



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, 2014**

giving direction to your future

MADISON LIBRARY DISTRICT
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September 30, 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Madison Library District
Rexburg, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and expendable trust fund of Madison Library District as of and for the year ended September 30, 2014, 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 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 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, each major fund and the expendable trust fund of Madison Library District, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

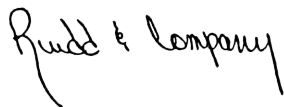
Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015, on our consideration of the District's internal control over financial reporting and 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



January 16, 2015
Rexburg, Idaho

MADISON LIBRARY DISTRICT
Statement of Net Position
September 30, 2014

Assets

Current Assets

| | |
|--|---------------|
| Cash and cash equivalents | \$ 431,825 |
| Property taxes | 28,631 |
| Other receivable | 88 |
| Fines receivable (net of allowance for doubtful accounts of \$3,640) | <u>32,756</u> |

Total Current Assets 493,300

Capital Assets

| | |
|---|------------------|
| Land, buildings and equipment , net of depreciation | <u>3,408,917</u> |
|---|------------------|

Total Assets 3,902,217

Liabilities

Current Liabilities

| | |
|---|----------------|
| Accounts payable | 2,096 |
| Other liability | 48 |
| Current portion on long-term obligation | <u>160,000</u> |

Total Current Liabilities 162,144

Long-term Liabilities

| | |
|--------------|------------------|
| Bond payable | <u>2,900,000</u> |
|--------------|------------------|

Total Liabilities 3,062,144

Deferred Inflows of Resources

| | |
|---|---------------|
| Bond issue premium, net of amortization | <u>54,039</u> |
|---|---------------|

Total Liabilities and Deferred Inflows of Resources 3,116,183

Net Position

| | |
|---|----------------|
| Invested in capital assets, net of related debt | 161,068 |
| Unrestricted | <u>624,966</u> |

Total Net Position \$ 786,034

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

MADISON LIBRARY DISTRICT
Statement of Activities
Year Ended September 30, 2014

Expenses

| | |
|----------------------------|----------------------|
| General Government | |
| Staff expenses | \$ 452,169 |
| Library materials | 89,225 |
| Operating expenses | 242,091 |
| Depreciation expense | 350,803 |
| Interest Expense | <u>150,414</u> |
| Total program expenses | <u>1,284,702</u> |

Program revenues

| | |
|----------------------|--------------|
| Charges for services | 43,191 |
| Operating grants | <u>2,846</u> |

| | |
|------------------------|---------------|
| Total program revenues | <u>46,037</u> |
|------------------------|---------------|

| | |
|---------------------|------------------|
| Net program expense | <u>1,238,665</u> |
|---------------------|------------------|

General revenues

| | |
|------------------------|--------------|
| Property tax | 1,018,093 |
| Sales tax | 46,821 |
| Gain on sale of assets | 3,330 |
| Interest | <u>1,553</u> |

| | |
|------------------------|------------------|
| Total general revenues | <u>1,069,797</u> |
|------------------------|------------------|

| | |
|--------------------------|-----------|
| Decrease in net position | (168,868) |
|--------------------------|-----------|

| | |
|---|----------------|
| Net Position - beginning of the year (See Note 7) | <u>954,902</u> |
|---|----------------|

| | |
|--------------------------------|-------------------|
| Net Position - end of the year | <u>\$ 786,034</u> |
|--------------------------------|-------------------|

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

MADISON LIBRARY DISTRICT
Balance Sheet
Governmental Funds
September 30, 2014

| Assets | General Fund | Capital Improvement Fund | Debt Service Fund | Total Governmental Funds |
|--|-------------------------|---|------------------------------|---|
| Current Assets | | | | |
| Cash and cash equivalents | \$ 338,261 | \$ 73,851 | \$ 19,713 | \$ 431,825 |
| Property taxes | 20,048 | - | 8,583 | 28,631 |
| Other receivable | 88 | - | - | 88 |
| Fines receivable (net of allowance for doubtful accounts of \$3,640) | 32,756 | - | - | 32,756 |
| Total Assets | \$ 391,153 | \$ 73,851 | \$ 28,296 | \$ 493,300 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 2,096 | \$ - | \$ - | \$ 2,096 |
| Other liabilities | 48 | - | - | 48 |
| Total Liabilities | 2,144 | - | - | 2,144 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenues | 16,263 | - | 6,895 | 23,158 |
| Fund Balances | | | | |
| Restricted | - | 73,851 | 21,401 | 95,252 |
| Unassigned | 372,746 | - | - | 372,746 |
| Total Fund Balances | 372,746 | 73,851 | 21,401 | 467,998 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 391,153 | \$ 73,851 | \$ 28,296 | \$ 493,300 |

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 Position
September 30, 2014

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

| | |
|---|-------------------|
| Total Fund Balance - Governmental Funds | \$ 467,998 |
| <p>Certain receivables are not financial resources and are reported as deferred revenues</p> | |
| Property tax deferred revenue | 23,158 |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$5,091,422 and the accumulated depreciation is \$1,682,505.</p> | |
| | 3,408,917 |
| <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 | (3,060,000) |
| Bond premium (Net of amortization of \$3,860) | <u>(54,039)</u> |
| Total Net Position - Governmental Activities | <u>\$ 786,034</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
Year Ended September 30, 2014

| | General Fund | Capital Improvement Fund | Debt Service Fund | Total Governmental Funds |
|--|-------------------------|---|------------------------------|---|
| Revenues | | | | |
| Local Sources: | | | | |
| Property taxes | \$ 714,704 | \$ - | \$ 309,073 | \$ 1,023,777 |
| Earnings on investments | 1,126 | 199 | 228 | 1,553 |
| Grants and donations | 2,846 | - | - | 2,846 |
| Other | 104,595 | - | - | 104,595 |
| Total Revenues | <u>823,271</u> | <u>199</u> | <u>309,301</u> | <u>1,132,771</u> |
| Expenditures | | | | |
| Current: | | | | |
| Salaries and benefits | 452,169 | - | - | 452,169 |
| Library materials and operating costs | 330,366 | 950 | - | 331,316 |
| Interest on bonds | - | - | 154,274 | 154,274 |
| Principal on bonds | - | - | 150,000 | 150,000 |
| Capital Outlay | 2,903 | - | - | 2,903 |
| Total Expenditures | <u>785,438</u> | <u>950</u> | <u>304,274</u> | <u>1,090,662</u> |
| Excess (Deficiency) of Revenues over Expenditures | 37,833 | (751) | 5,027 | 42,109 |
| Fund Balance Beginning of Year | <u>334,913</u> | <u>74,602</u> | <u>16,374</u> | <u>425,889</u> |
| Fund Balance End of Year | <u>\$ 372,746</u> | <u>\$ 73,851</u> | <u>\$ 21,401</u> | <u>\$ 467,998</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
Year Ended September 30, 2014

| | |
|--|---------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ 42,109 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | |
| Property taxes | (5,684) |
| 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 | (350,803) |
| Add Capital Outlay | 2,903 |
| Less Disposal of Assets | (11,253) |
| 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 | 150,000 |
| Amortization of bond premium | <u>3,860</u> |
| Change in Net Position of Governmental Activities | <u>\$ (168,868)</u> |

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

MADISON LIBRARY DISTRICT
Combined Balance Sheet
Expendable Trust Fund
September 30, 2014

Assets

| | |
|---------------------------|-----------|
| Cash and Cash Equivalents | \$ 22,021 |
| | <hr/> |
| Total Assets | \$ 22,021 |
| | <hr/> |

Liabilities and Fund Balances

| | |
|-------------------------------------|-----------|
| Fund Balances | |
| Unreserved: | |
| Undesignated | \$ 22,021 |
| | <hr/> |
| Total Fund Balances | 22,021 |
| | <hr/> |
| Total Liabilities and Fund Balances | \$ 22,021 |
| | <hr/> |

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
Year Ended September 30, 2014

| | |
|--------------------------------------|------------------|
| Revenues | |
| Interest revenue | \$ 275 |
| Unrealized gain on assets | <u>1,920</u> |
| Excess of Revenues over Expenditures | 2,195 |
| Fund Balance - Beginning | <u>19,826</u> |
| Fund Balance - Ending | <u>\$ 22,021</u> |

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

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2014

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, 2014

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 2014.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2014

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.

1. Summary of Significant Accounting Policies (Continued)

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.

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 two types of items in this area. One item, which arises only under a modified accrual basis of accounting, unavailable revenue, is reported only in the governmental funds balance sheet and represents unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government also has a deferred premium on bond resulting from the difference in the carrying value of the debt and its acquisition price. This amount is deferred and amortized over the life of the bond.

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, 2014, the carrying amount of the District's deposits was \$423,863 and the respective bank balances totaled \$442,081.
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, 2014, \$62,091 of the District's total deposits of \$442,081 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2014

2. Cash and Investments (Continued)

3. Investments – As of September 30, 2014, the District had invested \$29,983 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.
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, 2014.
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, 2014 had a weighted average maturity of 143 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.

The following is a reconciliation of the District’s deposit and investment balance as of September 30, 2014:

| | |
|--|-------------------|
| Cash and Investments reported on the statement of net assets | \$ 431,825 |
| Cash and Investments reported on the statement of fiduciary net assets | 22,021 |
| Total cash and cash investments | <u>\$ 453,846</u> |
| Investments categorized | \$ 29,983 |
| Deposits categorized | 423,863 |
| Total cash and cash investments | <u>\$ 453,846</u> |

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2014

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, 2014 are based on the assessed values established in 2013.

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.

4. Capital Assets

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

| | Balance September 30, 2013 | Additions | Dispositions | Balance September 30, 2014 |
|----------------------------------|----------------------------------|------------|--------------|----------------------------------|
| Non Depreciable Assets - Land | \$ 203,065 | \$ - | \$ - | \$ 203,065 |
| Buildings | 3,652,129 | - | - | 3,652,129 |
| Equipment | 1,251,091 | 2,903 | (17,766) | 1,236,228 |
| Total Buildings and Equipment | 4,903,220 | 2,903 | (17,766) | 4,888,357 |
| Total | \$ 5,106,285 | \$ 2,903 | \$ (17,766) | \$ 5,091,422 |
| Accumulated Depreciation | \$ 1,338,216 | \$ 350,803 | \$ (6,514) | \$ 1,682,505 |

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2014

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.

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, 2014, 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 \$32,924, \$32,196, and \$27,994 for the years ended September 30, 2014, 2013, and 2012 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. Prior Period Adjustment

The District implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, during the fiscal year. As a result, unamortized bond issue costs were deleted in the general fund and at the government wide level. The total adjustment to all prior periods was \$76,132.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2014

8. 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>2014</u> |
| Revenue Bonds Series 2008E, Interest rates 3.5% to 5.5% due in semi-annual installments in March and September through 2028, original amount \$3,920,000 | \$ 3,060,000 |
| Less Current Maturities of Long-Term Debt | <u>160,000</u> |
| Long-Term Debt Net of Current Maturities | <u>\$ 2,900,000</u> |

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

| Year Ending September 30, | Principal | Interest | Total |
|---------------------------------|--------------------|--------------------|--------------------|
| 2015 | 160,000 | 148,275 | 308,275 |
| 2016 | 165,000 | 141,875 | 306,875 |
| 2017 | 170,000 | 134,862 | 304,862 |
| 2018 | 180,000 | 126,363 | 306,363 |
| 2019 | 190,000 | 117,362 | 307,362 |
| Thereafter | <u>2,195,000</u> | <u>542,162</u> | <u>2,737,162</u> |
| | <u>\$3,060,000</u> | <u>\$1,210,899</u> | <u>\$4,270,899</u> |

Interest expense on long-term bonds for the year ended September 30, 2014 was \$154,274.

9. Subsequent Events

In preparing these financial statements, the District has evaluated events and transaction for potential recognition or disclosure through January 16, 2015, the date the financial statements were available to be issued.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2014

10. Other Required Individual Fund Disclosure

The District expenditures did not exceed the budgeted amounts during the year ended September 30, 2014.

11. 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:

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total</u> |
|----------------------|-------------------------|--------------------------------------|-------------------|
| Fund Balances: | | | |
| Restricted: | | | |
| Capital Improvements | \$ - | \$ 73,851 | \$ 73,851 |
| Debt Payments | - | 21,401 | 21,401 |
| Unassigned | <u>372,746</u> | <u>-</u> | <u>372,746</u> |
| Total fund balances | <u>\$ 372,746</u> | <u>\$ 95,252</u> | <u>\$ 467,998</u> |

Required Supplementary Information

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund
Year Ended September 30, 2014

| | Original and Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--|---------------------------|---|
| Revenues | | | |
| Local Sources: | | | |
| Property taxes | \$ 740,000 | \$ 714,704 | \$ (25,296) |
| Earnings on investments | 1,000 | 1,126 | 126 |
| Grants and donations | 3,965 | 2,846 | (1,119) |
| Other | 74,605 | 104,595 | 29,990 |
| Total Revenues | 819,570 | 823,271 | 3,701 |
| Expenditures | | | |
| Current: | | | |
| Salaries and benefits | 465,085 | 452,169 | 12,916 |
| Library materials & operating costs | 342,065 | 330,366 | 11,699 |
| Capital Outlay | - | 2,903 | (2,903) |
| Total Expenditures | 807,150 | 785,438 | 21,712 |
| Excess (Deficiency) of Revenues over Expenditures | 12,420 | 37,833 | 25,413 |
| Fund Balance Beginning of Year | 334,913 | 334,913 | - |
| Fund Balance End of Year | \$ 347,333 | \$ 372,746 | \$ 25,413 |

See independent auditors' report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Capital Improvement Fund
Year Ended September 30, 2014

| | Original and Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--------------------------------------|--|---------------------------|---|
| Revenues | | | |
| Local Sources: | | | |
| Earnings on investments | \$ 100 | \$ 199 | \$ 99 |
| Total Revenues | 100 | 199 | 99 |
| Expenditures | | | |
| Current: | | | |
| Library materials & operating costs | - | 950 | (950) |
| Total Expenditures | - | 950 | (950) |
| Excess of Revenues over Expenditures | 100 | (751) | (851) |
| Fund Balance Beginning of Year | 74,602 | 74,602 | - |
| Fund Balance End of Year | \$ 74,702 | \$ 73,851 | \$ (851) |

See independent auditors' report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Debt Service Fund
Year Ended September 30, 2014

| | Original and Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--------------------------------------|--|---------------------------|---|
| Revenues | | | |
| Local Sources: | | | |
| Property taxes | \$ 304,962 | \$ 309,073 | \$ 4,111 |
| Earnings on Investments | - | 228 | 228 |
| Total Revenues | <u>304,962</u> | <u>309,301</u> | <u>4,339</u> |
| Expenditures | | | |
| Current: | | | |
| Interest on bonds | 159,962 | 154,274 | 5,688 |
| Principal on bonds | <u>145,000</u> | <u>150,000</u> | <u>(5,000)</u> |
| Total Expenditures | <u>304,962</u> | <u>304,274</u> | <u>688</u> |
| Excess of Revenues over Expenditures | - | 5,027 | 5,027 |
| Fund Balance Beginning of Year | <u>16,374</u> | <u>16,374</u> | <u>-</u> |
| Fund Balance End of Year | <u>\$ 16,374</u> | <u>\$ 21,401</u> | <u>\$ 5,027</u> |

See independent auditors' report.



Independent Auditors' 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, in accordance with the 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, the financial statements of the governmental activities, each major fund and the expendable trust fund of Madison Library District, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Madison Library District's basic financial statements, and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison Library District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison Library District's internal control.

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 a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

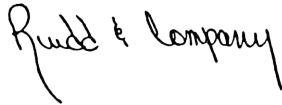
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison Library District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rexburg, Idaho
January 16, 2015