

Independent Auditor's Report and
Financial Statements

North Lake County Public Library District

Lake County
Polson, Montana
June 30, 2013

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NORTH LAKE COUNTY PUBLIC LIBRARY DISTRICT

June 30, 2013

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June 30, 2013

ORGANIZATION

Board of Trustees:

Trustee/Chair

Trustee

Trustee

Trustee

Trustee

Jackie Gran

Bruce Harrop

Clint Hoxie

Maggie Newman

Carole Olson

Library Staff (full-time):

Library Director/Accounting, Budget, Payroll

Administrative Assistant

Public Services Librarian/Payroll

Public Services Librarian

Youth Services Librarian

BTOP Technology Trainer

Marilyn Trospen

Mary O'Brien

Kerrilu Larsen

Geraldine Walker

Martel Memmer

Sarah Karasch

**Management's Discussion and Analysis
June 30, 2013**

The North Lake County Public Library District management discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements to garner a greater understanding of the District's financial performance.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2013 by \$807,056 (*net position*). Of this amount, \$259,659 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and vendors.
- The District's total net position increased by \$90,238 for this fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$538,971. Of the fund balance amount, \$233,122 is available for spending at the government's discretion (unassigned fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$233,122, or 70.32 per cent of total general fund expenditures and other financing uses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The *Statement of Net Position* and *Statement of Activities* provide information about all District activities, presenting both an aggregate view of the District's finances and a longer-term view of those assets. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what resources remain for future spending. The fund financial statements also look at the District's most significant funds individually with all other funds presented in aggregate in a single column.

The government-wide prospective of the North Lake County Public Library District

Statement of Net Position and the Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. To answer the question, "How did the District do financially during the year?" we turn to the *Statement of Net Position* and the *Statement of Activities*. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies with the difference between the two reported as *net position*. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. For example, property taxes that have been billed but not paid are reported as revenue in the government-wide statements but are not considered revenue in the governmental funds statements until paid.

These two statements report the District's net position and the change in that position during the most recent fiscal year. The change in net position is an important indicator of whether the District's financial position as a whole is improving or deteriorating over time. However, in evaluating the overall position of the District, nonfinancial information such as changes in the District's tax base should also be evaluated.

The Statement of Net Position and the Statement of Activities includes the governmental activities of the District. The District does not have any business-type activities, fiduciary activities or component units.

- Governmental Activities – These activities are principally supported by taxes and intergovernmental revenues. Most of the District's services are reported here including general government, and culture and recreation.

The fund-level prospective of the District

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In addition to the General Fund, the District has established other funds to account for the various services provided to our citizens. These funds normally have a restriction on how monies can be spent so the use of separate funds maintains the necessary control. Fund financial reports provide detailed information about the District's major funds. The nonmajor funds are reported in aggregate.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the *long-term* impact of the District's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the Governmental Fund balance sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, and Fund #2755 Memorial Fund (Restricted), and Fund #4510 Library Depreciation Reserve which are considered major funds. Major funds are determined by a formula that considers the percentage of total governmental assets, liabilities, revenues and expenditures contained in each individual fund. Data from the other governmental funds are combined into a single, aggregated presentation.

In addition to the General Fund, the District has two other major funds:

Fund #2755 – Memorials (Restricted)

Monies in Fund #2755 represent donations to the District and are generally restricted or designated for specific uses and/or enhancements. The monies are spent over time according to the District's needs.

Fund #4510 - Library Depreciation Reserve

Creation of the Library Depreciation Reserve Fund was approved by resolution through authority in MCA 22-1-716. The purpose of the fund is to have resources on hand for unexpected catastrophic occurrences and to save for expenditures associated with the physical building and/or other capital improvements. Unused monies from other funds not restricted for specific purposes can be transferred to the Library Depreciation Reserve Fund as per board approval.

Other Information – In addition to the basic financial statements and accompanying notes, this report also includes required supplementary information to further enhance the user's understanding of the District's financial position. The District adopts annual appropriated budgets for its governmental funds. Required supplementary information can be found beginning on page ___ of this report.

Government-wide Financial Analysis

Net Position - As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$807,056 at the close of the most recent fiscal year.

Governmental Funds

The following table provides a summary of the District's governmental net position for fiscal year 2013.

	<u>Governmental activities</u>
	2013
Current and other assets	\$ 594,145
Capital assets	241,548
Total assets	<u>\$ 835,693</u>
Current and other liabilities	\$ 22,242
Long-term liabilities	6,397
Total liabilities	<u>\$ 28,639</u>
Net Position:	
Invested in capital assets, net of related debt	\$ 241,548
Restricted	305,849
Unrestricted	259,659
Total net position	<u><u>\$ 807,056</u></u>

Capital assets in the amount of \$241,548 represent 29.92 percent of the District's net position. The capital assets include land, a building, a vehicle and machinery and equipment net of depreciation. The District uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

An additional \$305,849 of the District's governmental net position (37.91 percent) represents resources that are subject to external restrictions on how it may be used. The remaining balance of *unrestricted net position*, \$259,659 (32.17 percent) may be used to meet the government's ongoing obligations to its citizens, vendors and creditors.

Changes in Net Position*Governmental Funds*

Governmental activities increased the District's net position by \$90,238 in fiscal year 2013. The following table provides a summary of the District's governmental change in net position for fiscal years 2013.

	<u>Governmental activities</u>	
	2013	
Revenues		
Program revenues		
Charges for services	\$	6,336
Operating grants & contributions		106,307
General revenues		
Property taxes		401,927
Intergovernmental revenue		5,102
Investment earnings		1,489
Other revenues		3,000
Total revenues	\$	<u>524,161</u>
Program expenses		
Culture & recreation		433,923
Total expenses	\$	<u>433,923</u>
Change in Net Position before		
Restatements and Transfers:		90,238
Restatements		-
Transfers		-
Change in Net Position	\$	<u><u>90,238</u></u>

Capital Assets and Debt Administration**Capital Assets**

The District's capital assets consist of land, a building, machinery and equipment. The District's investment in capital assets (net of accumulated depreciation) was \$241,548 at June 30, 2013. Capital asset activity is presented in Note C of the financial statements.

Significant activity in capital assets for fiscal year 2013 includes:

- No capital assets were purchased this year. However, the District has a Depreciation Reserve (Fund #4510) which is being added to each year in anticipation of building improvements and/or construction.

See Note C for further capital asset information and details of the District's capital activity for 2013.

Debt Administration

The District had no outstanding debt at June 30, 2013.

General Fund Budget Highlights

The District's budget is prepared on the basis of cash receipts, disbursements and certain receivables. During the year, the District Board of Trustees can amend the budget in accordance with state law. The original approved general fund expenditure budget including transfers out was \$421,629 and the final amended budget was the same. Actual expenditures were \$341,526 including transfers out.

Significant Highlights of other Funds

Revenue in Fund #2979 Federal Grants represents the Broadband Technology Opportunity Program (BTOP) in the amount of \$36,620. FY2013 represented the third and final year for this grant that was funded by federal stimulus monies and the Bill and Melinda Gates Foundation. Grant monies enabled the District to update technology hardware/software and to continue funding a BTOP Technology Trainer position. Group classes and one-on-one trainings related to various technology needs and interests were provided to the public. Sustainability of the added technology and services was a main component of the grant.

Revenue in Fund #2759 Project Fund includes a grant from the Greater Polson Community Foundation (GPCF) in the amount of \$2500. NLCPLD received its fourth grant from the GPCF in FY2013. The focus of this grant was to place reading nooks in identified community businesses in Polson – places where customers had time to wait. Four businesses were selected and each received a comfortable rocking chair and a contemporary shelving unit stocked with reading materials that could be read on site or taken home to enjoy. Reading materials were supplied from the plethora of donations the library had on hand. GPCF grant monies were used to purchase the rocking chairs/cushions and various promotional materials.

Economic Factors and Fiscal Year 2014 Budget

Formerly a department with the City of Polson, the North Lake County Public Library District (NLCPLD) was created and funded through a mail-in ballot election of eligible voters within Polson High School District #23 boundaries. The vote was favorable on July 27, 2010 with 1,765 voting in favor and 1,522 against. The maximum number of mills allowed by the vote is 11.14. The Lake County Commissioners certified the election on August 5, 2010 and a transition period commenced to set the District up administratively. Separation from the City of Polson occurred at midnight on December 31, 2010 with transfer of the employees and their accrued benefits, land, physical building and contents, other fixed assets, and all monetary assets belonging to the library. Five elected trustees serve as the governing body of the District.

The service area population for the District is currently 15,978 representing a 26% increase in added population since becoming a District. NLCPLD provides a wide array of materials in varied formats, electronic resources, programming for all ages and outreach services to area preschools and daycares. NLCPLD is a part of multiple groundbreaking statewide consortiums that have provided us an environment in which to thrive by pooling our available resources.

The District is located in the county seat for Lake County. In the 1980s and 1990s, the Polson area transitioned from an economy based on agriculture and wood products to an economy based on retail and service, government, healthcare, and manufacturing. In the last decade the area saw growth in tourism and residential real estate development fueled by the construction of retirement or second homes. The Montana Department of Labor and Industry predicts that some of the fastest growing sectors in the state over the next 5-10 years will Culture, Arts, Entertainment and Recreation. The area outside of Polson, on Flathead Lake more than doubles the area population during the summer months. The District is in a good position for continued growth based on this prediction.

Projected Fiscal Year 2014 Budget highlights:

- Appropriations for the Library Depreciation Reserve Fund continues to be a priority for the physical building and/or future capital improvements
- The BTOP Technology Trainer position will be absorbed into the regular operating budget
- Merit increases for selected full time employees and a 3% COLA for the remaining employees will be retroactive to July 1, 2014
- Implementation of the Affordable Care Act will most likely result in a change of provider for the District's health insurance benefit

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances for its citizens, taxpayers, creditors, and investors and to show accountability for the money it receives. Questions concerning any of the information provided in this report should be addressed to Marilyn Trospen, Library Director, P. O. Box 820, Polson, Montana 59860.

INDEPENDENT AUDITOR'S REPORT

January 7, 2015

Board of Trustees
North Lake County Public Library District
Lake County
Polson, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of North Lake County Public Library District, Polson, Montana, (the District), as of and for the year ended June 30, 2013, 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

North Lake County Public Library District's 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 and the major fund information of North Lake County Public Library District, as of June 30, 2013, and the respective changes in financial position thereof for the years 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 1 – 7 and 24 - 28 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 on our consideration of North Lake County Public Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 North Lake County Public Library District's internal control over financial reporting and compliance.



WIPFLI LLP

Missoula, Montana

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET POSITION

For the Year Ended June 30,

	<u>2013</u>
ASSETS	
Cash	\$ 567,608
Taxes receivable	26,537
Capital assets, net of accumulated depreciation	<u>241,548</u>
Total Assets	<u>835,693</u>
LIABILITIES	
Accounts payable	22,242
Total current liabilities	<u>22,242</u>
Noncurrent Liabilities	6,395
Total Liabilities	<u>28,637</u>
NET POSITION	
Net investment in capital assets	241,548
Restricted	305,849
Unrestricted	<u>259,659</u>
Total Net Position	<u>\$ 807,056</u>

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES**For the Year Ended June 30,**

2013	Program Revenue		Net (Expenses) Revenue
	Expenses	Charges for Services	
GOVERNMENT ACTIVITIES:			
Culture and Recreation	\$ 433,923	\$ 6,336	\$ 106,307
Total governmental activities	<u>433,923</u>	<u>6,336</u>	<u>106,307</u>
GENERAL REVENUES			
Property Taxes			\$ 401,927
Intergovernmental revenue			5,102
Investment earnings			1,489
Other revenue			<u>3,000</u>
Total General Revenues			<u>411,518</u>
CHANGE IN NET POSITION			<u>90,238</u>
Net Position, Beginning of Year			<u>716,818</u>
Net Position, End of Year			<u>\$ 807,056</u>

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

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General Fund	Memorial Fund	Depreciation Reserve Fund	Other Govt. Funds	Total All Funds
ASSETS					
Cash	\$ 261,759	\$ 74,419	\$ 134,557	\$ 96,873	\$ 567,608
Taxes receivable	26,537	-	-	-	26,537
Total Assets	<u>\$ 288,296</u>	<u>\$ 74,419</u>	<u>\$ 134,557</u>	<u>\$ 96,873</u>	<u>\$ 594,145</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 22,242	\$ -	\$ -	-	\$ 22,242
Due in more than 1 year	6,395	-	-	-	6,395
Total Liabilities	<u>28,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,637</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	26,537	-	-	-	26,537
Total Deferred Inflow of Resources	<u>26,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,537</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Unassigned	233,122	74,419	134,557	96,873	538,971
Total Fund Balances	<u>233,122</u>	<u>74,419</u>	<u>134,557</u>	<u>96,873</u>	<u>538,971</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 288,296</u>	<u>\$ 74,419</u>	<u>\$ 134,557</u>	<u>\$ 96,873</u>	<u>\$ 594,145</u>

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

BASIC FINANCIAL STATEMENTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

As of June 30,

	<u>2013</u>
Total fund balances, governmental funds	\$ 538,971
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources therefore not included in the fund financial statements but are reported in the governmental activities of the Statement of Net Position.	510,400
Less accumulated depreciation	(268,852)
Property taxes receivable that are not available soon enough to pay for the current period's expenditures and are therefore deferred in the Governmental Fund Balance Sheet.	26,537
Net Position of Governmental Activities	<u><u>\$ 807,056</u></u>

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30,

	General Fund	Memorial Fund	Deprecation Reserve Fund	Other Govt. Funds	Total All Funds
REVENUES					
Taxes	\$ 397,564	\$ -	\$ -	\$ -	\$ 397,564
Grants	-	-	-	-	-
Charges for services	5,013	-	-	-	5,013
Intergovernmental	1,018	-	-	40,704	41,722
Interest	1,489	-	-	-	1,489
Other	-	14	13,000	70,995	84,009
Total revenues	<u>405,084</u>	<u>14</u>	<u>13,000</u>	<u>111,699</u>	<u>529,797</u>
EXPENDITURES					
Culture and recreation	341,526	2,553	-	83,652	427,731
Total expenditures	<u>341,526</u>	<u>2,553</u>	<u>-</u>	<u>83,652</u>	<u>427,731</u>
Excess (deficiency) of revenues over expenditures	<u>63,558</u>	<u>(2,539)</u>	<u>13,000</u>	<u>28,047</u>	<u>102,066</u>
Fund balances, beginning	169,564	76,958	121,557	68,825	436,904
Fund balances, ending	<u>\$ 233,122</u>	<u>\$ 74,419</u>	<u>\$ 134,557</u>	<u>\$ 96,872</u>	<u>\$ 641,036</u>

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

BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**For the Year Ended June 30,**

	<u>2013</u>
Net change in fund balances	\$ 102,066
Revenues on the Statement of Activities	
Increase (decrease) in deferred taxes not included in revenue	4,363
Expenses on the Statement of Activities not included in the governmental funds	
Depreciation	<u>(16,191)</u>
Change in net position of governmental activities	<u><u>\$ 90,238</u></u>

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

NOTES TO FINANCIAL STATEMENTS**For the Year Ended June 30, 2013****Note A Description of the Reporting Entity****1 Reporting Entity**

North Lake County Public Library District is an independent public library district that was created and funded through an election by qualified voters on July 27, 2010. The Lake County Commissioners affirmed the election on August 5, 2010 and it was officially transitioned from the City of Polson effective January 1, 2011.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Lake County provides the following services to the District; tax billings and cash collections all flow through the office of the County Treasurer. This office also maintains the District's cash and invests funds at the direction of the District. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Lake County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

Note B Summary of Significant Accounting Policies

The financial statements of North Lake County Public Library District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to library districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are as follows:

NOTES TO FINANCIAL STATEMENTS - CONTINUED**For the Year Ended June 30, 2013****1 Basis of Presentation****a. Government Wide Financial Statements**

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to the public 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 included among program revenues and are reported as general revenues.

b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate 'fund types.' The District does not have proprietary or fiduciary funds.

The emphasis of fund financial statements is on major governmental funds. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major fund.

2 Governmental Funds

The District reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations, which are not required to be accounted for in another fund. The District maintains the General Fund to account for operations in addition to repairs and maintenance

Memorial Fund - The Memorial Fund is for donations to the District. It is for monies generally restricted or designated for specific uses and or enhancements.

Library Depreciation Reserve – This fund is for deprecation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED**For the Year Ended June 30, 2013****3 Basis of Accounting and Measurement Focus****a. Government Wide Financial Statements**

The government wide statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses 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 eligibility requirements imposed by the provider have been met.

b. Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund expenditures when due. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable revenue as deferred inflows of resources and advances from grantors as liabilities on its governmental funds balance sheet. Unavailable revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Unavailable revenues and advances from grantors also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the deferred inflow of resources for unavailable revenue and liability for advances from grantors is removed from the balance sheet and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS - CONTINUED**For the Year Ended June 30, 2013****4 Cash and Cash Equivalents**

Cash and cash equivalents, include cash, restricted cash and all other highly liquid debt instruments purchased with a maturity of three months or less. The District maintains its cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2013 the District had no amounts in excess of FDIC insurance limits.

5 Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government wide fund financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or more. Such assets are recorded at 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 the life of the asset are not capitalized.

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Machinery and Equipment	5-20 Years
Buildings	50 Years

6 Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

7 Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

NOTES TO FINANCIAL STATEMENTS - CONTINUED**For the Year Ended June 30, 2013**

Nonspendable – Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted – Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees (the District's highest level of decision making authority).

Assigned – Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned – The residual classification for the government's general fund that includes all amounts that are not contained in the other classifications.

It is the District's policy that for purposes of fund balance classification, expenditures are to be spent from restricted funds balance first, followed in order by committed funds balance, assigned fund balance and lastly unassigned fund balance.

8 Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets, represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

9 Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

10 Date of Management's Review

Management has evaluated the activities and transactions subsequent to June 30, 2013 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2013. Management has performed this evaluation through January 7, 2015, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS - CONTINUED**For the Year Ended June 30, 2013****Note C Property Taxes**

Property taxes are collected by Lake County who remits to the District their respective share of the collections. The 2012 property tax levy, which was perfected and became a receivable in October 2012, was levied to finance District operations during the year ended June 30, 2013. The tax levy was collectible in November 2012 and May 2013. As of May 31, 2013, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Lake County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Lake County.

All property taxes are recognized in compliance with GASB Interpretation "Property Tax Revenue Recognition in Government Funds" which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

NOTES TO FINANCIAL STATEMENTS - CONTINUED**For the Year Ended June 30, 2013****Note D Capital Assets**

A summary of changes in capital assets for the years ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Year Ended June 30, 2013</u>				
Buildings	\$ 462,279	\$ -	\$ -	\$ 462,279
Machinery and Equipment	48,121	-	-	48,121
	<u>510,400</u>	<u>-</u>	<u>-</u>	<u>510,400</u>
Less accumulated depreciation				
Buildings	221,980	9,667	-	231,647
Machinery and Equipment	30,681	6,524	-	37,205
	<u>252,661</u>	<u>16,191</u>	<u>-</u>	<u>268,852</u>
Capital assets, net	<u>\$ 257,739</u>	<u>\$ (16,191)</u>	<u>\$ -</u>	<u>\$ 241,548</u>

For the years ended June 30, 2013, depreciation expense was charged to the functions of the District as follows:

Culture and Recreation \$16,191

Note E Risk Management

The District faces a considerable number of risks of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, (i.e. errors and omissions); d) environmental damage; e) workers' compensation, (i.e. employee injuries) and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks.

Note F Donated Services and Supplies

The District receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds because the criteria for recognition of such volunteer effort under Financial Accounting Standards Board in its Accounting Standards Codifications (ASC) No. 605-15-15-7 have not been satisfied.

Note G Related Parties

The City of Polson collects property tax revenue from Lake County and directly passes it to Library in support of its operations. As of June 30, 2013, the City had passed \$397,564 of tax revenue to the Library.

NOTES TO FINANCIAL STATEMENTS - CONTINUED**For the Year Ended June 30, 2013****Note H Book Fines**

The District does not record receivables for fines imposed by the Library, but records fines as revenue when collected.

Note I Compensated Absences

It is the Library's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Library service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation. Any vacation leave time accumulated over this maximum carryover must be used within 90 days of the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave based on the current hourly rate of pay. The liability associated with governmental fund-type employees is reported in the governmental activities column of the statement of net position, while the liability associated with enterprise fund-type employees is recorded in the respective fund and the business-type activities column of the statement of net position. For the purposes of reporting these compensated absences payable as current or non-current, the Library considers accrued vacation pay as current (payable within one year) and accrued sick leave as non-current.

NOTE J Retirement and Pension Plans

The Library District participates in the Montana Public Employees' Retirement System (PERS) plan which is a cost sharing multiple-employer defined benefit or defined contribution plan that provides retirement, disability and death benefits. The plan is established and administered by the State of Montana through the Montana Public Employees' Retirement Administration (MPERA).

The State contribution qualifies as an on behalf payment. These amounts have not been recorded in the Library's financial statements. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained from the following:

Montana Public Employees Retirement Administration
PO Box 200131
100 North Park Avenue, Suite 200
Helena, Montana 59620-0131
Telephone: (406) 444-3154

The amount contributed to PERS during the years ended June 30, 2013 were equal to the required contribution for each year. The amounts contributed by the employee and City were as follows:

Contribution rates for the plan are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2013, were:

Paid by:	Employer	Employee	State MT	Total
PERS	7.07%	6.9%	.1%	14.07% hired before July 1,2011

REQUIRED SUPPLEMENTAL INFORMATION

North Lake County Public Library District

Lake County
Polson, Montana
June 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

	2013	
	ALL FUNDS	
	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES		
Taxes	\$ 390,393	\$ 397,563
Grants	36,815	36,620
Charges for services	5,200	5,013
Investment earnings	1,500	1,489
Miscellaneous	94,684	89,112
Total revenues	<u>528,592</u>	<u>529,797</u>
EXPENDITURES		
Current:		
Culture and Recreation	<u>561,075</u>	<u>427,731</u>
Total Expenditures	<u>561,075</u>	<u>427,731</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (32,483)</u>	<u>102,066</u>
OTHER FINANCING (USES)		
Fund Balances - beginning (GAAP and Non-GAAP budgetary basis)		<u>436,904</u>
Fund Balances - ending (GAAP and Non-GAAP budgetary basis)		<u>\$ 538,971</u>

See notes to Budgetary Comparison Schedule

NOTES TO BUDGETARY COMPARISON SCHEDULE**For the Year Ended June 30, 2013****1 Budgetary Process**

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
Governmental Funds		
General	X	

2 Budgets

The District's budget is prepared on the modified accrual basis of accounting, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year-end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget, including amendments. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the Budgetary Comparison Schedule to provide a meaningful comparison of actual results with the budget.

General Fund budgets are primarily based on the real and personal property taxes on all properties located within the District's boundaries. Budgeted fund expenditures are limited by State Law to budgeted amounts, which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund. MCA 7-33-2105 assigns responsibility to prepare annual budgets and request special levies to the Board of Trustees.

On or before the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the District. On or before the second Monday in August, the Board of Trustees must meet to legally adopt the final budget and forward to the County for their approval and adoption.

Upon the County's approval of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year-end.

SUPPLEMENTAL INFORMATION

North Lake County Public Library District

Lake County
Polson, Montana
June 30, 2013



**INDEPENDENT AUDITOR'S 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***

January 7, 2015

Board of Trustees
North Lake County Public Library District
Polson, Montana

We have audited, 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, the financial statements of the governmental activities and the major fund information of North Lake County Public Library District as of and for the years ended June 30, 2013, and the related notes to the financial statements, which collectively comprise North Lake County Public Library District's basic financial statements, and have issued our report thereon dated .

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Lake County Public 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 North Lake County Public Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Lake County Public 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 North Lake County Public 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 instance of noncompliance or other matters that are required to be reported under *Governmental 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.

Wipfli LLP

WIPFLI LLP
Missoula, Montana

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Are any significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes X No

Are any material weaknesses identified?

_____ Yes X No

Is any noncompliance material to financial statements noted?

_____ Yes X No

Section II – Financial Statement Findings

None

Section III - Summary Schedule of Prior Audit Findings

Not applicable.