



Financial Statements  
December 31, 2016

# Central Dakota Library Network

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**CENTRAL DAKOTA LIBRARY NETWORK  
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FOR THE YEAR ENDED DECEMBER 31, 2016**

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**CENTRAL DAKOTA LIBRARY NETWORK  
BOARD OF DIRECTORS AND APPOINTED OFFICIALS  
DECEMBER 31, 2016**

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**Board of Directors**

President	Christine Kujawa	Bismarck Veterans Memorial Library
Secretary	Kathy Jo Kline	Beulah High School Library
		Beulah Middle School Library
		Beulah Elementary Library
Director	Rebecca Kjos	Beulah Public Library
Director	Milissa Meckle	Center-Oliver Library
Director	Janelle Michels	Garrison Public Library
Director	Sienna Sailer	Hazen Public Library
Director	Kari Stromme	Light of Christ (St. Mary's Central High School) Library
Director	Beth Bruestle	McLean-Mercer Regional Library
Director	Amy Hauf	Max Community Library
Director	Mary Roller	Max Public School Library
Director	Jackie Hawes	Morton Mandan Public Library
Director	Carol Wilman	New Salem High School Library/ Prairie View Elementary School Library
Director	Nancy Miller	Stanton Public Library
Director	Angie Johnson	Turtle Lake Mercer School Library
Director	Kelly Voth	Turtle Lake Public Library
Director	Harmony Higbie	Underwood Public Library
Director	Dusty Vaagene	Underwood Public School Library
Director	Charlene Weis	United Tribes Technical College Library/ Theodore Jamerson Elementary Library
Director	Peggy Stromstad	Washburn Public Library
Director	Elizabeth Patterson	Washburn Public Library
Director	David Gray	Welder Library at University of Mary

**Appointed Officials**

System Technician	Vern Mastel	Bismarck Veterans Memorial Library
System Librarian	Kate Waldera	Bismarck Veterans Memorial Library
System Cataloger	Lora Rose	Bismarck Veterans Memorial Library
Financial Officer	Sarah Warneke	Morton Mandan Public Library



## Independent Auditor's Report

Board of Directors  
Central Dakota Library Network  
Mandan, North Dakota

### Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the Central Dakota Library Network, North Dakota, a fiduciary fund of the Morton Mandan Public Library, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Central Dakota Library Network'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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Central Dakota Library Network, North Dakota, a fiduciary fund of the Morton Mandan Public Library, as of December 31, 2016, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters****Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Central Dakota Library Network, North Dakota's financial statements. The Board of Directors and Appointed Officials and the Statement of Receipts, Disbursements and Changes in Fund Balance – Cash Basis – Budget to Actual are presented for purposes of additional analysis and are not a required part of the financial statements.

The Statement of Receipts, Disbursements and Changes in Fund Balance – Cash Basis – Budget to Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Receipts, Disbursements and Changes in Fund Balance – Cash Basis – Budget to Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Directors and Appointed Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017 on our consideration of Central Dakota Library Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Central Dakota Library Network's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erik Sallie LLP".

Bismarck, North Dakota  
November 1, 2017

**CENTRAL DAKOTA LIBRARY NETWORK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN NET POSITION/FUND BALANCE - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>General</b>
<b>RECEIPTS</b>	
Intergovernmental	\$ 72,175
Total Receipts	\$ 72,175
 <b>DISBURSEMENTS</b>	
Culture and Recreation	\$ 75,282
Total Disbursements	\$ 75,282
Net Change in Cash Basis Net Position/Fund Balance	\$ (3,107)
Cash Basis Unrestricted Net Position/Unassigned Fund Balance - January 1	\$ 14,140
Cash Basis Unrestricted Net Position/Unassigned Fund Balance - December 31	\$ 11,033

The notes to the financial statements are an integral part of this statement.

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**CENTRAL DAKOTA LIBRARY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Central Dakota Library Network, Mandan, North Dakota, is an online library system serving member libraries throughout the state of North Dakota, and is governed by a joint board comprising of a member from each participating library within the Library Network, and operates under an Agreement between participating libraries within the Library Network. The Library Network has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library Network's accounting policies are as follows:

**A. REPORTING ENTITY**

For financial reporting purposes, the Library Network has included all funds and activities that make up its legal entity. The Library Network has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Library Network are such that exclusion would cause the Library Network's financial statements to be misleading or incomplete. 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 Library Network 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 Library Network.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Library Network's funds and activities based on these criteria since there are no component units to include in the Library Network's reporting entity.

**B. GOVERNMENT –WIDE AND FUND FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of receipts, disbursements, and changes in net position/fund balance report information on all activities of the Library Network.

The statement of net position presents the reporting entity's assets, with the difference reported as net position. Net position is reported as unrestricted net position. Unrestricted net position consists of net position that does not meet the definition of the net investment in capital assets or restricted net position. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PREPARATION**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The Library Network uses the cash basis of recording transactions for financial reporting purposes. Under this method, revenues and related assets are recorded when received rather than when earned, and expenses are recorded when paid rather than when the obligation is incurred.



FINANCIAL STATEMENT PRESENTATION

The Library Network reports the following major governmental fund:

**General Fund** - This fund is the primary operating fund of the Library Network. It is used to account for all financial resources.

**D. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents for reporting purposes includes cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less.

**E. REVENUES AND EXPENDITURES/EXPENSES**

In the financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction, available only for specified purposes. Unused restricted revenues at year-end are recorded as restricted fund balance. When revenues are not restricted or do not have constraints placed on their use, the funds are considered by the Library Network's board to be committed or set aside for a specific purpose. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library Network considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library Network considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Library Network's board has provided otherwise in its commitment or assignment actions.

**F. NET POSITION/FUND BALANCE**

NET POSITION

The difference between fund assets and liabilities is "Net Position" on the fiduciary fund financial statements, and "Fund Balance" on governmental fund financial statements.

FUND BALANCE CLASSIFICATIONS

In the fund financial statements, fund balance for governmental funds are reported in five classifications that comprise a hierarchy based primarily on the extent to which the Library Network is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The only type of fund balance the Library Network has in unassigned fund balance.

Unassigned is the residual classification for the general fund and represents the amount that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

MINIMUM FUND BALANCE

The Library Network does not have a formal minimum fund balance policy

## **G. CHANGE IN ACCOUNTING PRINCIPLES**

The following GASB Statements became effective and were implemented for the fiscal year ended December 31, 2016:

**GASB Statement No. 72**, "*Fair Value Measurement and Application*" was issued February 2015. This statement provides guidance on the fair value measurements reported on the financial statements. Fair value is the exit prices based on the unit of account which is the assets or liability in aggregate or disaggregate for measurement, recognition or disclosure purposes. This statement requires a government to use valuation techniques where there is significant data available to measure its fair value. One or more of these valuation techniques should be consistently used: the market approach, the cost approach, or the unobservable inputs. A hierarchy of inputs to valuation techniques is used to measure fair value which has three levels: Level 1 input are quoted prices (unadjusted) in markets with identical assets or liabilities, Level 2 exclude quoted prices that are included in Level 1 that are directly or indirectly observable and Level 3 are unobservable inputs. Investments must be valued at fair value with a few exceptions such as money market investments and 2a7-like external investment pools. This statement also requires donated assets to be measured at acquisition value. Disclosures are required to report fair value measurements, the level of fair value hierarch and valuation techniques. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

**GASB Statement No. 73**, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*" was issued on June 2015. This statement provides information for pensions and postemployment benefits for reporting decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement provides guidance on requirements for contributing entities that are not covered under GASB 68, establishes requirements for accumulation of assets for all pensions and clarifies the application of certain provisions of GASB 67 and 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

**GASB Statement No. 76**, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" was issued on June 2015. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) used in the preparation of financial statements. The statement reduces the hierarchy to two categories of authoritative GAAP and addresses the use of literature for transactions or events not specified in GAAP. The statement raises the GASB Implementation Guides in the hierarchy and requires the consideration for consistency with the GASB Concept Statements. This statement supersedes GASB 55 and is intended to provide reporting guidance with less variation and enhance the comparability of financial statements among governments. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015 and should be applied retroactively.

**GASB Statement No. 77**, "*Tax Abatement Disclosures*" was issued on August 2015. This statement defines tax abatements and the disclosure requirements for financial statements. This statement establishes the information required to assess the financial and operating impacts of tax abatements. This statement provides the reporting of comprehensive and consistent information on the nature magnitude of tax abatement for the public. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015.

**GASB Statement No. 78**, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" was issued on December 2015. This statement amends the scope and applicability of GASB 68 for Accounting and Financial Reporting for Pensions for certain multiple-employer defined benefit plans. The amendments exclude multiple-employer defined benefit plans from GASB 68 that are not state or local plans, provide pension to both state or local and non-state or local employees and have no predominant state or local employer. The statement further establishes the requirements for pension expenses, expenditures and liabilities, note disclosures and required supplementary information for reporting of those types of pensions. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015.

**GASB Statement No. 79**, “*Certain External Investment Pools and Pool Participants*” was issued on December 2015. This statement establishes the qualification criteria for reporting all investments at amortized costs. The statement clarifies that if the external pool does not meet the criteria, the pool should apply provision 16 of GASB 31 and measure the investment at fair value as provided in paragraph 11 of GASB 31. The statement also establishes the additional note disclosures for qualifying external investment pools that use the measurement of amortized costs to report investments. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

## **NOTE 2 – DETAILED NOTES ON ACCOUNT BALANCES**

### **A. DEPOSITS**

#### **CUSTODIAL CREDIT RISK**

The Library Network minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution’s failure the Library Network would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The Library Network does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the Library Network’s board requires that all Library Network funds be deposited at financial institutions that are covered by federal deposit insurance. State statutes also require that the deposits be protected by insurance, collateral or a surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. The only exception is for funds that are deposited with the Bank of North Dakota, which is owned and backed by the full faith and credit of the State of North Dakota.

At December 31, 2016, the carrying amount of the Library Network’s deposits was \$11,033 and the bank balance was \$11,033 all of which was insured and collateralized.

## **NOTE 3 – RECENT PRONOUNCEMENTS**

The Library Network will implement the following pronouncements for fiscal years ending after 2016:

**GASB Statement No. 74**, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*” was issued on June 2015. This statement provides guidance for reporting information for other postemployment benefits (OPEB) other than pensions. This statement replaces GASB 43 for financial reporting an d57 for OPEB measurements. This statement also established the criteria for defined benefit and defined contribution OPEB plans and replaces those requirements in GASB 25. The requirements of this statement will enhance the note disclosures and schedules of required supplementary information and improve the measurements of net liabilities of OPEB plans. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016.

**GASB Statement No. 75**, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” was issued on June 2015. This statement improves the accounting and reporting information of financial support by other entities for postemployment benefits other than pensions (OPEB). This statement replaces GASB 45 for accounting and financial reporting and GASB 57 for OPEB measurements. This statement establishes standards for recognizing and measuring liabilities, deferred outflows, deferred inflows and expenses. The statement also identifies the methods and assumptions requirements for determining the liability for benefits to provide a more comprehensive measurement of OPEB and the requirements for note disclosures and the required supplementary information to improve the decision-usefulness and accountability. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

**GASB Statement No. 80**, “*Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*” was issued on January 2016. This statement amends the blending requirements of GASB 14 for certain component units. The additional criterion requires blending of component units incorporated as not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016.

**GASB Statement No. 81**, “*Irrevocable Split-Interest Agreements*” was issued on March 2016. This statement requires a government that receives resources pursuant to an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Examples of these types of agreements include charitable lead and remainder trusts and life-interest in real estate. This statement enhances the comparability of financial statements and more clearly identifies the resources available to government. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2016.

**GASB Statement No. 82**, “*Pension Issues-an amendment of GASB Statements No. 67, No.68 and No. 73*” was issued on March 2016. This statement addresses issues raised in GASB 67,68 and 73 regarding payroll related measurements in the required supplementary information, selection of assumptions and treatment of deviations from the guidance Actuarial Standard of Practice for financial reporting and the classification of employment payments. The statement amends GASB 67 and 68 to require the presentation of covered payroll and defines covered payroll and provides the ratios to be used. The statement clarifies the term deviation as used in the Actuarial Standard of Practice is not in conformity with the selection of assumptions requirements of GASB 67, 68 and 73. This statement also clarifies that qualifying employer contributions identified as plan member contribution should be classified as plan member contributions for GASB 67 and as employee contributions for GASB 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016 and June 15, 2017 when the pension liability reporting period used is not than the employer’s most recent fiscal year.

**GASB Statement No. 83**, “*Certain Asset Retirement Obligations*” was issued on November 2016. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. Asset retirement obligations is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2018.

**GASB Statement No. 84**, “*Fiduciary Activities*” was issued on January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

**GASB Statement No. 85**, “*Omnibus 2017*” was issued on March 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

**GASB Statement No. 86**, “*Certain Debt Extinguishment Issues*” was issued on May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

**GASB Statement No. 87**, “*Leases*” was issued on June 2017. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.



Supplementary Information  
December 31, 2016

# Central Dakota Library Network

**CENTRAL DAKOTA LIBRARY NETWORK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCE - CASH BASIS - BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>RECEIPTS</b>				
Intergovernmental	\$ 101,816	\$ 101,816	\$ 72,175	\$ (29,641)
Total Receipts	\$ 101,816	\$ 101,816	\$ 72,175	\$ (29,641)
<b>DISBURSEMENTS</b>				
Culture and Recreation	\$ 101,816	\$ 101,816	\$ 75,282	\$ 26,534
Total Disbursements	\$ 101,816	\$ 101,816	\$ 75,282	\$ 26,534
Net Change in Cash Basis Fund Balance	\$ -	\$ -	\$ (3,107)	\$ (3,107)
Cash Basis Fund Balance - January 1	\$ 14,140	\$ 14,140	\$ 14,140	-
Cash Basis Fund Balance - December 31	\$ 14,140	\$ 14,140	\$ 11,033	\$ (3,107)

The notes to the financial statements are an integral part of this statement.

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**CENTRAL DAKOTA LIBRARY NETWORK  
NOTES TO THE SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016**

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**NOTE 1 – GENERAL BUDGETARY POLICIES AND PROCEDURES**

The Central Dakota Library Network, Mandan, North Dakota, is required to prepare the annual Budget in accordance with the state's Municipal Budget Law.

The annual budget is adopted on a basis consistent with a cash basis of accounting for the governmental fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund and function. Transfers of appropriations require the approval of the Library Network's board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The Library Network's board made no supplemental budgetary appropriations throughout the year.





**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***

Board of Directors  
Central Dakota Library Network  
Mandan, North Dakota

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 Central Dakota Library Network, a fiduciary fund of the Morton Mandan Public Library, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Central Dakota Library Network's basic financial statements, and have issued our report thereon dated November 1, 2017. Our report expressed an unmodified opinion on the financial statements which were presented on the cash basis, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Dakota Library Network'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Dakota Library Network's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Dakota Library Network'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 that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota  
November 1, 2017