MADISON
LIBRARY DISTRICT
REXBURG, IDAHO

Basic Financial Statements
and
Supplementary Information
with
Independent Auditors' Report

Year Ended September 30, 2017

MADISON LIBRARY DISTRICT
Table of Contents
September 30, 2017

INDEPENDENT AUDITOR'S 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 expendable trust fund of Madison Library District, as of September 30, 2017, 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 management's discussion and analysis and budgetary comparison information on pages 29-31 and pension information on pages 32-33 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2018, on our consideration of the 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 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.

Rudd & Company

Rexburg, Idaho
January 17, 2018

MADISON LIBRARY DISTRICT
Statement of Net Position
Year Ended September 30, 2017

Assets		
Current Assets		
Cash and cash equivalents	$	534,450
Property taxes		26,602
Other receivable		231
Fines receivable (net of allowance for doubtful accounts of $4,140)		37,400
Total Current Assets		598,683
Capital Assets		
Land, buildings and equipment, net of depreciation		3,336,255
Deferred Outflow of Resources		
Pension		37,090
Total Assets		3,972,028
Liabilities		
Current Liabilities		
Accounts payable		15,360
Other liabilities		42,605
Current portion on long-term obligation		180,000
Total Current Liabilities		237,965
Long-term Liabilities		
Net pension liability		174,770
Bond payable Series 2008E		-
Bonds payable Series 2016		2,385,000
Total Liabilities		2,797,735
Deferred Inflows of Resources		
Pension		42,589
Bond issue premium Series 2008E, net of amortization		3,860
Total Deferred Inflows of Resources		46,449
Total Liabilities and Deferred Inflows of Resources		2,844,184
Net Position		
Investment in capital assets, net of related debt		767,395
Restrticted:		
Restricted for Debt Service		49,372
Restricted for Capital Improvements		38,804
Unrestricted		272,273
Total Net Position	$	1,127,844

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

MADISON LIBRARY DISTRICT
Statement of Activities
Year Ended September 30, 2017

Expenses	
General Government	
Staff expenses	$ 573,431
Library materials	105,950
Operating expenses	272,921
Depreciation expense	223,534
Interest expense	107,524
Total program expenses	1,283,360
Program revenues	
Charges for services	52,485
Operating grants	2,612
Total program revenues	55,097
Net program expense	1,228,263
General revenues	
Property taxes	1,194,335
State revenues	58,382
Interest	1,704
Other revenues	6,412
Total general revenues	1,260,833
Increase in net position	32,570
Net Position - Beginning of the Year	1,095,274
Net Position - End of the Year	$ 1,127,844

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

MADISON LIBRARY DISTRICT
Balance Sheet
Governmental Funds
September 30, 2017

Assets	**General Fund**	**Capital Improvement Fund**	**Debt Service Fund**	**Total Governmental Funds**
Current Assets				
Cash and cash equivalents	$ 453,232	$ 38,804	$ 42,414	$ 534,450
Property taxes	19,644	-	6,958	26,602
Other receivable	231	-	-	231
Fines receivable (net of allowance for doubtful accounts of $4,156)	37,400	-	-	37,400
Total Assets	$ 510,507	$ 38,804	$ 49,372	$ 598,683
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 15,360	$ -	$ -	$ 15,360
Other liabilities	42,605	-	-	42,605
Total Liabilities	57,965	-	-	57,965
Deferred Inflows of Resources				
Unavailable reveunes	15,962	-	5,458	21,420
Fund Balances				
Restricted	-	38,804	43,914	82,718
Unassigned	436,580	-	-	436,580
Total Fund Balances	436,580	38,804	43,914	519,298
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 510,507	$ 38,804	$ 49,372	$ 598,683

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, 2017

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

Total Fund Balance - Governmental Funds	$	519,298
Certain receivables are not financial resources and are reported as deferred revenues		
Property tax deferred revenue		21,420
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is $5,208,610 and the accumulated depreciation is $1,872,355		3,336,255
Pension contributions are reported in the fund financial statements in the period in which they are paid. The actuarially determined pension liability is recorded on the governmental-wide statements.		(180,269)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Long-term debt		(2,565,000)
Bond premium		(3,860)
Total Net Position - Governmental Activities	$	1,127,844

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, 2017

	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Local Sources:				
Property taxes	$ 903,436	$ -	$ 289,706	$ 1,193,142
Earnings on investments	1,287	89	328	1,704
Grants and donations	2,612	-	-	2,612
Other	117,279	-	-	117,279
Total Revenues	1,024,614	89	290,034	1,314,737
Expenditures				
Current:				
Salaries and benefits	562,505	-	-	562,505
Library materials and operating costs	378,871	-	-	378,871
Interest and expense on bonds	-	-	111,384	111,384
Principal on bonds	-	-	170,000	170,000
Capital Outlay	71,953	28,300	-	100,253
Total Expenditures	1,013,329	28,300	281,384	1,323,013
Excess (Deficiency) of Revenues over Expenditures	11,285	(28,211)	8,650	(8,276)
Fund Balance Beginning of Year	425,295	67,015	35,264	527,574
Fund Balance End of Year	$ 436,580	$ 38,804	$ 43,914	$ 519,298

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, 2017

Net Changes in Fund Balances - Total Governmental Funds	$	(8,276)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes		1,193
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capatalized and the cost is allocated over their estimated useful lives and reported as depreciation expense:		
Less Depreciation		(223,534)
Add Capital Outlay		100,253
The government funds report current pension contributions as an expenditure. However, the amount recorded in the statement of activities represents the difference in the actuarially determined pension liability from the previous year to the current year.		(10,926)
Governmental funds report principal payments on debt as an expenditure. However, in the statement of activities, debt payments are not an expense and bond premiums are amortized:		
Principal payments on long-term obligations		170,000
Amortization of bond premium		3,860
Change in Net Position of Governmental Activities	$	32,570

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

MADISON LIBRARY DISTRICT
Combined Balance Sheet
Expendable Trust Fund
September 30, 2017

Assets		
Cash and Cash Equivalents	$	23,375
Total Assets	$	23,375
Liabilities and Fund Balances		
Fund Balances		
Unreserved:		
Undesignated	$	23,375
Total Fund Balances		23,375
Total Liabilities and Fund Balances	$	23,375

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

MADISON LIBRARY DISTRICT
Combined Statement of Revenue, Expenses,
and Changes in Fund Balance
Expendable Trust Fund
Year Ended September 30, 2017

Revenues		
Net loss on investments	$	(603)
Excess of Revenues over Expenditures		(603)
Fund Balance - Beginning		23,978
Fund Balance - Ending	$	23,375

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

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.

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 2017.

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.

The District has one type of deferred outflows of resources. This amounts relates to the District's allocable share of the effect of changes of assumptions during the year on the valuation of the net pension liability. This amount is reportable only in the government-wide financial statements.

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. This is reported in the governmental funds. The second type of deferred inflows of resources relates to the effect on the calculation of the net pension liability of the difference between projected and actual investment earnings on the defined benefit pension plan. This is reported in the government-wide financial statements.

Pensions

For the purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Retirement System of Idaho Based Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

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.

2. Cash and Investments (Continued)

1. Deposits – At September 30, 2017, the carrying amount of the District's deposits were $527,197 and the respective bank balances totaled $537,031.

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, 2017, $160,968 of the District's total deposits of $537,031 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.

3. Investments – As of September 30, 2017, the District had invested $30,432 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, 2017

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, 2017 had a weighted average maturity of 96 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.

2. Cash and Investments (Continued)

The following is a reconciliation of the District's deposit and investment balance as of September 30, 2017:

Cash and investments reported on the statement of net assets	$ 534,450
Cash and investments reported on the statement of fiduciary net assets	23,375
Total cash and cash investments	$ 557,825
Petty cash	$ 197
Investments categorized	30,431
Deposits categorized	527,197
Total cash and cash investments	$ 557,825

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, 2017 are based on the assessed values established in 2016.

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, 2016	Additions	Dispositions	Balance September 30, 2017
Non Depreciable Assets - Land	$ 203,065	$ -	$ -	$ 203,065
Buildings	3,652,129	28,300	-	3,680,429
Equipment	1,253,163	71,953	-	1,325,116
Total Buildings and Equipment	4,905,292	100,253	-	5,005,545
Total	$ 5,108,357	$ 100,253	$ -	$ 5,208,610
Accumulated Depreciation	$ 1,648,821	$ 223,534	$ -	$ 1,872,355

5. Pension Plan

Plan Description

The District contributes to the Base Plan, which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies, and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

5. Pension Plan (continued)

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointment officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, the employee contribution rate was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters of covered compensation. The District's contributions required and paid were $39,247 for the year ended September 30, 2017.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 3017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the District's proportion was .000111189 percent.

For the year ended September 30, 2017, the District recognized pension expense of $39,247. At September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

5. Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 15,745
Changes in assumptions or other inputs	3,232	-
Net difference between projected and actual earnings on pension plan investments	24,211	26,216
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	628
Employer contributions subsequent to the measurement date	9,647	-
Total	$ 37,090	$ 42,589

The $37,090 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2017 is 4.9 and 5.5for the measurement period June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Fiscal Year	
2018	$ (9,501)
2019	16,420
2020	4,659
2021	(10,351)

5. Pension Plan (continued)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322. Idaho Code, is 25 years.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

5. Pension Plan (continued)

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixted Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	90.00%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Iniverstment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	**7.10%**

5. Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	$ 406,201	$ 174,770	$ (17,556)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

At September 30, 2017, the District reported payables to the defined benefit pension plan of $2947 for legally required employer contributions and $1,768 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

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 June 15, 2016, the District issued $2,385,000 in General Obligation Refunding Bonds with an average interest rate of 3.150% to advance refund $2,385,000 of outstanding 2008E Series Revenue Bonds with an average interest rate of 4.80%. The net proceeds of $2,566,328 (after payment of $45,831 in underwriting fees and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future payment of the refund bonds. The 2002 Series G.O. Bonds are considered to be defeased in the amount of $2,385,000 and the liability for those bonds has been removed from the government-wide statement of net position. The District still had a liability of $515,000 for the 2002 Series G.O. Bonds that was not paid off with the Refunding Bonds.

		2017
Revenue Bonds, Series 2008E, interest rate 3.5% to 5.5% due in semi-annual installments in March and September through 2018, original amount $3,920,000	$	180,000
General Obligation Refunding Bonds, Series 2016, interest rate 3.150% due in semi-annual installments in March and September through 2028.		2,385,000
Total		2,565,000
Less Current Maturities of Long-Term Debt		180,000
Long Term Debt net of Current Maturities	$	2,385,000

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

Interest expense on long-term bonds for the year ended September 30, 2017 was $111,384.

7. Long-Term Bonds (Continued)

Year Ending September 30,	Principal		Interest		Total	
2018	$	180,000	$	84,128	$	264,128
2019		206,000		75,128		281,128.00
2020		214,000		68,639		282,639.00
2021		221,000		61,898		282,898.00
2022		227,000		54,936		281,936.00
2023 - 2027		1,242,000		163,202		1,405,202.00
2028 - 2032		275,000		8,663		283,663.00
	$	2,565,000	$	516,594	$	3,081,594

8. Changes in Long-Term Debt

A summary of general long-term debt transactions of the District for the year ended September 30, 2017, is as follows:

	Long-term Obligations September 30, 2016		Obligations Incurred		Obligations Paid		Long-term Obligations September 30, 2017		Current Portion	
Net Pension Liability	$	224,742	$	-	$	49,972	$	174,770	$	-
Revenue Bonds Series 2008E		350,000		-		170,000		180,000		180,000
Revenue Bonds Series 2016		2,385,000		-		-		2,385,000		-
	$	2,959,742	$	-	$	219,972	$	2,739,770	$	180,000

9. Subsequent Events

In preparing these financial statements, the District has evaluated events and transaction for potential recognition or disclosure through January 17, 2018 the date the financial statements were available to be issued.

10. Other Required Individual Fund Disclosure

The District's following funds exceed the budgeted amounts during the year ended September 30, 2017:

Fund	**Amount Exceeded**
Capital Improvement Fund	$ (3,300)

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:

	General Fund	**Special Revenue Funds**	**Total**
Fund Balances:			
Restricted:			
Capital improvements	$ -	$ 38,804	$ 38,804
Debt payments	-	43,914	43,914
Unassigned	436,580	-	436,580
Total fund balances	$ 436,580	$ 82,718	$ 519,298

12. Fair Value Measurement

The County has implemented GASB No. 72, Fair Value Measurement and Application. This guidance requires government entities to measure investments and certain other items at fair value. The objective is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

GASB No. 72 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market.

Level 2 Inputs – Inputs other than the quoted process in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

GASB No. 72 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs.

12. Fair Value Measurement (Continued)

Fair value assets measured on a recurring basis at September 30, 2017 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
State investment pool	$ 30,432	$ 30,432	$ -	$ -
Total	$ 30,432	$ 30,432	$ -	$ -

All assets have been valued using a market approach. There were no changes in the valuation techniques during the year. There are no assets or liabilities measured at fair value on a nonrecurring basis.

Required Supplementary Information

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended September 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Property taxes	$ 1,044,654	$ 903,436	$ (141,218)
Earnings on investments	1,000	1,287	287
Grants and donations	2,550	2,612	62
Other	107,884	117,279	9,395
Total Revenues	1,156,088	1,024,614	(131,474)
Expenditures			
Current:			
Salaries and benefits	654,850	562,505	92,345
Library materials & operating costs	469,338	378,871	90,467
Capital Outlay	27,000	71,953	(44,953)
Total Expenditures	1,151,188	1,013,329	137,859
Excess (Deficency) of Revenues over Expenditures	4,900	11,285	6,385
Fund Balance Beginning of Year	425,295	425,295	-
Fund Balance End of Year	$ 430,195	$ 436,580	$ 6,385

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See Independent Auditor's Report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Improvement Fund
Year Ended September 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Earnings on investments	$ 100	$ 89	$ (11)
Total Revenues	100	89	(11)
Expenditures			
Current:			
Library materials & operating costs	25,000	28,300	(3,300)
Total Expenditures	25,000	28,300	(3,300)
Excess of Revenues over Expenditures	(24,900)	(28,211)	(3,311)
Fund Balance Beginning of Year	67,015	67,015	-
Fund Balance End of Year	$ 42,115	$ 38,804	$ (3,311)

See Independent Auditor's Report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Debt Serivce Fund
Year Ended September 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Property taxes	$ 281,409	$ 289,706	$ 8,297
Earnings on Investments	-	328	328
Total Revenues	281,409	290,034	8,625
Expenditures			
Current:			
Interest on bonds	93,909	111,384	(17,475)
Principal on bonds	187,500	170,000	17,500
Total Expenditures	281,409	281,384	25
Excess (Deficiency) of Revenues over Expenditures	-	8,650	8,650
Fund Balance Beginning of Year	35,264	35,264	-
Fund Balance End of Year	$ 35,264	$ 43,914	$ 8,650

See Independent Auditor's Report.

MADISON LIBRARY DISTRICT
Schedule of Employers's Share of Net Pension Liability
PERSI Base Plan - Last 10 Fiscal Years*

	2017	2016	2015
Employer's Portion of net the pension liability	0.0111%	0.0112%	0.0110%
Employer's proportionate share of the net pension liability	$ 174,770	$ 224,742	$ 141,640
Employer's covered-employee payroll	$ 346,708	$ 334,173	$ 305,277
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.41%	67.25%	46.40%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	87.26%	91.38%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of September 30, 2017.

MADISON LIBRARY DISTRICT
Schedule of Employer Contributions
PERSI Base Plan - Last 10 Fiscal Years*

	2017	2016	2015
Statutorily required contribution	$ 39,093	$ 36,705	$ 34,104
Contributions in relation to the statutorily required contribution	39,456	37,651	34,557
Contribution (deficiency) excess	363	946	453
Employer's covered-employee payroll	346,708	334,173	305,277
Contributions as a percentage of covered-employee payroll	11.38%	11.27%	11.32%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of September 30, 2017.

RUDD&COMPANY PLLC
certified public accountants | business consultants

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 the Madison Library District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Madison Library District basic financial statements, and have issued our report thereon dated January 17, 2018

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison Library District 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 the Madison Library District internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison Library District 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison Library District 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 17, 2018