenues over Expenditures	(23,386)	(7,487)	15,899
Fund Balance Beginning of Year	81,870	81,870	-
Fund Balance End of Year	\$ 58,484	\$ 74,383	\$ 15,899

See independent auditors' report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Debt Service Fund
September 30, 2012

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Property taxes	\$ 304,962	\$ 308,257	\$ 3,295
Total Revenues	<u>304,962</u>	<u>308,257</u>	<u>3,295</u>
Expenditures			
Current:			
Interest on bonds	164,962	164,959	3
Principal on bonds	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Total Expenditures	<u>304,962</u>	<u>304,959</u>	<u>3</u>
Excess of Revenues over Expenditures	-	3,298	3,298
Fund Balance Beginning of Year	<u>7,724</u>	<u>7,724</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 7,724</u>	<u>\$ 11,022</u>	<u>\$ 3,298</u>

See independent auditors' report.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Madison Library District
Rexburg, Idaho

We have audited the financial statements of the governmental activities and the major fund of Madison Library District, as of and for the year ended September 30, 2012, which collectively comprise the Madison Library District's basic financial statements, and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Madison Library District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Madison Library District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison Library District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Madison Library District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

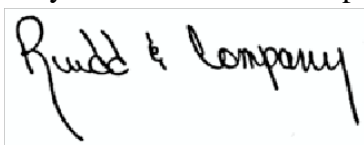
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison Library District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Madison Library District, in a separate letter dated January 16, 2013.

This report is intended solely for the information and use of the board, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive style and is contained within a thin black rectangular border.

January 16, 2013