



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, 2010**

giving direction to your future

MADISON LIBRARY DISTRICT
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September 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Madison Library District
Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities and the major funds of Madison Library District as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Madison Library District management. Our responsibility is to express an opinion on these financial statements based on our audit.

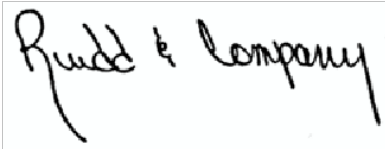
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Madison Library District as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2011 on our consideration of Madison Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19 through 21 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 an assurance.

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

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

February 23, 2011

MADISON LIBRARY DISTRICT

Statement of Net Assets

Governmental Activities

September 30, 2010

Assets

Current Assets

Cash and cash equivalents	\$ 1,304,351
Property taxes	45,543
Fines receivable (net of allowance for doubtful accounts of \$21,263)	<u>8,887</u>

Total Current Assets 1,358,781

Capital Assets

Land, buildings and equipment , net of depreciation	4,016,192
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Other Assets

Bond issuance costs	<u>91,358</u>
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Total Assets 5,466,331

Liabilities

Current Liabilities

Accounts payable	135,981
Other liability	22
Current portion on long-term obligation	<u>135,000</u>

Total Current Liabilities 271,003

Long-term Liabilities

Bond premium	69,477
Bond payable	<u>3,495,000</u>

Total Long-term Liabilities 3,564,477

Total Liabilities 3,835,480

Net Assets

Invested in capital assets, net of related debt	274,263
Unrestricted	<u>1,356,588</u>

Total Net Assets \$ 1,630,851

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

MADISON LIBRARY DISTRICT
Statement of Activities
September 30, 2010

Expenses

General Government	
Staff expenses	\$ 458,655
Library materials	261,371
Operating expenses	153,081
Depreciation expense	<u>44,475</u>
Total program expenses	<u>917,582</u>

Program revenues

Charges for services	47,064
Operating grants	<u>22,196</u>

Total program revenues	<u>69,260</u>
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Net program expense	<u>848,322</u>
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General revenues

Property tax	963,523
Sales tax	28,157
Interest	<u>4,740</u>

Total general revenues	<u>996,420</u>
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Increase in net assets	148,098
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Net assets - beginning of the year	<u>1,482,753</u>
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Net assets - end of the year	<u>\$ 1,630,851</u>
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The accompanying notes are an integral part of the financial statements.

MADISON LIBRARY DISTRICT
Balance Sheet
Governmental Funds
September 30, 2010

Assets	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
Current Assets				
Cash and cash equivalents	\$ 310,473	\$ 992,581	\$ 1,297	\$ 1,304,351
Property taxes	31,320	-	14,223	45,543
Fines receivable (net of allowance for doubtful accounts of \$21,263)	8,887	-	-	8,887
Total Assets	350,680	992,581	15,520	1,358,781
Liabilities and Fund Balances				
Liabilities				
Accounts payable	2,171	133,810	-	135,981
Other liabilities	22	-	-	22
Deferred revenues	24,743	-	11,412	36,155
Total Liabilities	26,936	133,810	11,412	172,158
Fund Balances				
Unreserved:				
Undesignated	323,744	-	-	323,744
Reserved				
Capital projects	-	858,771	-	858,771
Debt service	-	-	4,108	4,108
Total Fund Balances	323,744	858,771	4,108	1,186,623
Total Liabilities and Fund Balances	\$ 350,680	\$ 992,581	\$ 15,520	\$ 1,358,781

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

MADISON LIBRARY DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2010

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

Total Fund Balance - Governmental Funds	\$ 1,186,623
<p>Certain receivables are not financial resources and are reported as deferred revenues</p>	
Property tax deferred revenue	36,155
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$4,302,092 and the accumulated depreciation is \$285,900.</p>	
	4,016,192
<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	(3,630,000)
Bond premium (Net of amortization of \$3,860)	(69,477)
Bond issuance cost (Net of amortization of \$5,075)	91,358
	<u>91,358</u>
Total Net Assets - Governmental Activities	<u>\$ 1,630,851</u>

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

MADISON LIBRARY DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
September 30, 2010

	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Local Sources:				
Property taxes	\$ 660,953	\$ -	\$ 310,071	\$ 971,024
Earnings on investments	4,740	11,644	-	16,384
Grants and donations	22,196	-	-	22,196
Other	75,222	-	-	75,222
Total Revenues	763,111	11,644	310,071	1,084,826
Expenditures				
Current:				
Salaries and benefits	458,655	-	-	458,655
Library materials and operating costs	292,271	122,181	-	414,452
Interest on bonds	-	-	174,219	174,219
Principal on bonds	-	-	130,000	130,000
Capital Outlay	-	2,549,199	-	2,549,199
Total Expenditures	750,926	2,671,380	304,219	3,726,525
Excess of Revenues over Expenditures	12,185	(2,659,736)	5,852	(2,641,699)
Fund Balance Beginning of Year	311,559	3,518,507	(1,744)	3,828,322
Fund Balance End of Year	\$ 323,744	\$ 858,771	\$ 4,108	\$ 1,186,623

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

MADISON LIBRARY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
September 30, 2010

Net Changes in Fund Balances - Total Governmental Funds	\$ (2,641,699)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Property taxes	(6,287)
<p>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:</p>	
Less Depreciation	(44,475)
Add Capital Outlay	2,549,199
<p>Governmental funds report the interest income earned on the bond proceeds as revenues and the interest expense paid on bonds as expenditures. In the statement of activities these items are capitalized until construction is complete.</p>	
Net bond interest	162,575
<p>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:</p>	
Principal payments on long-term obligations	130,000
Amortization of bond premium	3,860
Amortization of bond issuance costs	(5,075)
	<hr/>
Change in Net Assets of Governmental Activities	<u>\$ 148,098</u>

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

MADISON LIBRARY DISTRICT
Combined Balance Sheet
All Fiduciary Fund Types
September 30, 2010

Assets

Cash and Cash Equivalents	<u>\$ 23,055</u>
Total Assets	<u>\$ 23,055</u>

Liabilities and Fund Balances

Fund Balances	
Unreserved:	
Undesignated	<u>\$ 23,055</u>
Total Fund Balances	<u>23,055</u>
Total Liabilities and Fund Balances	<u>\$ 23,055</u>

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

MADISON LIBRARY DISTRICT
Combined Statement of Revenues, Expenses,
and Changes in Fund Balance
Expendable Trust Fund
September 30, 2010

Revenues

Interest revenue	\$	622
Unrealized gain on assets		<u>2,584</u>

Total Revenue		3,206
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Expenditures

Transfers		<u>600</u>
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Excess of Revenues over Expenditures		2,606
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Fund Balance - Beginning		<u>20,449</u>
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Fund Balance - Ending	\$	<u>23,055</u>
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The accompanying notes are an integral part of the financial statements.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2010

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, 2010

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 2010.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2010

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	30
Furniture	10
Equipment	7
Computer Equipment	5

Use of Estimates

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

Fund Equity

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

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2010

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, 2010, the carrying amount of the District's deposits was \$315,900 and the respective bank balances totaled \$335,453.
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, 2010, all amounts of the District's total deposits were covered by federal depository insurance, and thus not exposed to custodial credit risk.
3. Investments – As of September 30, 2010, the District had invested \$29,749 in the State Treasurer's pooled cash investment account. Fair market value was equal to the carrying amount and the investments have a maturity of less than one year. The District also invested \$981,757 in a Zion's Bank collateralized money market account to give a total of \$1,011,506 in investments. The Zions's Bank account has underlying securities in the District's name collateralizing those balances which reduces the District's overall risk.
4. Custodial Credit Risk, Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of the investments. The State diversifies these funds to reduce this risk. In addition, the entire balance at Zion's Bank is secured by pledged assets at September 30, 2010.
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, 2010 had a weighted average maturity of 107 days, it was presented as an investment with a maturity of less than one year and included with cash and short-term investments.
6. Credit Risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the District's policy to limit investments to the safest types of securities and to diversify the District's investment portfolio so that potential losses on securities will be minimized. The District follows Idaho statute that outlines qualifying investment options.

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2010

2. Cash and Investments (Continued)

The following is a reconciliation of the District's deposit and investment balance as of September 30, 2010:

Cash and Investments reported on the statement of net assets	\$ 1,304,351
Cash and Investments reported on the statement of fiduciary net assets	<u>23,055</u>
Total cash and investments	<u>\$ 1,327,406</u>
Investments categorized	\$ 1,011,506
Deposits categorized	<u>315,900</u>
Total cash and investments	<u>\$ 1,327,406</u>

3. Property Tax

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

Taxes are collected by Madison County and remitted to the District primarily in January and July of the fiscal year. Accordingly, the tax revenues for the year ended September 30, 2010 are based on the assessed values established in 2009.

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

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2010

4. Capital Assets

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

	Balance September 30, 2009	Additions	Dispositions	Balance September 30, 2010
Non Depreciable Assets – Land	\$ 203,065	\$ --	\$ --	\$ 203,065
Buildings	725,722	--	--	725,722
Equipment	404,450	332,575	--	737,025
Construction In Progress	257,081	2,379,199	--	2,636,280
Total Buildings and Equipment	<u>1,387,253</u>	<u>2,711,774</u>	<u>--</u>	<u>4,099,027</u>
Total	<u>\$ 1,590,318</u>	<u>\$ 2,711,774</u>	<u>--</u>	<u>\$ 4,302,092</u>
Accumulated Depreciation	<u>\$ 241,425</u>	<u>\$ 44,475</u>	<u>\$ --</u>	<u>\$ 285,900</u>

Interest in the amount of \$162,575 was capitalized and included in construction in progress for the 2010 year.

5. Retirement Plan

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

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

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2010

5. Retirement Plan (Continued)

The contribution requirement of the Madison Library District and its employees is established and amended by the PERSI Board of Trustees. For the year ended September 30, 2010, 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 \$32,533, \$27,820, and \$24,527 for the years ended September 30, 2010, 2009, and 2008 respectively.

6. Expendable Trust Fund

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

7. Long-Term Bonds

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

	<u>2010</u>
Revenue Bonds Series 2008E, Principal due in annual Installments in September, interest rates 3.5% to 5.5% due in semi-annual installments in March and September through 2028, original amount \$3,920,000	\$ 3,630,000
Less Current Maturities of Long-Term Debt	<u>135,000</u>
Long-Term Debt Net of Current Maturities	<u>\$ 3,495,000</u>

MADISON LIBRARY DISTRICT
Notes to Financial Statements
September 30, 2010

7. Long-Term Bonds (Continued)

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

Year Ending September 30,	Principal	Interest	Total
2011	\$ 135,000	\$ 169,688	\$ 304,688
2012	140,000	164,963	304,963
2013	145,000	159,713	304,713
2014	150,000	154,275	304,275
2015	160,000	148,275	308,275
Thereafter	2,900,000	1,092,725	3,992,725
	<u>\$3,630,000</u>	<u>\$1,889,639</u>	<u>\$5,519,639</u>

Interest expense on long-term bonds for the year ended September 30, 2010 was \$174,219.

8. Subsequent Events

In preparing these financial statements, the District has evaluated events and transaction for potential recognition or disclosure through February 23, 2011, the date the financial statements were available to be issued.

9. Other Required Individual Fund Disclosures

The District expenditures exceeded the budgeted amounts in the following funds during the year ended September 30, 2010:

<u>Fund</u>	<u>Amount Exceeded</u>
General Fund.....	\$ 14,571
Debt Service Fund.....	\$ 304,219

Required Supplementary Information

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund
September 30, 2010

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Property taxes	\$ 625,383	\$ 660,953	\$ 35,570
Earnings on investments	7,000	4,740	(2,260)
Grants and donations	15,500	22,196	6,696
Other	81,680	75,222	(6,458)
Total Revenues	729,563	763,111	33,548
Expenditures			
Current:			
Salaries and benefits	455,719	458,655	(2,936)
Library materials & operating costs	280,636	292,271	(11,635)
Total Expenditures	736,355	750,926	(14,571)
Excess of Revenues over Expenditures	(6,792)	12,185	18,977
Fund Balance Beginning of Year	311,559	311,559	-
Fund Balance End of Year	\$ 304,767	\$ 323,744	\$ 18,977

See independent auditors' report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Capital Improvement Fund
September 30, 2010

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Local Sources:			
Earnings on investments	\$ 15,000	\$ 11,644	\$ (3,356)
Bond revenues	3,551,500	-	(3,551,500)
Total Revenues	<u>3,566,500</u>	<u>11,644</u>	<u>(3,554,856)</u>
Expenditures			
Current:			
Library materials & operating costs	-	122,181	(122,181)
Capital Outlay	3,566,500	2,549,199	1,017,301
Total Expenditures	<u>3,566,500</u>	<u>2,671,380</u>	<u>895,120</u>
Excess of Revenues over Expenditures	-	(2,659,736)	(2,659,736)
Fund Balance Beginning of Year	<u>3,518,507</u>	<u>3,518,507</u>	-
Fund Balance End of Year	<u>\$ 3,518,507</u>	<u>\$ 858,771</u>	<u>\$ (2,659,736)</u>

See independent auditors' report.

MADISON LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Debt Service Fund
September 30, 2010

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Local Sources:			
Property taxes	\$ -	\$ 310,071	\$ 310,071
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	-	310,071	310,071
	<u> </u>	<u> </u>	<u> </u>
Expenditures			
Current:			
Interest on bonds	-	174,219	(174,219)
Principal on bonds	-	130,000	(130,000)
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	-	304,219	(304,219)
	<u> </u>	<u> </u>	<u> </u>
Excess of Revenues over Expenditures	-	5,852	5,852
Fund Balance Beginning of Year	(1,744)	(1,744)	-
	<u> </u>	<u> </u>	<u> </u>
Fund Balance End of Year	\$ (1,744)	\$ 4,108	\$ 5,852
	<u> </u>	<u> </u>	<u> </u>

See independent auditors' report.



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

To the Board of Trustees
Madison Library District
Ashton, Idaho

We have audited the financial statements of the governmental activities and the major fund of Madison Library District, as of and for the year ended September 30, 2010, which collectively comprise the Madison Library District's basic financial statements, and have issued our report thereon dated February 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

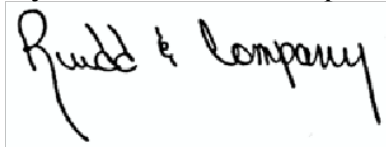
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Madison Library District, in a separate letter dated February 23, 2011.

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

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

February 23, 2011