

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**Audited Financial Statements
For the Year Ended September 30, 2013**



BONNER COUNTY, IDAHO

Sandpoint, Idaho

**Audited Financial Statements
For the Year Ended September 30, 2013**



INTRODUCTORY SECTION

Bonner County, Idaho
Table of Contents

	<u>PAGE</u>
INTRODUCTORY SECTION	
County Auditor's Certificate	
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
FINANCIAL STATEMENTS	
Statement of Net Position.....	16
Statement of Activities.....	17
Balance Sheet - Government Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities.....	21
Statement of Net Position – Proprietary Fund	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	23
Statement of Cash Flows – Proprietary Fund	24
Statement of Fiduciary Net Position- Fiduciary Funds.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Justice Fund	27

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund.....	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport Fund.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Ambulance Fund.....	30
Notes to the Financial Statements.....	31-56

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Non-major Governmental Funds	57
Combining Balance Sheet – Non-major Special Revenue Funds	58-61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Governmental Funds.....	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Special Revenue Funds.....	63-66

COMPLIANCE REPORTS

Schedule of Expenditures of Federal Awards	67-68
Notes to Schedule of Expenditures of Federal Awards	69

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 Governmental Auditing Standards.....	70-71
--	--------------

Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	72-73
--	--------------

Schedule of Finding and Questioned Costs.....	74-75
Status of Prior Year Findings and Questioned Costs.....	76

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the County Commissioners
Bonner County, Idaho
Sandpoint, Idaho 83864

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of September 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Justice Fund, Road and Bridge Fund, Airport Fund, and Ambulance Fund, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bonner County's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section 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 January 27, 2014 on our consideration of Bonner County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and 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* in considering Bonner County's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
January 27, 2014

Bonner County, Idaho
Management's Discussion and Analysis
For the Year Ended September 30, 2013

As management of Bonner County, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Bonner County for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented herein in conjunction with additional information that has been furnished in the accompanying *Notes to Financial Statements* which are a part of this audit report. Comparative analysis will be done on key elements of governmental funds and enterprise funds in this MD&A.

Overview of the Financial Statements

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

Government-wide Financial Statements: These statements give a broad overview of Bonner County's finances.

The *statement of net position* (SONP) presents information on all County governmental and business-type assets, deferred outflow of resources, liabilities, and deferred inflow of resources, with the difference reported utilizing the technical phrase "net position".

The *statement of activities* (SOA) presents information on all County governmental and business-type revenue and expenses, with the difference reported as a change in net position.

Both of the above noted government-wide financial statements distinguish functions of Bonner County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Bonner County include all of its general operating costs for all functions except its Solid Waste department. The business-type activities of the County include its Solid Waste operations.

The government-wide financial statements contain information relative only to Bonner County itself and none of the 54 other taxing districts and 5 urban

Overview of the Financial Statements (continued)

renewal districts housed within its boundaries. They are separate political parts of the State of Idaho and are not considered political-parts of the County.

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. Bonner County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – This category includes the operations for all departments except for Solid Waste. The Solid Waste operations are our only Proprietary Fund. The Fiduciary Funds are those dollars that we hold in trust for other agencies and taxing districts. An excellent explanation of these funds can be found in Note 1 of this report.

Notes to Financial Statements: For an overview of Bonner County and its operations, one should refer to the *Notes to Financial Statements*, which are an integral part of this report. There, discussion is had concerning the structure of the various offices; how and why our funds are established; when we call for budgets; how changes to a budget can be made once adopted; information concerning our long-term debt, fixed assets, and leases.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning Bonner County's progress in funding its obligations.

Government-wide Financial Analysis

Bonner County is able to provide a comparative analysis of the government-wide data presented in compliance with the requirements of the Governmental Accounting Standards Board (GASB). The comparisons are found in tables throughout this section. As you examine the tables, you will find all of our activities, except Solid Waste, listed under Governmental Activities. Solid Waste information is located under the headings noted as Business-type Activities. Our Ambulance Service (EMS) is shown separately since it is a stand-alone taxing district, even though governed by the Board of County Commissioners.

Government-wide Financial Analysis (continued)

Table 1 – summarizes the County’s net position for 2013 compared to 2012:

Condensed Statements of Net Position							
	Governmental Activities		Business-type Activities		Total County		Total Percent Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 51,813,193	\$ 48,034,476	\$ 6,287,735	\$ 8,724,575	\$ 58,100,928	\$ 56,759,233	2.4%
Capital Assets	84,538,041	102,537,508	2,183,993	1,931,827	86,722,034	104,469,335	-17.0%
Deferred Outflow of Resources	4,526	--	--	--	4,526	--	N/A
Total Assets	136,355,760	150,571,984	8,471,728	10,656,584	144,827,488	161,228,568	-10.2%
Current and other liabilities	29,475,979	30,073,114	665,888	322,473	30,141,867	30,442,291	-0.1%
Noncurrent Liabilities	4,994,335	4,322,223	9,187	34,927	5,003,522	4,322,223	15.8%
Total Liabilities	34,470,314	34,395,337	675,075	357,400	35,145,389	34,764,514	1.1%
Net Position							
Net Investment in capital assets	79,829,322	97,918,817	2,183,993	1,931,827	82,013,315	99,850,644	-17.9%
Restricted for:							
General government	2,814,939	2,351,274	--	--	2,814,939	2,351,274	19.7%
Public safety	7,508,186	5,583,210	--	--	7,508,186	5,583,210	34.5%
Road and bridge	5,622,561	5,575,424	--	--	5,622,561	5,575,424	0.8%
Emergency medical services	928,576	611,237	--	--	928,576	611,237	51.9%
Debt retirement	88,399	136,400	664	664	89,063	137,064	-35.0%
Historical society and recreation	776,125	837,764	--	--	776,125	837,764	-7.4%
Health and welfare	747,589	359,895	--	--	747,589	359,895	107.7%
Weeds	160,376	186,403	--	--	160,376	186,403	-14.0%
Capital projects	247,685	62,062	506,115	397,778	753,800	459,840	63.9%
Unrestricted	3,161,688	2,554,161	5,105,881	7,957,138	8,267,569	10,511,299	-21.3%
Total Net Position	\$ 101,885,446	\$ 116,176,647	\$ 7,796,653	\$ 10,287,407	\$ 109,682,099	\$ 126,464,054	-13.3%

As noted earlier, Bonner County’s net position, when reviewed over time, may serve as a useful indicator of Bonner County’s financial position. In the case of Bonner County, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$109,682,099 (\$101,885,446 in governmental activities and \$7,796,653 in business-type activities) as of September 30, 2013. By far, the largest portion of the County’s net position (75%) reflects its net investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (continued)

An additional portion of the County's net position (18%) represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets (\$8,267,569) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, both for the governmental as a whole, as well as for its separate governmental and business-type activities.

Table 2 – shows the changes in net position for 2013 and 2012:

Condensed Statement of Activities							
	Governmental Activities		Business-type Activities		Total County		Total Percent Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues							
Program revenues:							
Charges for services	\$ 3,769,455	\$ 4,008,135	\$ 1,794,676	\$ 2,059,939	\$ 5,564,131	\$ 6,068,074	-8.3%
Operating grants and contributions	385,392	1,099,184	--	--	385,392	1,099,184	-64.9%
Capital grants and contributions	2,072,608	3,751,143	--	--	2,072,608	3,751,143	-44.7%
General revenues:							
Property taxes	24,765,413	24,833,816	--	--	24,765,413	24,833,816	-0.3%
Other taxes	33,653	33,504	2,608,770	2,575,247	2,642,423	2,608,751	1.3%
Intergovernmental	6,133,610	6,382,249	--	0	6,133,610	6,382,249	-3.9%
Other	5,819,954	2,203,788	(2,583,256)	(51,399)	3,236,698	2,152,389	50.4%
Total revenues	42,980,085	42,311,819	1,820,190	4,583,787	44,800,275	46,895,606	-4.5%
Expenses							
General government	7,863,691	9,100,015	--	--	7,863,691	9,100,015	-13.6%
Public Safety	16,684,422	14,031,625	--	--	16,684,422	14,031,625	18.9%
Emergency medical Services	2,748,935	2,706,591	--	--	2,748,935	2,706,591	1.6%
Road and bridge	28,417,418	33,731,682	--	--	28,417,418	33,731,682	-15.8%
Weeds	156,716	313,689	--	--	156,716	313,689	-50.0%
Health	179,611	294,383	--	--	179,611	294,383	-39.0%
Welfare	457,312	524,650	--	--	457,312	524,650	-12.8%
Junior college	242,016	248,387	--	--	242,016	248,387	-2.6%
Historical society and recreation	97,388	549,981	--	--	97,388	549,981	-82.3%
Capital outlay	241,263	135,131	--	--	241,263	135,131	78.5%
Loss on disposal of asset	8	--	--	--	8	--	N/A
Interest on long-term debt	182,506	199,294	--	--	182,506	199,294	-8.4%
Solid waste	--	--	4,310,944	4,133,989	4,310,944	4,133,989	4.3%
Total expenses	57,271,286	61,835,428	4,310,944	4,133,989	61,582,230	65,969,417	-6.7%
Change in net position	\$(14,291,201)	\$(19,523,609)	\$(2,490,754)	\$449,798	\$(16,781,955)	\$(19,073,811)	-12.0%

Governmental Activities

Charges for services were the County's largest program revenue, accounting for \$3,769,455 or 9% of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

The County's grant revenues from federal, state and local sources made up \$2,458,000 or 6% of total governmental revenues. The major recipient of intergovernmental program revenues was the Road and Bridge Department.

Property tax revenues account for \$24,765,413 of the \$42,980,085 total revenues for governmental activities or 58% of total revenues.

Road and Bridge accounted for \$28,417,418 of the \$57,271,286 total expenses for governmental activities, or 50% of total expenses. The main component of the expenses for Road and Bridge (\$23,493,357) was the depreciation expense related to the capitalization of the road infrastructure within the County. The next largest program was Public Safety, accounting for \$16,684,422 and representing 29% of total governmental expenses.

Tables 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Expenses and Net Cost of Governmental Activities						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2013	2012	2012-2013	2013	2012	2012-2013
General government	\$ 7,863,691	\$ 9,100,015	-13.6%	\$ 5,715,377	\$ 7,929,142	-27.9%
Public Safety	16,684,422	14,031,625	18.9%	13,300,168	11,482,165	15.8%
Emergency medical Services	2,748,935	2,706,591	1.6%	2,060,644	2,096,443	-1.7%
Road and bridge	28,417,418	33,731,682	-15.8%	28,417,418	29,498,070	-3.7%
Weeds	156,716	313,689	-50.0%	156,716	313,689	-50.0%
Health	179,611	294,383	-39.0%	179,611	294,383	-39.0%
Welfare	457,312	524,650	-12.8%	457,312	524,650	-12.8%
Junior College	242,016	248,387	-2.6%	242,016	248,387	-2.6%
Historical society and recreation	97,388	549,981	-82.3%	90,792	255,612	-64.5%
Capital outlay	241,263	135,131	78.5%	241,263	135,131	78.5%
Loss of disposal of asset	8	--	N/A	8	--	N/A
Interest on long-term Debt	182,506	199,294	-8.4%	182,506	199,294	-8.4%
Total cost	\$ 57,271,286	\$ 61,835,428	-7.4%	\$ 51,043,831	\$ 52,976,966	-3.6%

Governmental Activities (continued)

Of the total charges for services revenues of \$3,769,455, \$779,728 was received and used to fund the general government expenses of \$7,863,691 of the County. The remaining \$49,407,595 in governmental activity costs are funded by property taxes, sales taxes, and intergovernmental revenues.

Business-Type Activities

The net position for business-type activities decreased by \$2,490,754 during 2013 and the major revenue sources were charges for services of \$1,794,676.

Governmental Funds: The major funds include our General (Current Expense), Justice, Road and Bridge, Airport, and the Ambulance District funds. The Ambulance District increased their overall fund balance from last year.

Enterprise Fund: The Board of County Commissioners implemented a new fee schedule in fiscal year ending 2005. Our revenues from this source began to be realized in fiscal year ending 2006, and were fully implemented in fiscal year ending 2007. During fiscal year 2013, revenues exceeded actual expenses by \$534,527. However, due to the cancellation of prior year loans made to the General Fund and Justice Fund, there was a reduction of net position of \$2,490,754.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data presented in the governmental-wide financial statements. These notes to the financial statements can be found at the end of the audit report.

Capital Assets

Two major capital assets were finished and put into service in FYE 2013. The county courthouse was put into service after a multi-year remodel project costing the county \$6,421,376. A newly constructed juvenile detention center was put into service costing the county \$4,654,591.

Capital assets are tangible and intangible assets, such as land, buildings, improvements to land or buildings, machinery, equipment, and infrastructure, that are used in operations and that have initial useful lives extending beyond a single annual reporting period.

The total net capital assets decreased by \$17,747,301. This amount represents book value of assets less accumulated depreciation. The decrease in capital assets was mainly due to the depreciation provision of \$25,480,782. Capital assets additions amounted to \$7,733,489 and capital asset deletions amounted to \$680,181 for the fiscal year.

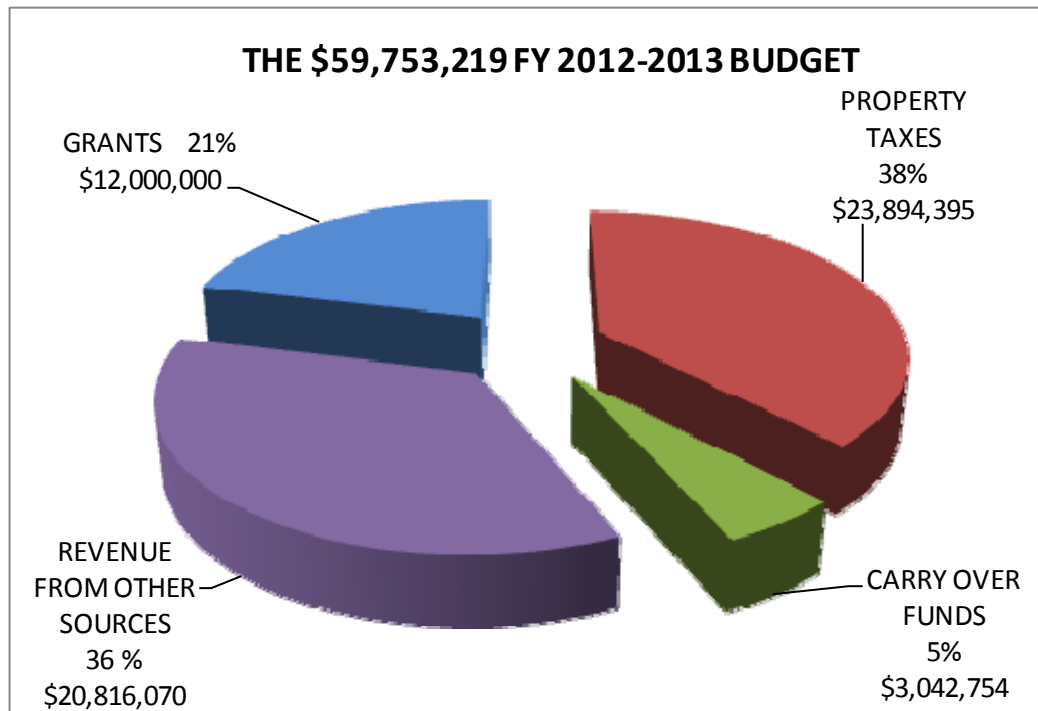
Long-Term Debt

Long-term liabilities are the debt incurred by the County. The debt typically has a maturity date that extends beyond a single annual reporting cycle. Additional information on long-term debt can be found in notes 8 and 9 in the basic financial statements. On April 23, 2013, (see Note 9) the BOCC passed resolution #2013-29 which recognized that the Justice and General funds could not be obligated to reimburse the Solid Waste fund to remedy previous unlawful diversions of revenue from the Solid Waste fund to these respective funds. This resolution triggered the recognition of a \$2,897,513 operating transfer out of the Solid Waste fund into the Justice and General fund. Finally, Long-term liabilities had a net increase of \$740,900 mostly due to a \$600,000 loan to complete the courthouse remodel.

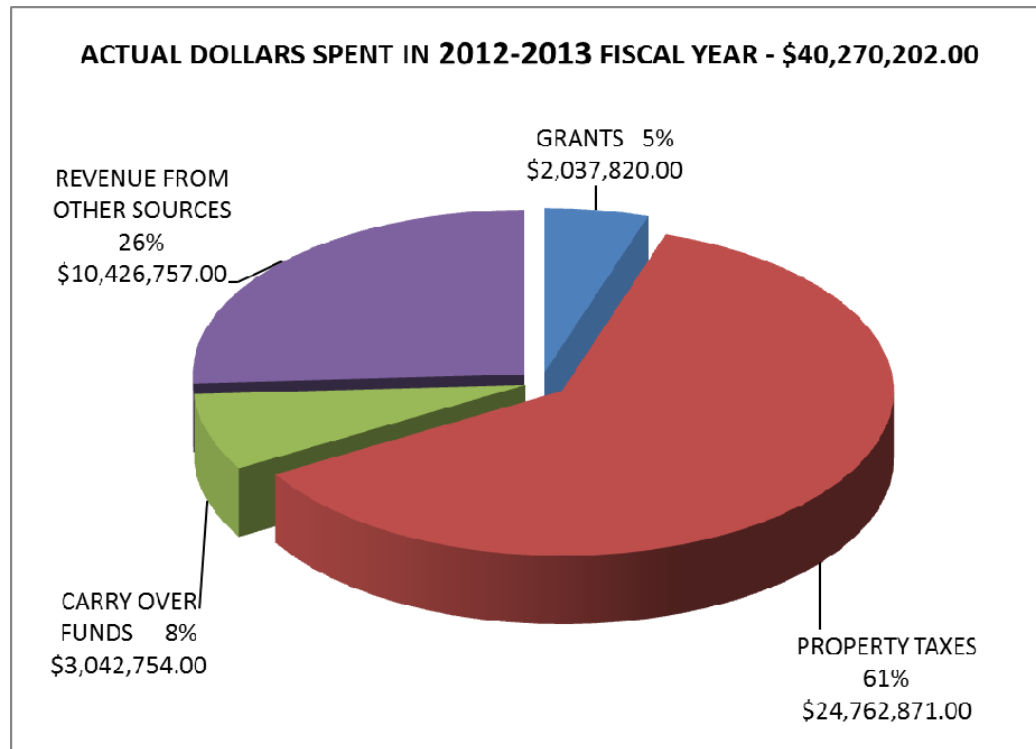
Please see the tables titled Bonner County's Net Position and Bonner County's Changes in Net Position for further detail regarding these comments. These tables are an integral part of the managements' Discussion and Analysis report.

Budget Variations

Developing a budget is not an exact science. It is the best estimate available at the time of projection of the revenues you anticipate receiving and of the expenses you estimate will be incurred during the next fiscal year. For the fiscal year ended September 30, 2013, there were no funds for which expenditures exceeded appropriations. The following charts show how the FYE 2013 budget for as well as how FYE 2013 taxpayer dollars were spent:



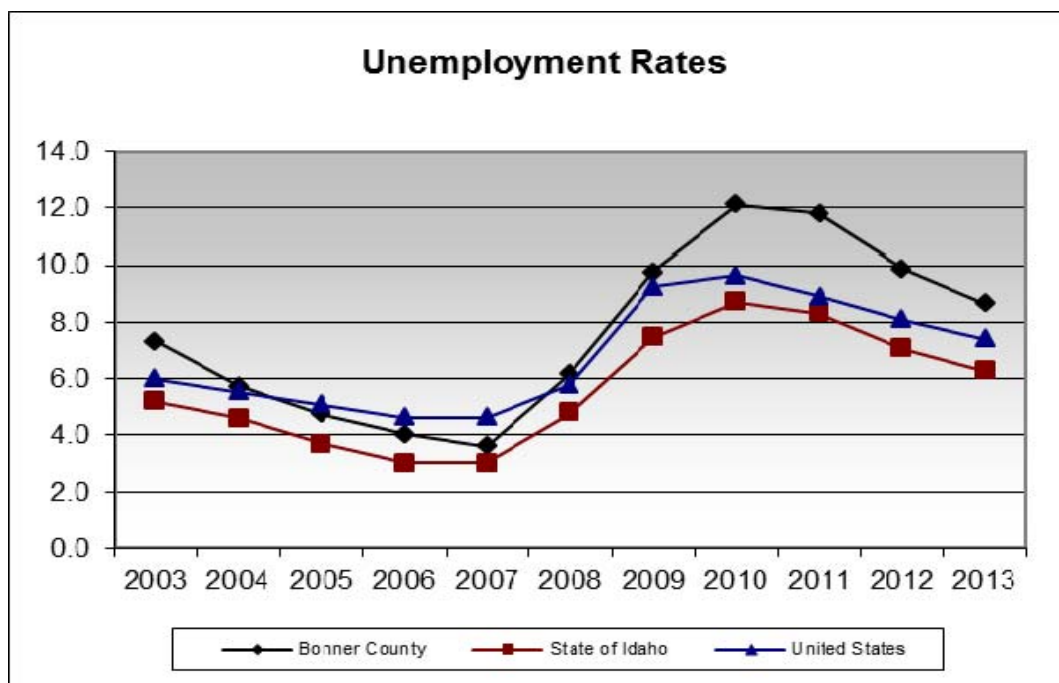
Budget Variations (continued)



Economic and Other Factors Affecting Next Year's Operations

Local Economy:

Bonner County has enjoyed considerable success in diversifying and expanding its economy. Manufacturing jobs rose 27 percent from 1,486 in 2000 to 1,880 in 2010 while they fell 26 percent statewide. Per capita income increased from \$30,140 to \$31,433 from 2010 to 2011. Graph below indicates a downward trend in unemployment from 2010.

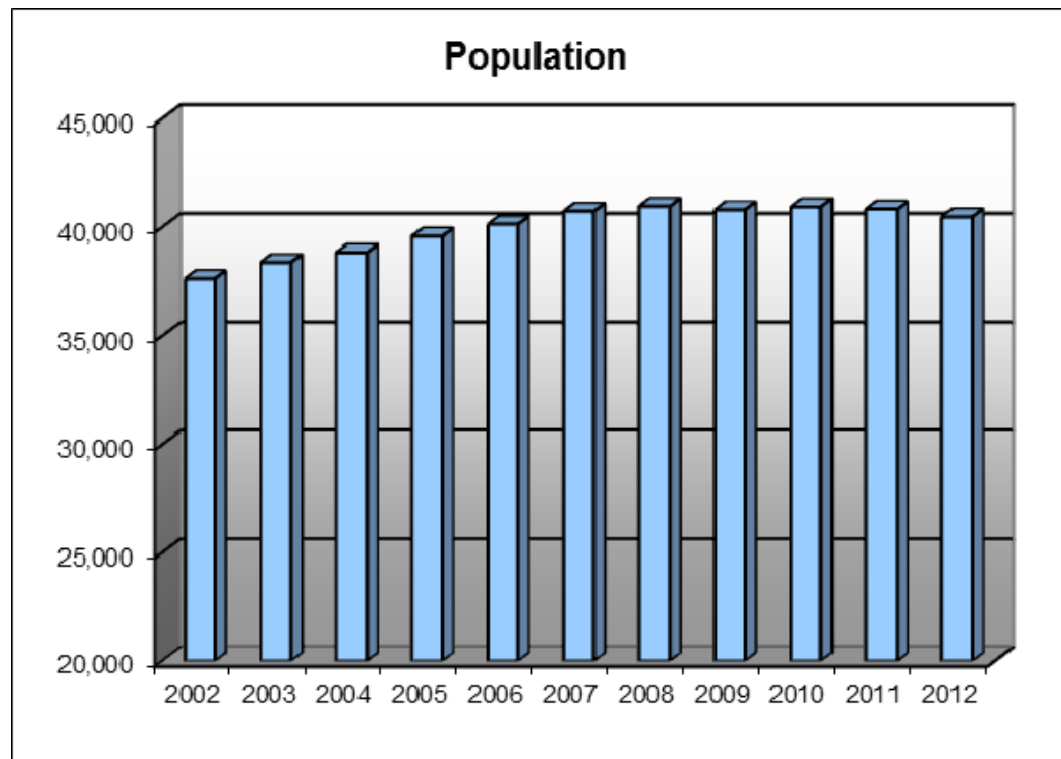


Economic and Other Factors Affecting Next Year's Operations (continued)

Population

Bonner County has experienced rapid population growth. Its beauty, recreational opportunities and quality of life attracted thousands of new residents. From 2002 to 2012, however, the county's population grew 7.6 percent from 37,634 to 40,476 while Idaho's population grew 19 percent and the U.S. population grew 9 percent. The county also has hundreds of summer residents.

Sandpoint, the county seat has a population of 7,365 in 2013. Surrounding populations include 1,137 in Ponderay, 678 in Kootenai and 556 in Dover. The largest city west of Sandpoint, Priest River, has 1,751 residents. Clark Fork with 536 residents is the largest town to the east.



Bonner County is home to 54 taxing districts, each of which elects its own governing board and has the authority to levy taxes. Many of these taxing districts have experienced significant growth and an increase in the demand for services that such growth generates.

County Operations:

Bonner County complies with Idaho County Budget Law (Title 31, Chapter 16) and Government Accounting Standards Board (GASB) standards as required by Idaho Code.

Economic and Other Factors Affecting Next Year's Operations (continued)

Governmental fund accounting is not about profitability; rather, it is about *accountability*.

Bonner County faces ever increasing operational costs which must be balanced with the ideal of maintaining current levels of service while minimizing property taxes. Bonner County has had no reductions in force (RIF) in FYE 2013 and has thereby maintained pre-existing staff levels.

Health Care and Liability Insurance premiums continue to be driven upward.

- Liability Insurance Costs
Bonner County changed from ICRMP to Travelers commencing October 1, 2013 saving approximately \$136,424.00 per year in insurance premiums.
- Medical Insurance Costs
Currently, Bonner County's health care expenses increased from \$2,533,992.87 in FYE-2012, to \$2,551,811.10 in FYE-2013. It is noteworthy that the County was able to hold its healthcare costs steady although the employee contributions did increase.

Each major department has taken actions to help reduce costs and provide services that are more efficient.

- Road & Bridge:
 - Road and Bridge has one of the largest budgets within county government. The department maintains approximately 700 miles of roads in Bonner County. This includes snow plowing and sanding in the winter, followed by dust abatement, gravel road grading, gravel and pavement repairs in the warmer months.
 - The Road and Bridge FYE 2012 levy rate was reduced by 21.55% compared to FYE 2011. This was abnormally low due to the use of cash carryover and lower total expenditures. The FYE 2013 Road & Bridge levy rate is 9.55% higher than FYE 2011. The FYE 2013 base budget (total budget minus cash carryover and one-time equipment buy-back) is \$118,000 higher than FYE 2011.
 - Equipment leases are staggered in five and seven year terms on the motor graders. The leases cover major maintenance costs and reduce the total annual operating expense to about \$20,000 per year, for each grader. By offsetting the lease dates and duration, the grader program will now have only three of the eleven graders coming up for renewal in any one year in the future. This removed yearly spikes and allows for better budget planning.

Economic and Other Factors Affecting Next Year's Operations (continued)

- Road and Bridge receives substantial funding from the Payment in Lieu of Taxes (PILT), and Secure Rural Schools (SRS) programs. These programs are currently projected to decline from under \$500,000 in 2013, to less than \$35,000 by 2015 without re-authorization. This will have a direct impact on our road maintenance fund unless the U.S. Congress addresses this issue.
- Planning:
 - (FYE2013/14) The Planning Department closed out the annual building location permit (BLP) season on December 31, 2013 with the highest number of permits since 2008. A total of 637 permits applications were received in 2013, an increase of 165 permits over the previous year. For the fiscal year ending September 30, 2013, the department received about \$50,000 more than was anticipated in revenue, due to increases in most types of permits and file applications. The improved revenue allowed the Board to restore one 0.5 FTE compliance position for fiscal year 2014 to keep pace with inspection demands.
- HR / Risk Management:
 - Two of the most accelerating costs facing Bonner County continue to be liability and health care insurance premiums. Premiums are a direct reflection of our claims experience. Fortunately, we have had some successes at controlling our claims, and thereby impacting our insurance premium rates.
 - Liability insurance premiums rose from \$671,603 in FYE-2012 to \$673,461 in FYE-2013 creating a \$1,858 increase. The county was able to offset \$33,673 by participating in training aimed at reducing our claims. Personnel at every level participated in the training.
 - Health plan costs increased for the County. Some of this increase was passed on to employees through higher contribution rates. However, all employees participating in the health plan were able to reduce their costs by 20% by participating in the Wellness Program which required employees to complete a health screening and an on-line health assessment.
 - A revised policy manual was adopted by the BOCC on January 15, 2013. On May 14, 2013, a resolution was adopted regarding the County's Wage Classification Policy. This policy outlines how grades and steps are established for each position. Grades and steps are used to determine the salary range for each position.

Economic and Other Factors Affecting Next Year's Operations (continued)

- Between October 1, 2012 and September 30, 2013, we processed 80 new hires and 80 separated employees. Twenty-seven of those were seasonal and four were full-time employees who were hired and separated in the same fiscal year.
- SilverWing Development Litigation:
 - After the end of Bonner County's FYE 2013 financial period, outside legal counsel for Bonner County disclosed the potential need for an additional one million dollars for legal costs to defend itself in the Silverwing litigation. See Note #12 for details.

Requests for Information

This financial report is designed to provide a general overview of Bonner County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of County Commissioners
Bonner County Administrative Office Building
1500 Hwy 2, Suite 308
Sandpoint, Idaho 83864

FINANCIAL STATEMENTS

BONNER COUNTY, IDAHO

STATEMENT OF NET POSITION
September 30, 2013

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Current assets			
Cash and Investments	22,269,690	5,409,959	27,679,649
Receivables, net of allowance for uncollectibles:			
Taxes	27,124,648	-	27,124,648
Fees	-	196,591	196,591
Interest	17,694	-	17,694
Accounts	403,727	174,406	578,133
Prepaid expenses	29,222	-	29,222
Due from other governments	1,879,813	-	1,879,813
Restricted Assets:			
Cash	88,399	506,115	594,514
Cash on deposit with fiscal agent	-	664	664
Total current assets	<u>51,813,193</u>	<u>6,287,735</u>	<u>58,100,928</u>
Noncurrent assets			
Capital assets			
Land	3,007,146	265,355	3,272,501
Other capital assets, net of depreciation	81,530,895	1,918,638	83,449,533
Total noncurrent assets	<u>84,538,041</u>	<u>2,183,993</u>	<u>86,722,034</u>
Total assets	<u>136,351,234</u>	<u>8,471,728</u>	<u>144,822,962</u>
DEFERRED OUTFLOWS OF RESOURCES			
Debt issuance cost, net of accumulated amortization	<u>4,526</u>	<u>-</u>	<u>4,526</u>
LIABILITIES			
Current liabilities:			
Warrants payable	2,089,169	596,941	2,686,110
Vouchers payable	664,267	5,133	669,400
Accrued payroll	611,351	29,598	640,949
Accrued retirement payable	62,801	6,935	69,736
Due to other governments	18,000	-	18,000
Deferred revenue	24,913,211	-	24,913,211
Note payable, due within one year	52,769	-	52,769
Compensated absences, due within one year	671,963	27,281	699,244
Capital leases payable, due within one year	392,448	-	392,448
Total current liabilities	<u>29,475,979</u>	<u>665,888</u>	<u>30,141,867</u>
Noncurrent liabilities:			
Note payable, due after one year	480,848	-	480,848
Compensated absences, due after one year	197,216	9,187	206,403
Capital leases payable, due after one year	4,316,271	-	4,316,271
Total noncurrent liabilities	<u>4,994,335</u>	<u>9,187</u>	<u>5,003,522</u>
Total liabilities	<u>34,470,314</u>	<u>675,075</u>	<u>35,145,389</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	79,829,322	2,183,993	82,013,315
Restricted For:			
General government	2,814,939	-	2,814,939
Public Safety	7,508,186	-	7,508,186
Road and bridge	5,013,054	-	5,013,054
Emergency medical services	928,576	-	928,576
Debt Service	88,399	664	89,063
Historical society and recreation	776,125	-	776,125
Health and welfare	747,589	-	747,589
Weeds	160,376	-	160,376
Road construction	609,507	-	609,507
Capital Projects	247,685	506,115	753,800
Unrestricted	3,161,688	5,105,881	8,267,569
Total net position	<u>\$ 101,885,446</u>	<u>\$ 7,796,653</u>	<u>\$ 109,682,099</u>

BONNER COUNTY, IDAHO

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities
FUNCTIONS/PROGRAMS						Total
Primary Government						
Governmental activities:						
General government	7,863,691	779,728	-	1,368,586	(5,715,377)	-
Public safety	16,684,422	2,294,840	385,392	704,022	(13,300,168)	-
Emergency medical services	2,748,935	688,291	-	-	(2,060,644)	-
Road and bridge	28,417,418	-	-	-	(28,417,418)	-
Weeds	156,716	-	-	-	(156,716)	-
Health	179,611	-	-	-	(179,611)	-
Welfare	457,312	-	-	-	(457,312)	-
Junior college	242,016	-	-	-	(242,016)	-
Historical society and recreation	97,388	6,596	-	-	(90,792)	-
Capital outlay	241,263	-	-	-	(241,263)	-
Loss on disposal of asset	8	-	-	-	(8)	-
Interest on long-term debt	182,506	-	-	-	(182,506)	-
Total governmental activities	<u>57,271,286</u>	<u>3,769,455</u>	<u>385,392</u>	<u>2,072,608</u>	<u>(51,043,831)</u>	<u>-</u>
Business-type activities:						
Solid Waste	4,310,944	1,794,676	-	-	-	(2,516,268)
Total business-type activities	<u>4,310,944</u>	<u>1,794,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,516,268)</u>
Total primary government	<u>\$ 61,582,230</u>	<u>\$ 5,564,131</u>	<u>\$ 385,392</u>	<u>\$ 2,072,608</u>	<u>(51,043,831)</u>	<u>(2,516,268)</u>
						<u>(53,560,099)</u>
General Revenues						
Taxes						
Property taxes, levied for general purposes					24,765,413	-
Special assessments					33,653	2,608,770
Intergovernmental revenues					6,133,610	-
Licenses and permits					804,827	-
Fines					210,272	-
Miscellaneous					1,857,163	408,979
Interest and investment earnings					(77,589)	33,046
Transfers					3,025,281	(3,025,281)
Total general revenue and transfers					<u>36,752,630</u>	<u>25,514</u>
Change in Net Position					<u>(14,291,201)</u>	<u>(2,490,754)</u>
Total net position, beginning of year					<u>114,554,719</u>	<u>10,361,943</u>
Prior-period adjustment					<u>1,621,928</u>	<u>(74,536)</u>
Adjusted net position, beginning of year					<u>116,176,647</u>	<u>10,287,407</u>
Total net position, end of year					<u>\$ 101,885,446</u>	<u>\$ 7,796,653</u>
						<u>\$ 109,682,099</u>

BONNER COUNTY, IDAHO

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013**

	General	Justice	Road and Bridge	Airport	Ambulance District	Non-major Governmental	Total Governmental Funds
ASSETS							
Cash and Investments	3,122,921	5,652,516	3,462,498	569,206	1,177,916	8,284,633	22,269,690
Restricted Cash	-	-	-	-	-	88,399	88,399
Receivables, net of allowance for uncollectibles:							
Taxes	3,404,797	11,451,727	5,085,932	219,775	2,352,247	4,610,170	27,124,648
Interest	17,576	-	-	-	-	118	17,694
Accounts	107,039	34,046	47,688	-	-	214,954	403,727
Prepaid expenses	19,971	663	-	-	6,602	1,986	29,222
Due from other governments	181,790	342,398	413,396	610,043	-	332,186	1,879,813
Due from other funds	4,680	50,384	1,106,544	-	-	-	1,161,608
Total assets	<u>\$ 6,858,774</u>	<u>\$ 17,531,734</u>	<u>\$ 10,116,058</u>	<u>\$ 1,399,024</u>	<u>\$ 3,536,765</u>	<u>\$ 13,532,446</u>	<u>\$ 52,974,801</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Warrants payable	211,039	617,736	288,177	357,685	125,884	488,648	2,089,169
Vouchers payable	10,184	17,869	517	524,028	204	111,465	664,267
Accrued payroll	75,719	277,834	66,466	846	55,908	134,578	611,351
Accrued retirement payable	7,958	29,047	6,990	-	5,879	12,927	62,801
Due to other governments	-	-	-	-	-	18,000	18,000
Due to other funds	-	-	-	-	-	1,161,608	1,161,608
Deferred revenue	3,392,186	11,416,391	5,069,823	241,124	2,352,164	4,593,818	27,065,506
Total liabilities	<u>3,697,086</u>	<u>12,358,877</u>	<u>5,431,973</u>	<u>1,123,683</u>	<u>2,540,039</u>	<u>6,521,044</u>	<u>31,672,702</u>
Fund Balances							
Nonspendable:	19,971	663	-	-	6,602	1,986	29,222
Restricted For:							
General government	-	-	-	275,341	-	2,666,335	2,941,676
Public Safety	-	5,172,194	-	-	-	1,787,272	6,959,466
Road and bridge	-	-	4,684,085	-	-	-	4,684,085
Emergency medical services	-	-	-	-	990,124	-	990,124
Debt Service	-	-	-	-	-	88,399	88,399
Historical society and recreation	-	-	-	-	-	774,060	774,060
Health and welfare	-	-	-	-	-	682,577	682,577
Weeds	-	-	-	-	-	154,252	154,252
Road construction	-	-	-	-	-	609,507	609,507
Capital Projects	-	-	-	-	-	247,014	247,014
Unassigned:	3,141,717	-	-	-	-	-	3,141,717
Total fund balance	<u>3,161,688</u>	<u>5,172,857</u>	<u>4,684,085</u>	<u>275,341</u>	<u>996,726</u>	<u>7,011,402</u>	<u>21,302,099</u>
Total liabilities and fund balances	<u>\$ 6,858,774</u>	<u>\$ 17,531,734</u>	<u>\$ 10,116,058</u>	<u>\$ 1,399,024</u>	<u>\$ 3,536,765</u>	<u>\$ 13,532,446</u>	<u>\$ 52,974,801</u>

BONNER COUNTY, IDAHO

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2013**

Total Fund Balances - Governmental Funds	21,302,099
--	------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

Cost of capital assets	503,479,512	
Accumulated depreciation	<u>(418,941,471)</u>	
		84,538,041

Assets that are not available to pay for current periods expenditures are not considered earned in the governmental funds:

Property Taxes	2,152,295
----------------	-----------

Debt issuance cost are capitalized and then amortized in the government-wide financial statements, whereas, in the governmental fund financial statements, the debt issuance costs are expensed when paid

4,526

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Compensated absences, due within one year	(671,963)	
Capital leases payable, due within one year	(392,448)	
Note payable, due within one year	(52,769)	
Compensated absences, due after one year	(197,216)	
Capital leases payable, due after one year	(4,316,271)	
Note payable, due after one year	<u>(480,848)</u>	
		<u>(6,111,515)</u>

Total net position - governmental activities	<u><u>\$ 101,885,446</u></u>
--	------------------------------

BONNER COUNTY, IDAHO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2013**

	<u>General</u>	<u>Justice</u>	<u>Road and Bridge</u>	<u>Airport</u>	<u>Ambulance District</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	4,359,016	10,056,597	3,508,450	36,454	2,418,540	4,383,814	24,762,871
Licenses and permits	348,262	255,179	-	-	-	201,386	804,827
Intergovernmental	678,850	1,709,976	2,187,754	1,368,944	-	2,646,086	8,591,610
Charges for services	778,934	703,504	-	-	688,291	1,598,726	3,769,455
Fines	-	-	-	-	-	210,272	210,272
Special assessments	-	-	-	-	-	33,653	33,653
Interest income	237,784	-	-	-	1,327	1,240	240,351
Miscellaneous	(54,149)	37,736	589,679	72,286	39,260	1,172,351	1,857,163
Total revenues	<u>6,348,697</u>	<u>12,762,992</u>	<u>6,285,883</u>	<u>1,477,684</u>	<u>3,147,418</u>	<u>10,247,528</u>	<u>40,270,202</u>
EXPENDITURES							
Current:							
General government	4,126,727	-	-	1,419,332	-	2,420,081	7,966,140
Public safety	171,189	11,978,827	-	-	-	3,671,493	15,821,509
Emergency medical expenses	-	-	-	-	2,650,499	-	2,650,499
Road and bridge	-	-	5,503,249	-	-	427,665	5,930,914
Weeds	-	-	-	-	-	142,642	142,642
Health	-	-	-	-	-	179,611	179,611
Welfare	-	-	-	-	-	449,920	449,920
Junior college	-	-	-	-	-	242,016	242,016
Historical society and recreation	-	-	-	-	-	529,549	529,549
Capital outlay	901,789	514,096	945,948	16,085	144,817	2,542,590	5,065,325
Debt Service							
Principal	148,958	-	339,312	-	63,346	-	551,616
Interest	116,381	-	52,598	-	13,527	-	182,506
Total expenditures	<u>5,465,044</u>	<u>12,492,923</u>	<u>6,841,107</u>	<u>1,435,417</u>	<u>2,872,189</u>	<u>10,605,567</u>	<u>39,712,247</u>
Excess (deficiency) of revenues over/under expenditures	<u>883,653</u>	<u>270,069</u>	<u>(555,224)</u>	<u>42,267</u>	<u>275,229</u>	<u>(358,039)</u>	<u>557,955</u>
Other financing sources (uses):							
Operating transfers (out)	845,562	961,371	(264)	-	-	1,218,612	3,025,281
Capital lease financing	-	220,000	251,321	-	103,940	-	575,261
Loan proceeds	600,000	-	-	-	-	-	600,000
Net increase (decrease) in the fair value of investments	(317,940)	-	-	-	-	-	(317,940)
Total other financing sources (uses)	<u>1,127,622</u>	<u>1,181,371</u>	<u>251,057</u>	<u>-</u>	<u>103,940</u>	<u>1,218,612</u>	<u>3,882,602</u>
Net change in fund balance	<u>2,011,275</u>	<u>1,451,440</u>	<u>(304,167)</u>	<u>42,267</u>	<u>379,169</u>	<u>860,573</u>	<u>4,440,557</u>
Fund balances, beginning of year	1,019,357	3,545,172	4,597,392	233,074	633,856	5,956,170	15,985,021
Prior period adjustment	<u>131,056</u>	<u>176,245</u>	<u>390,860</u>	<u>-</u>	<u>(16,299)</u>	<u>194,659</u>	<u>876,521</u>
Adjusted fund balances, beginning of year	<u>1,150,413</u>	<u>3,721,417</u>	<u>4,988,252</u>	<u>233,074</u>	<u>617,557</u>	<u>6,150,829</u>	<u>16,861,542</u>
Fund balances, end of year	<u>\$ 3,161,688</u>	<u>\$ 5,172,857</u>	<u>\$ 4,684,085</u>	<u>\$ 275,341</u>	<u>\$ 996,726</u>	<u>\$ 7,011,402</u>	<u>\$ 21,302,099</u>

BONNER COUNTY, IDAHO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - governmental funds 4,440,557

Amounts reported for governmental activities in the Statement of Activities are different because:

Some governmental funds revenues are deferred because they are not collected soon enough after year end to pay liabilities of the current period. Accordingly, they are recorded as deferred property taxes in the governmental funds. For governmental activities, those revenues are recognized regardless of when they are collected. Because of the "availability" criterion under the modified accrual basis of accounting, the following have been deferred:

Deferred property taxes 2,542

In the Statement of Activities, debt issuance costs are amortized, whereas in the governmental funds the cost is recorded when it occurred. This is the amount by which the costs exceed the amortization during the year. 4,526

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$25,258,468 exceeds capital outlays of \$7,259,009 during the current fiscal year. (17,999,459)

In the Statement of Activities, a gain (loss) on the disposal of an asset is recognized, whereas, in the governmental funds assets are not capitalized. Therefore, upon the disposal of an asset, no gain (loss) is recognized. (8)

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but the issuance increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position. This is the amount by which the proceeds exceeded repayments during the year.

Capital leases payable	(90,028)	
Note payable	<u>(533,617)</u>	(623,645)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount by which compensated absences incurred exceeded the amount paid during the year. (115,714)

Change in Net Position, as reflected on the Statement of Activities	<u><u>\$ (14,291,201)</u></u>
---	-------------------------------

BONNER COUNTY, IDAHO

**STATEMENT OF NET POSITION
PROPRIETARY FUND
BUSINESS TYPE ACTIVITIES - SOLID WASTE FUND
September 30, 2013**

ASSETS**Current assets**

Cash and Investments	5,409,959	
Receivables, net of allowance for uncollectibles:		
Fees	196,591	
Accounts	174,406	
Restricted Assets		
Cash	506,115	
Cash on deposit with fiscal agent	664	
Total current assets		6,287,735

Noncurrent assets

Capital assets		
Land	265,355	
Other capital assets, net of depreciation	1,918,638	
Total noncurrent assets		2,183,993
Total assets		8,471,728

LIABILITIES**Current liabilities**

Warrants payable	596,941	
Vouchers payable	5,133	
Accrued payroll	29,598	
Accrued retirement payable	6,935	
Compensated absences payable	36,468	
Total current liabilities		675,075

NET POSITION

Net investment in capital assets	2,183,993	
Restricted For:		
Debt Service	664	
Capital Projects	506,115	
Unrestricted	5,105,881	
Total net position		\$ 7,796,653

BONNER COUNTY, IDAHO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
BUSINESS-TYPE ACTIVITIES - SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Operating revenues:

Charges for services	1,794,676	
Total operating revenues		<u>1,794,676</u>

Operating expenses:

Salaries	679,667	
Payroll and benefits	291,623	
Other services and charges	3,117,340	
Depreciation	<u>222,314</u>	
Total operating expenses		<u>4,310,944</u>

Operating income (loss)		(2,516,268)
-------------------------	--	-------------

Nonoperating revenues:

Special assessments	2,608,770	
Penalties and interest	33,046	
Miscellaneous	<u>408,979</u>	
Total nonoperating revenues		<u>3,050,795</u>

Excess (deficiency) of revenues over/under expenditures before transfers		534,527
--	--	---------

Transfers in (out):

Operating transfers	<u>(3,025,281)</u>	
Total transfers		<u>(3,025,281)</u>

Change in net position		<u>(2,490,754)</u>
------------------------	--	--------------------

Net position, beginning of year		10,361,943
---------------------------------	--	------------

Prior period adjustment		<u>(74,536)</u>
-------------------------	--	-----------------

Adjusted net position, beginning of year		<u>10,287,407</u>
--	--	-------------------

Net position, end of year		<u><u>\$ 7,796,653</u></u>
---------------------------	--	----------------------------

BONNER COUNTY, IDAHO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
BUSINESS-TYPE ACTIVITIES - SOLID WASTE FUND
For the Year Ended September 30, 2013

Cash flows from operating activities:

Cash received from customers	1,795,146
Cash paid to suppliers	(2,801,123)
Cash paid for salaries and benefits	<u>(981,609)</u>

Net cash used by operating activities (1,987,586)

Cash flows from non-capital financing activities:

Special assessments	2,608,770
Miscellaneous receipts	442,024
Cash received (transferred) to other funds, net	<u>(23,199)</u>

Net cash provided by non-capital financing activities 3,027,595

Cash flows from capital financing and related financing activities:

Acquisition of capital assets	<u>(474,480)</u>
-------------------------------	------------------

Net cash used by capital financing activities (474,480)

Cash flows from investing activities:

-

Net increase in cash 565,529

Cash and investments- beginning of year 5,351,209

Cash and investments- end of year \$ 5,916,738

Cash and investments:

Cash and Investments	5,409,959
Restricted assets:	
Cash	506,115
Cash on deposit with fiscal agent	<u>664</u>

Total Cash and investments \$ 5,916,738

Reconciliation of operating loss to net cash used by operating activities:

Operating loss (2,516,268)

Adjustments to reconcile operating loss to net cash provided by
operating activities:

Depreciation	222,314
Decrease (increase) in assets:	
Receivables	470
Increase (decrease) in liabilities:	
Accounts and warrants payable	316,217
Accrued payroll	(12,498)
Decrease in deferred compensated absences	<u>2,179</u>

Total adjustments 528,682

Net cash used by operating activities \$ (1,987,586)

BONNER COUNTY, IDAHO

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Current Assets	
Cash and Investments	2,072,537
Due from other governments	<u>18,000</u>
Total assets	<u>2,090,537</u>
LIABILITIES	
Current Liabilities	
Warrants payable	73,950
Deposits held	539,550
Due to other governments	<u>1,477,037</u>
Total liabilities	<u>2,090,537</u>
NET POSITION	<u><u>\$ -</u></u>

BONNER COUNTY, IDAHO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Variances Favorable (Unfavorable)	
				<u>Original to</u>	<u>Amended to</u>
Revenues					
Taxes	4,285,811	4,285,811	4,359,016	73,205	73,205
Licenses and permits	356,688	356,688	348,262	(8,426)	(8,426)
Intergovernmental	605,943	605,943	678,850	72,907	72,907
Charges for services	542,596	542,596	778,934	236,338	236,338
Interest income	282,000	282,000	237,784	(44,216)	(44,216)
Miscellaneous	38,822	38,822	(54,149)	(92,971)	(92,971)
Total revenues	<u>6,111,860</u>	<u>6,111,860</u>	<u>6,348,697</u>	<u>236,837</u>	<u>236,837</u>
Expenditures					
Current:					
General government	4,675,387	4,673,487	4,126,727	548,660	546,760
Public safety	188,724	189,935	171,189	17,535	18,746
Capital outlay	894,926	894,926	901,789	(6,863)	(6,863)
Debt Service					
Principal	455,164	455,164	148,958	306,206	306,206
Interest	-	-	116,381	(116,381)	(116,381)
Total expenditures	<u>6,214,201</u>	<u>6,213,512</u>	<u>5,465,044</u>	<u>749,157</u>	<u>748,468</u>
Excess (deficiency) of revenues over/under expenditures	<u>(102,341)</u>	<u>(101,652)</u>	<u>883,653</u>	<u>985,994</u>	<u>985,305</u>
Other financing sources (uses):					
Operating transfers (out)	-	-	845,562	845,562	845,562
Loan proceeds	-	-	600,000	600,000	600,000
Net increase (decrease) in the fair value of investments	-	-	(317,940)	(317,940)	(317,940)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,127,622</u>	<u>1,127,622</u>	<u>1,127,622</u>
Net change in fund balance	<u>\$ (102,341)</u>	<u>\$ (101,652)</u>	<u>2,011,275</u>	<u>\$ 2,113,616</u>	<u>\$ 2,112,927</u>
Fund balance, beginning of year			1,019,357		
Prior period adjustment			<u>131,056</u>		
Adjusted fund balance, beginning of year			<u>1,150,413</u>		
Fund balance, end of year			<u>\$ 3,161,688</u>		

BONNER COUNTY, IDAHO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - JUSTICE
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

			Variances		
			Favorable (Unfavorable)		
	Original Budget	Amended Budget	Actual	Original to Actual	Amended to Actual
Revenues					
Taxes	9,805,341	9,805,341	10,056,597	251,256	251,256
Licenses and permits	234,000	234,000	255,179	21,179	21,179
Intergovernmental	1,394,500	1,394,500	1,709,976	315,476	315,476
Charges for services	558,010	558,010	703,504	145,494	145,494
Miscellaneous	288,254	288,254	37,736	(250,518)	(250,518)
Total revenues	<u>12,280,105</u>	<u>12,280,105</u>	<u>12,762,992</u>	<u>482,887</u>	<u>482,887</u>
Expenditures					
Current:					
Public safety	12,538,308	12,944,091	11,978,827	559,481	965,264
Capital outlay	160,000	165,000	514,096	(354,096)	(349,096)
Total expenditures	<u>12,698,308</u>	<u>13,109,091</u>	<u>12,492,923</u>	<u>205,385</u>	<u>616,168</u>
Excess (deficiency) of revenues over/under expenditures	<u>(418,203)</u>	<u>(828,986)</u>	<u>270,069</u>	<u>688,272</u>	<u>1,099,055</u>
Other financing sources (uses):					
Operating transfers (out)	-	-	961,371	961,371	961,371
Capital lease financing	-	-	220,000	220,000	220,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,181,371</u>	<u>1,181,371</u>	<u>1,181,371</u>
Net change in fund balance	<u>\$ (418,203)</u>	<u>\$ (828,986)</u>	<u>1,451,440</u>	<u>\$ 1,869,643</u>	<u>\$ 2,280,426</u>
Fund balance, beginning of year			3,545,172		
Prior period adjustment			<u>176,245</u>		
Adjusted fund balance, beginning of year			<u>3,721,417</u>		
Fund balance, end of year			<u>\$ 5,172,857</u>		

BONNER COUNTY, IDAHO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - ROAD AND BRIDGE
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Amended Budget	Actual	Variances	
				Favorable (Unfavorable) Original to Actual	Amended to Actual
Revenues					
Taxes	3,483,128	3,483,128	3,508,450	25,322	25,322
Intergovernmental	2,243,026	2,243,026	2,187,754	(55,272)	(55,272)
Miscellaneous	(75,500)	473,018	589,679	665,179	116,661
Total revenues	<u>5,650,654</u>	<u>6,199,172</u>	<u>6,285,883</u>	<u>635,229</u>	<u>86,711</u>
Expenditures					
Current:					
Road and bridge	6,055,120	5,996,634	5,503,249	551,871	493,385
Capital outlay	532,000	783,320	945,948	(413,948)	(162,628)
Debt Service					
Principal	232,000	413,906	339,312	(107,312)	74,594
Interest	-	-	52,598	(52,598)	(52,598)
Total expenditures	<u>6,819,120</u>	<u>7,193,860</u>	<u>6,841,107</u>	<u>(21,987)</u>	<u>352,753</u>
Excess (deficiency) of revenues over/under expenditures	<u>(1,168,466)</u>	<u>(994,688)</u>	<u>(555,224)</u>	<u>613,242</u>	<u>439,464</u>
Other financing sources (uses):					
Operating transfers (out)	-	-	(264)	(264)	(264)
Capital lease financing	-	-	251,321	251,321	251,321
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>251,057</u>	<u>251,057</u>	<u>251,057</u>
Net change in fund balance	<u>\$ (1,168,466)</u>	<u>\$ (994,688)</u>	<u>(304,167)</u>	<u>\$ 864,299</u>	<u>\$ 690,521</u>
Fund balance, beginning of year			4,597,392		
Prior period adjustment			<u>390,860</u>		
Adjusted fund balance, beginning of year			<u>4,988,252</u>		
Fund balance, end of year			<u>\$ 4,684,085</u>		

BONNER COUNTY, IDAHO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - AIRPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Amended Budget	Actual	Variances	
				Favorable (Unfavorable) Original to Actual	Amended to Actual
Revenues					
Taxes	36,108	36,108	36,454	346	346
Intergovernmental	1,557,000	1,557,000	1,368,944	(188,056)	(188,056)
Miscellaneous	102,005	102,005	72,286	(29,719)	(29,719)
Total revenues	<u>1,695,113</u>	<u>1,695,113</u>	<u>1,477,684</u>	<u>(217,429)</u>	<u>(217,429)</u>
Expenditures					
Current:					
General government	1,848,689	1,848,689	1,419,332	429,357	429,357
Capital outlay	<u>6,500</u>	<u>6,500</u>	<u>16,085</u>	<u>(9,585)</u>	<u>(9,585)</u>
Total expenditures	<u>1,855,189</u>	<u>1,855,189</u>	<u>1,435,417</u>	<u>419,772</u>	<u>419,772</u>
Net change in fund balance	<u>\$ (160,076)</u>	<u>\$ (160,076)</u>	42,267	<u>\$ 202,343</u>	<u>\$ 202,343</u>
Fund balances, beginning of year			<u>233,074</u>		
Fund balances, end of year			<u>\$ 275,341</u>		

BONNER COUNTY, IDAHO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - AMBULANCE DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

				Variances	
				Favorable (Unfavorable)	
	Original Budget	Amended Budget	Actual	Original to Actual	Amended to Actual
Revenues					
Taxes	2,390,551	2,390,551	2,418,540	27,989	27,989
Charges for services	609,000	609,000	688,291	79,291	79,291
Interest income	-	-	1,327	1,327	1,327
Miscellaneous	-	-	39,260	39,260	39,260
Total revenues	<u>2,999,551</u>	<u>2,999,551</u>	<u>3,147,418</u>	<u>147,867</u>	<u>147,867</u>
Expenditures					
Current:					
Emergency medical expenses	2,830,513	2,830,513	2,650,499	180,014	180,014
Capital outlay	83,912	83,912	144,817	(60,905)	(60,905)
Debt Service					
Principal	85,126	85,126	63,346	21,780	21,780
Interest	-	-	13,527	(13,527)	(13,527)
Total expenditures	<u>2,999,551</u>	<u>2,999,551</u>	<u>2,872,189</u>	<u>127,362</u>	<u>127,362</u>
Excess (deficiency) of revenues over/under expenditures	<u>-</u>	<u>-</u>	<u>275,229</u>	<u>275,229</u>	<u>275,229</u>
Other financing sources (uses):					
Capital lease financing	-	-	103,940	103,940	103,940
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>103,940</u>	<u>103,940</u>	<u>103,940</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>379,169</u>	<u>\$ 379,169</u>	<u>\$ 379,169</u>
Fund balances, beginning of year			633,856		
Prior period adjustment			<u>(16,299)</u>		
Adjusted fund balance, beginning of year			<u>617,557</u>		
Fund balances, end of year			<u>\$ 996,726</u>		

Bonner County, Idaho
Notes to the Financial Statements
September 30, 2013

NOTE 1 Summary of Significant Accounting Policies

Organization

The financial statements of Bonner County, Idaho (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Summary of Significant Accounting Policies

The County's significant accounting policies are described below:

Reporting Entity - The County operates under a commissioner form of government, with supervision of various departments by elected officials as provided by the State Constitution. The County provides the following services: public safety, emergency medical services, road and bridge, weeds, health and social services, welfare, education, culture and recreation, public improvements, planning and zoning, and general administrative services.

For financial reporting purposes, management has considered all potential component units which are controlled by, or whose boards are appointed by, the Board of County Commissioners. Control by the County was determined on the basis of budget adoption; the selection of management; the ability to significantly influence operations; accountability for fiscal matters; and other factors. Based on these criteria, there was one component unit, the Ambulance District, included in the County's report, which is reported within the special revenue funds and is reported as a major fund.

Blended Component Units - The Ambulance District of Bonner County is a blended component unit and is responsible for providing emergency medical services and medical transportation to the residents of the County. The Ambulance District's governing body is the same as that of Bonner County's governing body, the Board of County Commissioners. The County has the ability to significantly impose its will over the Ambulance District. Management of the Ambulance District consists of those individuals responsible for the day-to-day operations of the County; and the Ambulance District provides services wholly within the boundaries of the County with the intention of providing medical services to the residents of the County. Therefore, the Ambulance District is

presented as a blended component unit and is grouped as a special revenue fund.

Measurement Focus and Basis of Presentation - The basic financial statements of the County consist of the following:

- Government-wide financial statements
- Fund Financial statements
- Notes to basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and Accounting and Research Bulletins that were issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989, are not allowed in preparation of the accompanying financial statements.

Government-Wide Financial Statements - Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. In general, the effect of the interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separate from business-type activities, which rely to a significant extent on special assessments and charges for services.

Government-wide financial statements are presented using the economic resources measurement focus and accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 or segment. Program revenues include 1) charges to customers or applicants 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 and capital requirements of a particular function. Taxes and

other items not included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Program revenues include charges for services and payments made by parties outside the reporting County's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements - The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

These statements provide information about the County's funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as non-major governmental funds (if applicable).

- a) **Governmental Funds** - In the fund financial statement, governmental funds are presented using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are considered to be measurable when the amount of the transaction can be determined, and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 30 days after the end of the fiscal year.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in

the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (i.e., net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent the net current assets.

Recognition of governmental fund-type revenues represented by noncurrent receivables are unearned until they become current receivables.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund-type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources. The following comprise the County’s major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Justice Fund* accounts for the services and equipment used to provide for the public safety of the County.

The *Road and Bridge Fund* accounts for the design, construction and maintenance of County roads.

The *Airport Fund* accounts for the services and resources used to provide for the airport services of the County.

The *Ambulance District* accounts for the revenues earned and services provided for medical care.

The other governmental funds of the County are considered non-major and are as follows:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts of major capital projects).

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

- b) ***Proprietary Funds*** - account for ongoing organizations and activities of the government, which are similar to those found in the private sector. Proprietary funds are accounted for on the economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the County has elected to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. Proprietary funds include the following fund type:

The *Solid Waste Fund* is used to account for those operations that meet one of two criteria:

- 1) the activity runs in a manner similar to private business enterprises and the intent of the governing body is that the ongoing operating costs (including depreciation) of providing goods or services to the public are financed or recovered primarily through user charges; or
 - 2) the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- c) ***Fiduciary Funds*** - account for assets held by the County in a trustee capacity or as an agent on behalf of others.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the County holds for others in an agency capacity.

Deposits and Investments - The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are stated at fair value at September 30, 2013, as determined by quoted market prices, except for the certificates of deposit which are nonparticipating contracts, and are therefore carried at cost. The individual fund's portions of the pool's fair value are presented as "investments." Interest earned on the pooled funds is paid as it is received into the General Fund, the Ambulance Fund, the 911 Fund, and specific other non-county funds administered by the County. Idaho Code Section 67 (Code), Chapter 12, provides authorization for the investment of funds as well as what constitutes an allowable investment. County policy is consistent with the Code.

The Code limits investments to the following general types:

1. Certain revenue bonds, general obligation bonds, local improvement district bonds, and registered warrants of state and local governmental entities.
2. Time deposit accounts, tax anticipation, and interest-bearing notes.
3. Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States government agencies.
4. Repurchase agreements secured by the above.

Cash and investments are pooled and invested in certificates of deposit, United States treasury securities, United States government agency securities, and repurchase agreements secured by United States government securities or United States government agencies. The County's policy has been to hold investments until maturity in an attempt to reduce market fluctuation risk.

For purposes of the Statement of Cash Flows - Proprietary Funds, the County considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and investment balances for the enterprise funds represent their allocated share of pooled cash and investments of the County and can be drawn down on demand. The investment purchases and sales information is not available for individual funds and management believes that due to the nature of the pooled investments, this information is not significant for purposes of understanding the statement of cash flows. Accordingly, the net change method is used to report cash flows from investments in these statements.

Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Receivables are recorded net of any allowance for uncollectible amounts. The allowance for uncollectible amounts is zero at September 30, 2013.

Property taxes are an enforceable lien on property. The County property taxes are levied on or before the third Monday of the preceding September and billed to taxpayers in November. One-half of the real property taxes and personal property taxes are due on or before December 20. The remaining one-half of the real property taxes and personal property taxes are due on or before June 20 of the following year. If the first half of the personal property taxes is not paid on or before December 20, the full amount is due on demand. Transient personal property taxes are due in full on or before March 15 of the following year. The County bills and collects its own property taxes and also collects taxes for all other taxing districts within its boundaries.

Restricted Assets - Certain proceeds and resources are set aside and classified as restricted assets on the Statement of Net Position because their use is limited by County resolution. In the Solid Waste Enterprise fund, resources have been set aside for future certificate retirement and capital improvements. The County does not maintain a solid waste landfill. All waste hauling is contracted to outside services and, therefore, the County has no liability for disposal or landfill costs.

Capital Assets - Capital assets, including land, buildings, improvements, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized in the governmental or business-type activities columns in the government-wide financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment are depreciated in the governmental or business-type activities columns in the government-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	10-20
Equipment	5-10
Infrastructure	20

Unearned Revenues - Unearned revenues in the governmental funds represent amounts due, which are measurable, but not available.

Compensated Absences - It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. GASB codification specifies that a liability should be accrued for leave benefits that meet the following conditions:

1. The employer's obligation relative to employee rights to receive compensation for future absences is attributable to the employee services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the obligation is probable.
4. The amount can be reasonably estimated.

The County records a liability for accrued sick and vacation time when incurred in the government-wide and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements. The County uses the vesting method to calculate the compensated absences liability.

In the proprietary fund, compensated absences are recorded when earned, and the entire amount of compensated absences is reported as a liability.

At September 30, 2013, total compensated absences payable by the County is \$905,647. Of this amount, \$869,179 arises from governmental activity operations and \$36,468 is attributable to business-type activity operations.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type of Statement of Net Position.

Net Position - Net assets represent the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net position are comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following components.

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - This component of net position consists of net position subject to constraints imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriations. Various County funds are summarized into the following restricted net position categories:

General government includes the airport, elections, junior college, revaluation, tort, grant, and drainage district funds.

Public safety includes the justice, drug court, district court, 911, court facilities, and court interlock funds.

Road and bridge is designated to the Road and bridge fund.

Emergency medical services is designated to the emergency medical services fund.

Debt service is designated to those funds held for the repayment of County debt.

Historical society and recreation is designated to the county fair, historical society, parks and recreation, snowmobile, waterways, and translator district funds.

Health and welfare is designated for the health district and indigent & charity funds.

Weeds is designated to the weed fund.

Road Construction is designated to the special highway fund.

Capital projects is designated to those funds held for capital projects.

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "Net investment in capital assets" or "restricted net position."

Interfund Transactions - During the normal course of operations, the County has transactions between funds. The most significant types are operating transfers, reimbursements, and residual equity transfers. As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements.

Use of 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 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 Balances - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB No. 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54, which became effective for fiscal years beginning after June 15, 2010, requires the fund balance amounts to be properly reported within one of the following fund balance classifications:

Nonspendable: The portion of fund balance that is not expected to be converted to cash, such as inventories and prepaid expenses;

Restricted: The portion of fund balance that can be used only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

Committed: The portion of fund balance that can be used only for the specific purposes determined by a formal action of the County's Board of Commissioners (the County's highest level of decision-making authority);

Assigned: The portion of fund balance that is intended to be used by the County for specific purposes, but which does not meet the criteria to be classified as restricted or committed; and

Unassigned: The residual portion of fund balance for the County's General Fund and includes all spendable amounts not included in other classifications.

NOTE 2 Stewardship, Compliance, and Accountability

Budgetary Information

All County department heads are required to submit their annual budget requests to the County Auditor. The County Auditor is the Budget Officer, and as such Budget Officer, it is his/her duty to compile and prepare a preliminary budget for consideration by the County Commissioners. The budget is prepared by fund, department, and object. On or before the first Monday in August, the County Budget Officer submits the proposed budget to the County Commissioners for review and approval. When the tentative budget has been approved, it must be published no later than the third week of August. On or before Tuesday following the first Monday of September each year, the Board of Commissioners shall meet and hold a public budget hearing at which time any taxpayer may appear and be heard upon any part or parts of said tentative budget. Such hearing may be continued from day to day until concluded, but not to exceed a total of five days.

Upon the conclusion of such hearing, the County Commissioners shall fix and determine the amount of the appropriated budget for each department of the County, separately, which in no event shall be greater than the amount of the overall tentative budget and by resolution the County Commissioners shall adopt the appropriated budget as a part of the official minutes of the board.

During the fiscal year, only the Board of County Commissioners may amend the annual appropriated budget by resolution, through the courts or by the budget hearing process. The appropriated budget can be increased by expending unanticipated revenues or utilization of reserves.

The County is required by State law to adopt annual appropriated budgets for the general and special revenue funds. All appropriated budgets for

governmental funds are adopted on a basis consistent with GAAP. Budgets for enterprise funds are adopted on a non-GAAP basis. Budgeted amounts are as amended during the fiscal year ended September 30, 2013.

All appropriations, other than appropriations for incomplete improvements in process of construction, lapse at the end of the fiscal year. Appropriation accounts may remain open until the first Monday in November for payment of claims incurred against such appropriations prior to the close of the fiscal year. After the first Monday in November, the appropriations become null and void and any lawful claims presented thereafter against any subsequent appropriation will be provided for in the ensuing budget.

Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2013, there were no funds for which expenditures exceeded appropriations.

NOTE 3 Cash and Investments

The elected State Treasurer, following Idaho Code, is authorized to sponsor an investment pool that the County voluntarily participates in. The Local Government Investment Pool was established as a cooperative endeavor to enable public entities of the state of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool (State Pool) is managed by the State of Idaho Treasurer's office. The funds of the State Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. Government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. The State Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. An annual audit of the Local Government Investment Pool is conducted by the State Legislative Auditor's Office. The Legislative Auditor of the State of Idaho has full access to the records of the State Pool.

Through a "Cash Management Sweep Account and Automatic Daily Repurchase Agreement" dated in September 2011 with Panhandle State Bank, the County invests idle cash in repurchase agreements that are not insured by the FDIC. However, the repurchase agreements are fully collateralized with an undivided, fractional interest in obligations of, or obligations that are fully guaranteed by, the United States government, its agencies, or instrumentalities. Title to the securities is vested in the bank. The bank repurchases the undivided, fractional interest from the County on the next banking day.

Credit Risk- The County's investment policy requires individual investments to have a credit rating of A or better by Standard and Poor's Corporation or an equivalent nationally recognized statistical rating organization. All investments meet this requirement. The Local State Government Investment Pool is not rated.

Concentration of Credit Risk - The County's investment policy currently limits the balance of investments with a single issuer to 50% of the County's total funds. As of September 30, 2013, the following issuers hold more than 5% of the County's total portfolio: State of Idaho – 50% (Investment Pool, 20%, Diversified Bond Fund, 30%), Panhandle State Bank - 43%, Multi-Bank Securities, Inc. - 6%.

Custodial Credit Risk - Deposits - This is the risk that in the event of a bank failure, the County's deposits may not be available. As of September 30, 2013, the County's deposits in FDIC insured financial institutions did not exceed the FDIC insured limit of \$250,000 for Time Deposits in an in-state bank. On-demand accounts at Panhandle State Bank exceed the FDIC insurance limit of \$250,000 by \$62,750, with a total of \$312,750 deposited.

Custodial Credit Risk - Investments - This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The County is exposed to custodial credit risk because it has repurchase agreement investments of \$12,275,167 that are uninsured, unregistered, and held by Panhandle State Bank which is also the counterparty for the repurchase agreements. However, this risk is mitigated, because the repurchase agreements are fully collateralized by U.S. government securities, with the collateral held in trust by the Federal Home Loan Bank in Panhandle State Bank's name with market values of \$12,275,167 as of September 30, 2013. The Federal Home Loan Bank is an independent safekeeping agent unaffiliated with Panhandle State Bank.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Treasurer may invest funds of the County that are not identified as operating funds, in investments with maturities longer than 450 days, but not to exceed four years. The County's investments are in compliance with this policy. The County assumes that its callable investments will not be called. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by holding all investments to maturity. The following table presents the County's exposure to credit risk in accordance with the Segmented Time Distribution method.

Investment Type	Under 30 Days	31-180 Days	181-365 Days	1 to 5 Years	Market Value	Cost	Percent of Total
Panhandle State Bank							
Repurchase agreements							
Treasurer's account	11,328,805	-	-	-	11,328,805	11,328,805	37.62%
Ambulance account	946,362	-	-	-	946,362	946,362	3.14%
Certificates of deposit	-	-	-	111,126	111,126	111,126	0.37%
Checking accounts							
EMS General Checking	200,000	-	-	-	200,000	200,000	0.66%
General checking	140,000	-	-	-	140,000	140,000	0.46%
Fair Association 5935	72,739	-	-	-	72,739	72,739	0.24%
Sheriff Detention Fund	67,079	-	-	-	67,079	67,079	0.22%
Fair Association 1955	28,414	-	-	-	28,414	28,414	0.09%
Drug Restitution - Federal	4,518	-	-	-	4,518	4,518	0.02%
4H checking	2,376	-	-	-	2,376	2,376	0.01%
Mountain West Bank							
Certificate of deposit	-	-	106,942	-	106,942	106,942	0.36%
U.S. Bank							
Certificate of deposit	-	102,206	-	-	102,206	102,206	0.34%
Savings account	12,178	-	-	-	12,178	12,178	0.04%
State of Idaho							
Local Government							
Investment Pool	-	6,115,275	-	-	6,115,275	6,115,275	20.31%
Diversified Bond Fund	-	-	-	9,222,337	9,222,337	8,942,949	29.70%
Craig/Wyden Fund	-	-	-	175,542	175,542	175,542	0.58%
Multi-Bank Securities, Inc.	-	-	-	1,701,795	1,701,795	1,747,000	5.80%
Cash on hand	9,670	-	-	-	9,670	9,670	0.03%
Total Cash and investments	<u>\$12,812,141</u>	<u>\$6,217,481</u>	<u>\$106,942</u>	<u>\$11,210,800</u>	<u>\$30,347,364</u>	<u>\$30,113,181</u>	<u>100.00%</u>

The Composition of the cash and investments accounts in the financial statements is as follows:

Cash on hand	9,670
Bank deposits	527,304
Carrying value of investments	<u>29,810,390</u>
Total cash and investments	<u>\$ 30,347,364</u>

NOTE 4 Due From Other Governments

Amounts due from other governmental units include balances due from the federal government, State of Idaho, and other local governments related to grant funded activities, including airport construction, weed control, and justice activities. The County believes all balances are collectible, and as a result has not established an allowance for uncollectible accounts.

NOTE 5 Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

Governmental activities:

	Balance September 30, 2012*	Additions	Transfers	Disposals	Balance September 30, 2013
Capital assets, depreciated:					
Infrastructure	453,677,691	2,972,784	-	-	456,650,475
Buildings and improvements	17,137,913	2,561,606	-	-	19,699,519
Machinery and equipment	23,077,935	1,724,619	-	(680,181)	24,122,373
Accumulated depreciation	(394,363,176)	(25,258,468)	-	680,173	(418,941,471)
Net capital assets, depreciated	99,530,363	(17,999,459)	-	(8)	81,530,896
Capital assets, not depreciated:					
Land	3,007,145	-	-	-	3,007,145
Total capital assets, net	<u>\$ 102,537,508</u>	<u>\$ (17,999,459)</u>	<u>\$ -</u>	<u>\$ (8)</u>	<u>\$ 84,538,041</u>

*Net capital assets, depreciated was adjusted \$745,407 due to a prior period adjustment. Please see Note 15.

During 2013, depreciation expense was charged to functions as follows:

General government	727,179
Public safety	824,041
Emergency medical services	95,133
Road and bridge	23,493,357
Sanitation	18,629
Welfare	1,741
Culture and Recreation	45,434
Capital Outlay	52,954
Total Governmental activities depreciation expense	<u>\$ 25,258,468</u>

Business-type activities:

	Balance September 30, 2012*	Additions	Transfers	Disposals	Balance September 30, 2013
Capital assets, depreciated:					
Buildings and improvements	885,477	-	-	-	885,477
Other improvements	1,364,745	464,790	-	-	1,829,535
Machinery and equipment	1,683,123	9,690	-	-	1,692,813
Total capital assets, depreciated	3,933,345	474,480	-	-	4,407,825
Less: accumulated depreciation					
Buildings and improvements	(349,412)	(23,627)	-	-	(373,039)
Other improvements	(514,379)	(135,681)	-	-	(650,060)
Machinery and equipment	(1,403,082)	(63,006)	-	-	(1,466,088)
Total accumulated depreciation	(2,266,873)	(222,314)	-	-	(2,489,187)
Net capital assets, depreciated	1,666,472	252,166	-	-	1,918,638
Capital assets, not depreciated:					
Land	265,355	-	-	-	265,355
Total capital assets, net	<u>\$ 1,931,827</u>	<u>\$ 252,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,183,993</u>

*Net capital assets, depreciated was adjusted (\$62,759) due to a prior period adjustment. Please see Note 15.

During 2013, \$222,314 depreciation expense was charged to Solid Waste.

NOTE 6 **Deferred Revenue**

The County's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, and those governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2013, the various components of deferred revenue reported in the County's governmental funds were as follows:

	Deferred Revenue
Subsequent property taxes receivable- earned and available in FY 2014	24,891,780
Delinquent property taxes receivable	2,152,295
Special Revenue program services not yet performed	<u>21,431</u>
Total deferred revenue	<u><u>\$27,065,506</u></u>

NOTE 7 **Leases**

Operating Leases

Public Defender - On September 10, 2002, the County entered into an agreement to lease a portion of a building for office space. Total payments made for the year ended September 30, 2013, were \$21,000. The County is on a month-to-month lease.

Ambulance District - On July 20, 2010, the County entered into an agreement to lease a building for office space. Monthly payments of \$4,500 began in April 2011, increased to \$4,635 per month as of October 2011 thru September 2013. The lease will increase to \$4,917 per month as of October 2013. The lease expires September 30, 2014, at which time the County will have to negotiate a new lease contract. Total payments made for the year ended September 30, 2013 were \$55,620.

Sheriff's Office - In the summer of 2000, the County entered into an agreement to lease a building for a Sheriffs sub-station at Priest Lake, which is used by many agencies, including the U.S. Border Patrol, the Idaho Fish and Game Department, the Idaho State Police and the Priest Lake Search and Rescue, Inc. The County re-negotiated the lease in January 2012 in the amount of \$150 per month with the term of the lease being month-to-month. Total payments made for the year ended September 30, 2013, were \$1,800.

Department of Motor Vehicles - On October 1, 2012, the County entered into an agreement to lease a portion of Bonner Mall for office space for a term of fifteen years. Monthly payments of \$1,000 began October 1, 2012. Total payments made for the year ended September 30, 2013, were \$12,000.

Annual required payments are as follows:

2014	12,372
2015	12,746
2016	13,123
2017	13,501
2018	13,882
Thereafter	<u>142,513</u>
Total	<u>\$208,137</u>

Capital Leases

The County has entered into various leases to purchase equipment and buildings. These lease agreements qualify as capital leases for accounting purposes and are recorded in the capital assets of the County. The original cost of the leased assets is \$7,185,740. The leases are collateralized by the assets. Future minimum annual lease payments under capital leases at September 30, 2013 are as follows:

Year Ending September, 30	Assessor/ Clerk	Road and Bridge	Bonnor County Administration	Calvary Building	EMS/ Ambulance	Justice Department	Total
2014	10,140	207,420	158,061	38,950	99,312	57,117	571,000
2015	10,140	138,057	158,061	38,950	99,312	57,117	501,637
2016	6,750	138,057	158,061	38,950	77,613	57,117	476,548
2017	840	639,452	158,061	38,950	41,149	57,117	935,569
2018	-	250,571	158,061	38,950	39,279	-	486,861
Thereafter	-	480,000	2,250,110	45,295	91,989	-	2,867,394
Total minimum							
lease payments	27,870	1,853,557	3,040,415	240,045	448,654	228,468	5,839,009
Less: amounts							
representing interest	-	(194,736)	(839,758)	(29,562)	(57,766)	(8,468)	(1,130,290)
Present Value of minimum							
Lease Payments	27,870	1,658,821	2,200,657	210,483	390,888	220,000	4,708,719
Less: amounts due							
within one year	(10,140)	(161,223)	(50,268)	(30,479)	(85,323)	(55,015)	(392,448)
Amounts due after one year	<u>\$ 17,730</u>	<u>\$ 1,497,598</u>	<u>\$ 2,150,389</u>	<u>\$ 180,004</u>	<u>\$ 305,565</u>	<u>\$ 164,985</u>	<u>\$ 4,316,271</u>

NOTE 8 Long-Term Obligations

A summary of changes in long-term liabilities of the County for the year ended September 30, 2013 is as follows:

	Long-Term Liabilities September 30, 2012	Long-term Liabilities Incurred	Long-term Liabilities September 30, 2013	<u>Due Within One Year</u>
<u>Governmental activities</u>				
Note Payable	-	533,617	533,617	52,769
Capital leases payable	4,618,691	90,028	4,708,719	392,448
Compensated absences	<u>753,465</u>	<u>115,714</u>	<u>869,179</u>	<u>671,963</u>
Total governmental activities	<u>\$5,372,156</u>	<u>\$739,359</u>	<u>\$6,111,515</u>	<u>\$1,117,180</u>
<u>Business-type activities:</u>				
Compensated absences	<u>34,927</u>	<u>2,482</u>	<u>36,468</u>	<u>27,281</u>
Total business-type activities	<u>\$34,927</u>	<u>\$2,482</u>	<u>\$36,488</u>	<u>\$27,281</u>

During the year, the Board of County Commissioners (BOCC) adopted and approved Resolution 2013-13, for the borrowing of \$600,000 from Mountain West Bank for the completion of the Courthouse rehabilitation project, with authority via approval by Judicial Confirmation. The note calls for annual payments of \$68,188, with interest at 2.85% per year, maturing in April 2022.

Interest expense recorded associated with note and capital leases payable totaled \$1,805 and \$180,701, respectively, for a total interest expense of \$182,506 for the year ended September 30, 2013.

NOTE 9 Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of September 30, 2013 was as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	4,680	-
Justice Fund	50,384	-
Road and Bridge Fund	1,106,544	-
Grants Fund	-	<u>1,161,608</u>
	<u>\$1,161,608</u>	<u>\$1,161,608</u>

On April 23, 2013, the Board of County Commissioners (BOCC) passed resolution #2013-29 (Rescinding Resolution) which voided the following two prior BOCC resolutions i.e., Resolution 2011-63 (Courthouse Facility Financing) and Resolution 2012-15 (Juvenile Facility Financing).

These voided facility financing resolutions purported to obligate the Justice Fund and General Fund to make a series of future interfund payments to the Solid-Waste Fund over a period of years, without the constitutionally required assent of two-thirds of voters. According to the Bonner County Prosecuting Attorney's Office the voided facility financing resolutions had to be rescinded because they violated Article 8, Section 3 of the Idaho Constitution which voids long-term liabilities created without voter approval as follows:

No county...shall incur any indebtedness, or liability, in any manner, or for any purpose, exceeding in that year, the income and revenue provided for it for such year, without the assent of two-thirds of the qualified electors thereof voting at an election to be held for that purpose...Any indebtedness or liability incurred contrary to this provision shall be void.

As a result of resolution 2013-29, an operating transfer out of the Solid Waste fund in the amount of \$2,897,513 was recognized. An operating transfer in to the General fund and the Justice fund were recognized in the amount of \$1,402,063 and \$1,495,430, respectively.

It is possible that the propriety of the legal opinions and the legality of Resolution 2013-29 may be challenged. Such challenges could include a filing for Judicial Review, Declaratory Judgment, or other legal actions to confirm, or rescind, the legality of the three written legal opinions and the resolution adopted by the BOCC. The ultimate resolution of these matters cannot be determined at this time.

Interfund transfers for the year ended September 30, 2013 are summarized as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	-	845,562
Justice Fund	-	961,371
Road and Bridge Fund	264	-
Building Construction Fund	-	1,567,370
Elections Fund	11	-
District Court Fund	132	-
County Fair Fund	25	-
911 Fund	135	-
Indigent & Charity Fund	14	-
Junior College Fund	220,000	-
Revaluation Fund	146	-
Tort Fund	-	2138
Weeds Fund	9	-
Parks & Recreation Fund	8	-

Grant Fund	130,415	-
Judgment Fund	1	-
Solid Waste Fund	<u>3,025,281</u>	<u>-</u>
	<u>\$3,376,441</u>	<u>\$3,376,441</u>

NOTE 10 Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the participant or beneficiary) solely the property of the participant. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans--a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31, rescinded prior standards and established new accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governmental employers. The County is in compliance with the IRC regulation. All assets and income of the County's 457 plan are held in a trust, custodial account or annuity contract as described in IRC Section 457(g) for the exclusive benefit of the plan participants and their beneficiaries. The County has no liability for losses under the plan. The assets and liabilities relating to this deferred compensation plan have been excluded from the County's financial statements.

NOTE 11 Defined Benefit Pension Plan

On July 1, 2003, the County joined the Public Employee Retirement System of Idaho (System). The System administers the Public Employee Retirement Fund Base Plan (PERSI). PERSI is a cost-sharing, multiple-employer public retirement system, and 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. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other

political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five 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% (2.3% law enforcement) of the highest average monthly salary for 42 consecutive months of employment.

The contribution requirements of the County and its employees are established and may be amended by the PERSI Board of Trustees. Through June 30, 2013, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.69% for law enforcement. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for law enforcement members. Effective July 1, 2013, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members and 8.36% for law enforcement. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for law enforcement members. Bonner County's contributions required and paid were \$1,553,789, \$1,366,210, and \$1,349,809 for the years ended September 30, 2013, 2012 and 2011, respectively.

NOTE 12 Contingent Liabilities and Commitments

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Lawsuits

There are two types of lawsuits which the County is presently defending. The first type involves insured claims against the County that are both defended and indemnified by the County's insurance carrier. Details involving this type of lawsuit can be obtained by contacting the County risk manager. The second type of lawsuit facing the County involves uninsured claims. Presently the County is defending itself in two uninsured lawsuits as follows: First, County is the defendant in a lawsuit in which the plaintiff is seeking compensation from the County for opposing its access on a private residential housing-hanger development. As of February 10, 2014 the County has estimated an additional one million dollars in legal costs to defend the County in this lawsuit. A trial date

has been set for April 29, 2014. Additionally, the County is also under threat of litigation relating to a building permit issued for property in a highly hazardous area of a floodplain. The County has no insurance coverage for this second lawsuit.

Management of the County will vigorously defend against both insured and uninsured claims. It is at least reasonably possible that if either or both of the uninsured claims result in an unfavorable ruling, there exists the possibility of a material adverse impact on the County for the period in which the ruling occurs, or future periods. However, as both claims are in the discovery phase, no reasonable estimate can be determined at this time.

NOTE 13 Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance.

The County accounts for the majority of transactions involving insurance claims, deductibles, and expenses in the tort fund, which is reported as part of the Special Revenue Funds. This fund has the power to levy an annual property tax to provide funds to pay insurance premiums.

The County employs a risk manager, in concert with the County attorney, whose duties include drafting and reviewing contracts, monitoring and defending claims, and evaluating the adequacy of insurance coverage. The risk manager informs and educates employees of responsibilities regarding prevention of loss exposure related to their duties.

Insurance is maintained through the Idaho Counties Risk Management Program (ICRMP). ICRMP is an insurance pool serving many public entities in Idaho through provisions of property, general liability, auto liability, physical damage, and public officials' insurance. The County pays an annual premium to ICRMP for insurance coverage.

The ICRMP 2012-2013 County insurance policy provides coverage up to a limit of \$500,000 for any single claim (brought pursuant to Title 6, Chap. 9 Idaho Code). This is the statutory limit of the Idaho tort claims act. For any other type of liability claim, the policy limit is \$2,000,000. The aggregate amount or total combined amount of all liability claims added up in a single policy year is \$3,000,000.

ICRMP provides property insurance coverage structured so that ICRMP retains the first \$100,000 of damage to any County property. Reinsurer's provide coverage for the remainder of the damage. The limits of the property coverage are tied to the County's statement of values. If the buildings, vehicles, and other

property are listed on the County's statement of values, the County has coverage for the replacement cost of the damaged property.

Excluded from the maximum total deductible per policy period are deductibles paid for flood and/or earthquake, and boiler and machinery losses. The deductibles for these occurrences are \$2,500 per incident with no annual limit.

At September 30, 2013, the County had a variety of outstanding claims. The County risk manager and legal staff maintain the position that the County bears little or no loss liability, based upon the strength of the claims and prior experience. All claims during the three years ended September 30, 2013 were below the limits of the insurance coverage.

NOTE 14 Conduit Debt Obligations

During the fiscal year ended September 30, 2001, the County issued Industrial Revenue Bonds to provide financial assistance to a private sector entity for the acquisition and construction of an industrial development facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received from the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility transfers to the private sector entity served by the bond issuance. Neither the County, state, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance of the bonds as of September 30, 2013, was \$880,454.

NOTE 15 Prior Period Adjustments

Intergovernmental Revenue Accrual - The County's financial statements for the year ended September 30, 2012 did not reflect the accrual of intergovernmental revenues in the amount of \$1,069,836.

Health Insurance Payable - The County's financial statements for the year end September 30, 2012 did not reflect the accrual of the health insurance payable in the amount of \$205,092.

Fixed Assets Adjustment – The County's financial statements for the year ending September 30, 2012 understated other capital assets, net of depreciation by \$745,407, which was related to the omitted cost of the Calvary Building of \$577,427 (less depreciation of \$40,576), the omitted cost of two 2011 Ford F350 Ambulances totaling \$269,530 (less depreciation of \$60,974), and an increase to the accumulated depreciation as a correction of an error of \$62,759.

The effects of the restatement on financial statements as of and for the year ending September 30, 2012 are as follows:

Statement of Net Position – Government Wide

<u>Account Description</u>	<u>As Previously Reported</u>	<u>Intergovernmental Revenue Accrual</u>	<u>Health Insurance Payable</u>	<u>Fixed Asset Adjustment</u>	<u>As Restated</u>
Due from other governments	240,012	1,069,836	-	-	\$ 1,309,848
Other capital assets, net of depreciation-					
Governmental Activities	98,784,956	-	-	745,407	99,530,363
Business-type Activities	1,729,230	-	-	(62,759)	1,666,471
Accrued payroll	668,793	-	205,092	-	873,885
Net Position:					
Net investment in capital assets-					
Governmental Activities	97,173,410	-	-	745,407	97,918,817
Business-type Activities	1,994,586	-	-	(62,759)	1,931,827
Restricted For:					
General government	2,240,859	126,751	(16,336)	-	2,351,274
Public safety	5,431,501	260,190	(108,481)	-	5,583,210
Road & bridge	4,597,392	413,792	(22,932)	-	4,988,252
Ambulance district	627,536	-	(16,299)	-	611,237
Historical society and recreation	839,308	-	(1,544)	-	837,764
Health and welfare	360,843	-	(948)	-	359,895
Weeds	187,631	-	(1,228)	-	186,403
Road construction	474,672	112,500	-	-	587,172
Unrestricted –					
Governmental Activities	2,423,105	156,603	(25,547)	-	2,554,161
Unrestricted – Business-type Activities	7,968,915	-	(11,777)	-	7,957,138

Statement of Activities – Government Wide

<u>Account Description</u>	<u>As Previously Reported</u>	<u>Intergovernmental Revenue Accrual</u>	<u>Health Insurance Payable</u>	<u>Fixed Asset Adjustment</u>	<u>As Restated</u>
Expenses-					
Governmental Activities					
General Government	9,058,132	-	41,883	-	9,100,015
Public Safety	13,923,144	-	108,481	-	14,031,625
Road & bridge	33,708,750	-	22,932	-	33,731,682
EMS	2,690,292	-	16,299	-	2,706,591
Historical society and recreation	548,437	-	1,544	-	549,981
Welfare	523,702	-	948	-	524,650
Weeds	312,461	-	1,228	-	313,689
Business-type Activities					
Solid waste	4,122,212	-	11,777	-	4,133,989
Intergovernmental revenues	5,312,413	1,069,836	-	-	6,382,249
Total net position, end of year-					
Governmental Activities	114,554,719	1,069,836	(193,315)	745,407	116,176,647
Business-type Activities	10,361,943	-	(11,777)	(62,759)	10,287,407

NOTE 16 Performance Bonds

The County is currently seeking redemption of over \$4.9 million of performance bonds pledged in relation to a golf course development within the County. The insurance company, which pledged the performance bonds, is in liquidation and the County has submitted the proof of claims for the performance bonds. The County estimates receiving a net recovery of 10%-20%.

NOTE 17 Turnbull Trust

Harp S. Turnbull has created a testamentary trust in favor of the Bonner County Road and Bridge Department. This trust is administered by the Idaho Community Foundation which has the sole authority to distribute amounts it deems appropriate annually for important County road projects. At this time real property valued at over one-million dollars has been sold and deposited in trust. The estate is not yet closed and more contributions to the trust are expected. The Board of County Commissioners is grateful for Mr. Turnbull's philanthropic kindness to the traveling public of Bonner County. The County Commissioners will utilize these revenues for important County road projects, consistent with the intent of Mr. Turnbull.

NOTE 18 Subsequent Events

The County has evaluated subsequent events through February 10, 2014, the date as of which these financial statements were available to be issued. With exception of the matter disclosed in Note 12, no material subsequent events have occurred since September 30, 2013 that required recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

BONNER COUNTY, IDAHO

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2013

	Non-major Special Revenue Funds	Non-major Capital Project Funds	Non-major Debt Service Funds	Total Non- major Governmental Funds
ASSETS				
Cash and Investments	8,021,292	263,341	-	8,284,633
Restricted Cash	-	-	88,399	88,399
Receivables, net of allowance for uncollectibles:				
Taxes	4,609,486	684	-	4,610,170
Interest	118	-	-	118
Accounts	214,954	-	-	214,954
Prepaid expenses	1,986	-	-	1,986
Due from other governments	332,186	-	-	332,186
Total assets	<u>\$ 13,180,022</u>	<u>\$ 264,025</u>	<u>\$ 88,399</u>	<u>\$ 13,532,446</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	472,308	16,340	-	488,648
Vouchers payable	111,465	-	-	111,465
Accrued payroll	134,578	-	-	134,578
Accrued retirement payable	12,927	-	-	12,927
Due to other governments	18,000	-	-	18,000
Due to other funds	1,161,608	-	-	1,161,608
Deferred revenue	4,593,147	671	-	4,593,818
Total liabilities	<u>6,504,033</u>	<u>17,011</u>	<u>-</u>	<u>6,521,044</u>
Fund Balances				
Nonspendable:	1,986	-	-	1,986
Restricted For:				
General government	2,666,335	-	-	2,666,335
Debt Service	-	-	88,399	88,399
Public Safety	1,787,272	-	-	1,787,272
Historical society and recreation	774,060	-	-	774,060
Health and welfare	682,577	-	-	682,577
Weeds	154,252	-	-	154,252
Road construction	609,507	-	-	609,507
Capital Projects	-	247,014	-	247,014
Total fund balances	<u>6,675,989</u>	<u>247,014</u>	<u>88,399</u>	<u>7,011,402</u>
Total liabilities and fund balances	<u>\$ 13,180,022</u>	<u>\$ 264,025</u>	<u>\$ 88,399</u>	<u>\$ 13,532,446</u>

BONNER COUNTY, IDAHO

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
September 30, 2013

	Elections	Drug Court	District Court	County Fair	911	Court Facilities
ASSETS						
Cash and Investments	135,513	10,019	1,040,029	56,583	896,914	19,805
Receivables, net of allowance for uncollectibles:						
Taxes	-	-	1,187,556	204,676	-	-
Interest	-	-	-	-	58	-
Accounts	-	300	22,955	-	99,923	1,560
Prepaid expenses	-	-	1,023	-	-	-
Due from other governments	-	-	23,172	-	-	-
Total assets	<u>\$ 135,513</u>	<u>\$ 10,319</u>	<u>\$ 2,274,735</u>	<u>\$ 261,259</u>	<u>\$ 996,895</u>	<u>\$ 21,365</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	3,887	771	90,940	1,881	159,927	-
Vouchers payable	-	-	1,313	14	309	-
Accrued payroll	4,729	-	38,857	4,097	33,550	-
Accrued retirement payable	96	-	3,080	431	3,712	-
Due to other governments	-	-	-	-	18,000	-
Deferred revenue	-	-	1,184,026	204,115	-	-
Total liabilities	<u>8,712</u>	<u>771</u>	<u>1,318,216</u>	<u>210,538</u>	<u>215,498</u>	<u>-</u>
Fund Balances						
Nonspendable:	-	-	1,023	-	-	-
Restricted For:						
General government	126,801	-	-	-	-	-
Public Safety	-	9,548	955,496	-	781,397	21,365
Historical society and recreation	-	-	-	50,721	-	-
Total fund balances	<u>126,801</u>	<u>9,548</u>	<u>956,519</u>	<u>50,721</u>	<u>781,397</u>	<u>21,365</u>
Total liabilities and fund balances	<u>\$ 135,513</u>	<u>\$ 10,319</u>	<u>\$ 2,274,735</u>	<u>\$ 261,259</u>	<u>\$ 996,895</u>	<u>\$ 21,365</u>

BONNER COUNTY, IDAHO

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)**September 30, 2013**

	Court Interlock	Health District	Historical Society	Indigent & Charity	Junior College	Revaluation
ASSETS						
Cash and Investments	19,391	67,639	1,282	627,030	544,243	721,014
Receivables, net of allowance for uncollectibles:						
Taxes	-	259,574	20,530	417,447	70	1,341,792
Accounts	345	-	-	15,564	-	-
Due from other governments	-	-	-	-	107,117	22,563
Total assets	<u>\$ 19,736</u>	<u>\$ 327,213</u>	<u>\$ 21,812</u>	<u>\$ 1,060,041</u>	<u>\$ 651,430</u>	<u>\$ 2,085,369</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	270	-	-	27,741	-	30,917
Vouchers payable	-	-	-	-	109,802	-
Accrued payroll	-	-	-	2,368	-	43,515
Accrued retirement payable	-	-	-	250	-	4,575
Deferred revenue	-	258,795	20,488	415,523	69	1,337,287
Total liabilities	<u>270</u>	<u>258,795</u>	<u>20,488</u>	<u>445,882</u>	<u>109,871</u>	<u>1,416,294</u>
Fund Balances						
Restricted For:						
General government	-	-	-	-	541,559	669,075
Public Safety	19,466	-	-	-	-	-
Historical society and recreation	-	-	1,324	-	-	-
Health and welfare	-	68,418	-	614,159	-	-
Total fund balances	<u>19,466</u>	<u>68,418</u>	<u>1,324</u>	<u>614,159</u>	<u>541,559</u>	<u>669,075</u>
Total liabilities and fund balances	<u>\$ 19,736</u>	<u>\$ 327,213</u>	<u>\$ 21,812</u>	<u>\$ 1,060,041</u>	<u>\$ 651,430</u>	<u>\$ 2,085,369</u>

BONNER COUNTY, IDAHO

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
September 30, 2013

	Tort	Weeds	Parks and Recreation	Special Highway	Snowmobile - Priest Lake	Snowmobile- Sandpoint
ASSETS						
Cash and Investments	750,469	165,200	153,448	497,152	62,413	100,975
Receivables, net of allowance for uncollectibles:						
Taxes	911,004	177,093	88,331	-	-	-
Accounts	-	8,959	-	-	-	-
Due from other governments	-	-	19,005	112,500	-	-
Total assets	<u>\$ 1,661,473</u>	<u>\$ 351,252</u>	<u>\$ 260,784</u>	<u>\$ 609,652</u>	<u>\$ 62,413</u>	<u>\$ 100,975</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	9,013	17,048	1,978	145	-	7,589
Vouchers payable	-	18	3	-	-	-
Accrued payroll	-	2,994	3,330	-	-	-
Accrued retirement payable	-	314	350	-	-	-
Deferred revenue	908,077	176,626	88,137	-	-	-
Total liabilities	<u>917,090</u>	<u>197,000</u>	<u>93,798</u>	<u>145</u>	<u>-</u>	<u>7,589</u>
Fund Balances						
Restricted For:						
General government	744,383	-	-	-	-	-
Historical society and recreation	-	-	166,986	-	62,413	93,386
Weeds	-	154,252	-	-	-	-
Road construction	-	-	-	609,507	-	-
Total fund balances	<u>744,383</u>	<u>154,252</u>	<u>166,986</u>	<u>609,507</u>	<u>62,413</u>	<u>93,386</u>
Total liabilities and fund balances	<u>\$ 1,661,473</u>	<u>\$ 351,252</u>	<u>\$ 260,784</u>	<u>\$ 609,652</u>	<u>\$ 62,413</u>	<u>\$ 100,975</u>

BONNER COUNTY, IDAHO

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
September 30, 2013

	Waterways	Grants	Judgments	Drainage District	Translator District	Total
ASSETS						
Cash and Investments	412,598	1,726,071	-	13,034	470	8,021,292
Receivables, net of allowance for uncollectibles:						
Taxes	-	-	4	225	1,184	4,609,486
Interest	-	60	-	-	-	118
Accounts	-	65,348	-	-	-	214,954
Prepaid expenses	-	-	-	963	-	1,986
Due from other governments	10,726	37,103	-	-	-	332,186
Total assets	<u>\$ 423,324</u>	<u>\$ 1,828,582</u>	<u>\$ 4</u>	<u>\$ 14,222</u>	<u>\$ 1,654</u>	<u>\$ 13,180,022</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	25,748	93,354	-	1,099	-	472,308
Vouchers payable	-	6	-	-	-	111,465
Accrued payroll	-	1,138	-	-	-	134,578
Accrued retirement payable	-	119	-	-	-	12,927
Due to other governments	-	-	-	-	-	18,000
Due to other funds	-	1,161,608	-	-	-	1,161,608
Deferred revenue	-	-	4	-	-	4,593,147
Total liabilities	<u>25,748</u>	<u>1,256,225</u>	<u>4</u>	<u>1,099</u>	<u>-</u>	<u>6,504,033</u>
Fund Balances						
Nonspendable:	-	-	-	963	-	1,986
Restricted For:						
General government	-	572,357	-	12,160	-	2,666,335
Public Safety	-	-	-	-	-	1,787,272
Historical society and recreation	397,576	-	-	-	1,654	774,060
Health and welfare	-	-	-	-	-	682,577
Weeds	-	-	-	-	-	154,252
Road construction	-	-	-	-	-	609,507
Total fund balances	<u>397,576</u>	<u>572,357</u>	<u>-</u>	<u>13,123</u>	<u>1,654</u>	<u>6,675,989</u>
Total liabilities and fund balances	<u>\$ 423,324</u>	<u>\$ 1,828,582</u>	<u>\$ 4</u>	<u>\$ 14,222</u>	<u>\$ 1,654</u>	<u>\$ 13,180,022</u>

BONNER COUNTY, IDAHO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2013**

	Total Non- major Special Revenue Funds	Non-major Capital Project Funds	Non-major Debt Service Funds	Total Non- major Governmental Funds
Revenues				
Taxes	4,383,814	-	-	4,383,814
Licenses and permits	201,386	-	-	201,386
Intergovernmental	2,646,086	-	-	2,646,086
Charges for services	1,598,726	-	-	1,598,726
Fines	210,272	-	-	210,272
Special assessments	33,653	-	-	33,653
Interest income	1,240	-	-	1,240
Miscellaneous	298,275	874,076	-	1,172,351
Total revenues	9,373,452	874,076	-	10,247,528
Expenditures				
Current:				
General government	2,372,080	-	48,001	2,420,081
Public safety	3,671,493	-	-	3,671,493
Road construction	427,665	-	-	427,665
Weeds	142,642	-	-	142,642
Health	179,611	-	-	179,611
Welfare	449,920	-	-	449,920
Junior college	242,016	-	-	242,016
Historical society and recreation	529,549	-	-	529,549
Capital outlay	286,096	2,256,494	-	2,542,590
Total expenditures	8,301,072	2,256,494	48,001	10,605,567
Excess (deficiency) of revenues over/under expenditures	1,072,380	(1,382,418)	(48,001)	(358,039)
Other financing sources (uses):				
Operating transfers in (out)	(348,758)	1,567,370	-	1,218,612
Total other financing sources (uses)	(348,758)	1,567,370	-	1,218,612
Net change in fund balance	723,622	184,952	(48,001)	860,573
Fund balances, beginning of year	5,757,708	62,062	136,400	5,956,170
Prior period adjustment	194,659	-	-	194,659
Adjusted fund balances, beginning of year	5,952,367	62,062	136,400	6,150,829
Fund balances, end of year	\$ 6,675,989	\$ 247,014	\$ 88,399	\$ 7,011,402

BONNER COUNTY, IDAHO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2013

	<u>Elections</u>	<u>Drug Court</u>	<u>District Court</u>	<u>County Fair</u>	<u>911</u>	<u>Court Facilities</u>
Revenues						
Taxes	-	-	1,097,696	182,434	-	-
Intergovernmental	243,771	-	175,617	1,820	-	-
Charges for services	-	18,269	74,049	-	1,477,407	16,970
Fines	-	-	210,272	-	-	-
Interest income	-	-	-	-	1,240	-
Miscellaneous	878	-	62,633	(3,441)	15,908	-
Total revenues	<u>244,649</u>	<u>18,269</u>	<u>1,620,267</u>	<u>180,813</u>	<u>1,494,555</u>	<u>16,970</u>
Expenditures						
Current:						
General government	202,648	-	-	-	-	-
Public safety	-	19,610	1,466,596	-	1,447,514	56,000
Historical society and recreation	-	-	-	151,632	-	-
Capital outlay	-	-	161,934	20,000	74,549	-
Total expenditures	<u>202,648</u>	<u>19,610</u>	<u>1,628,530</u>	<u>171,632</u>	<u>1,522,063</u>	<u>56,000</u>
Excess (deficiency) of revenues over/under expenditures	<u>42,001</u>	<u>(1,341)</u>	<u>(8,263)</u>	<u>9,181</u>	<u>(27,508)</u>	<u>(39,030)</u>
Other financing sources (uses):						
Operating transfers in (out)	<u>(11)</u>	<u>-</u>	<u>(132)</u>	<u>(25)</u>	<u>(135)</u>	<u>-</u>
Total other financing sources (uses)	<u>(11)</u>	<u>-</u>	<u>(132)</u>	<u>(25)</u>	<u>(135)</u>	<u>-</u>
Net change in fund balance	<u>41,990</u>	<u>(1,341)</u>	<u>(8,395)</u>	<u>9,156</u>	<u>(27,643)</u>	<u>(39,030)</u>
Fund balances, beginning of year	85,463	10,889	976,913	42,490	821,577	60,395
Prior period adjustment	<u>(652)</u>	<u>-</u>	<u>(11,999)</u>	<u>(925)</u>	<u>(12,537)</u>	<u>-</u>
Adjusted fund balances, beginning of year	<u>84,811</u>	<u>10,889</u>	<u>964,914</u>	<u>41,565</u>	<u>809,040</u>	<u>60,395</u>
Fund balances, end of year	<u>\$ 126,801</u>	<u>\$ 9,548</u>	<u>\$ 956,519</u>	<u>\$ 50,721</u>	<u>\$ 781,397</u>	<u>\$ 21,365</u>

BONNER COUNTY, IDAHO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2013**

	Court Interlock	Health District	Historical Society	Indigent & Charity	Junior College	Revaluation
Revenues						
Taxes	-	233,434	19,042	561,984	5	1,309,696
Intergovernmental	-	2,317	189	5,578	563,974	93,037
Charges for services	4,641	-	-	-	-	794
Miscellaneous	331	5,387	(535)	143,527	-	(16,423)
Total revenues	<u>4,972</u>	<u>241,138</u>	<u>18,696</u>	<u>711,089</u>	<u>563,979</u>	<u>1,387,104</u>
Expenditures						
Current:						
General government	-	-	-	-	-	1,358,593
Public safety	3,168	-	-	-	-	-
Health	-	179,611	-	-	-	-
Welfare	-	-	-	449,920	-	-
Junior college	-	-	-	-	242,016	-
Historical society and recreation	-	-	18,598	-	-	-
Capital outlay	-	-	-	-	-	3,766
Total expenditures	<u>3,168</u>	<u>179,611</u>	<u>18,598</u>	<u>449,920</u>	<u>242,016</u>	<u>1,362,359</u>
Excess (deficiency) of revenues over/under expenditures	<u>1,804</u>	<u>61,527</u>	<u>98</u>	<u>261,169</u>	<u>321,963</u>	<u>24,745</u>
Other financing sources (uses):						
Operating transfers in (out)	-	-	-	(14)	(220,000)	(146)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(220,000)</u>	<u>(146)</u>
Net change in fund balance	<u>1,804</u>	<u>61,527</u>	<u>98</u>	<u>261,155</u>	<u>101,963</u>	<u>24,599</u>
Fund balances, beginning of year	17,662	6,891	1,226	353,952	333,887	639,118
Prior period adjustment	-	-	-	(948)	105,709	5,358
Adjusted fund balances, beginning of year	<u>17,662</u>	<u>6,891</u>	<u>1,226</u>	<u>353,004</u>	<u>439,596</u>	<u>644,476</u>
Fund balances, end of year	<u>\$ 19,466</u>	<u>\$ 68,418</u>	<u>\$ 1,324</u>	<u>\$ 614,159</u>	<u>\$ 541,559</u>	<u>\$ 669,075</u>

BONNER COUNTY, IDAHO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2013

	Tort	Weeds	Parks and Recreation	Special Highway	Snowmobile - Priest Lake	Snowmobile- Sandpoint
Revenues						
Taxes	864,557	110,097	4,868	-	-	-
Licenses and permits	-	-	-	-	42,213	20,949
Intergovernmental	8,605	1,064	-	450,000	-	3,000
Charges for services	-	-	6,596	-	-	-
Miscellaneous	86,801	857	693	-	50	-
Total revenues	<u>959,963</u>	<u>112,018</u>	<u>12,157</u>	<u>450,000</u>	<u>42,263</u>	<u>23,949</u>
Expenditures						
Current:						
General government	803,496	-	-	-	-	-
Road construction	-	-	-	427,665	-	-
Weeds	-	142,642	-	-	-	-
Historical society and recreation	-	-	72,815	-	45,279	20,146
Capital outlay	-	1,518	2,327	-	-	-
Total expenditures	<u>803,496</u>	<u>144,160</u>	<u>75,142</u>	<u>427,665</u>	<u>45,279</u>	<u>20,146</u>
Excess (deficiency) of revenues over/under expenditures	<u>156,467</u>	<u>(32,142)</u>	<u>(62,985)</u>	<u>22,335</u>	<u>(3,016)</u>	<u>3,803</u>
Other financing sources (uses):						
Operating transfers in (out)	2,138	(9)	(8)	-	-	-
Total other financing sources (uses)	<u>2,138</u>	<u>(9)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>158,605</u>	<u>(32,151)</u>	<u>(62,993)</u>	<u>22,335</u>	<u>(3,016)</u>	<u>3,803</u>
Fund balances, beginning of year	585,778	187,631	230,472	474,672	65,429	89,583
Prior period adjustment	-	(1,228)	(493)	112,500	-	-
Adjusted fund balances, beginning of year	<u>585,778</u>	<u>186,403</u>	<u>229,979</u>	<u>587,172</u>	<u>65,429</u>	<u>89,583</u>
Fund balances, end of year	<u>\$ 744,383</u>	<u>\$ 154,252</u>	<u>\$ 166,986</u>	<u>\$ 609,507</u>	<u>\$ 62,413</u>	<u>\$ 93,386</u>

BONNER COUNTY, IDAHO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2013**

	Waterways	Grants	Judgments	Drainage District	Translator District	Total
Revenues						
Taxes	-	-	1	-	-	4,383,814
Licenses and permits	138,224	-	-	-	-	201,386
Intergovernmental	-	1,097,114	-	-	-	2,646,086
Charges for services	-	-	-	-	-	1,598,726
Fines	-	-	-	-	-	210,272
Special assessments	-	-	-	2,282	31,371	33,653
Interest income	-	-	-	-	-	1,240
Miscellaneous	184	-	-	1,425	-	298,275
Total revenues	<u>138,408</u>	<u>1,097,114</u>	<u>1</u>	<u>3,707</u>	<u>31,371</u>	<u>9,373,452</u>
Expenditures						
Current:						
General government	-	-	-	7,343	-	2,372,080
Public safety	-	678,605	-	-	-	3,671,493
Road construction	-	-	-	-	-	427,665
Weeds	-	-	-	-	-	142,642
Health	-	-	-	-	-	179,611
Welfare	-	-	-	-	-	449,920
Education	-	-	-	-	-	242,016
Historical society and recreation	127,209	62,550	-	-	31,320	529,549
Capital outlay	22,002	-	-	-	-	286,096
Total expenditures	<u>149,211</u>	<u>741,155</u>	<u>-</u>	<u>7,343</u>	<u>31,320</u>	<u>8,301,072</u>
Excess (deficiency) of revenues over/under expenditures	<u>(10,803)</u>	<u>355,959</u>	<u>1</u>	<u>(3,636)</u>	<u>51</u>	<u>1,072,380</u>
Other financing sources (uses):						
Operating transfers in (out)	-	(130,415)	(1)	-	-	(348,758)
Total other financing sources (uses)	<u>-</u>	<u>(130,415)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(348,758)</u>
Net change in fund balance	<u>(10,803)</u>	<u>225,544</u>	<u>-</u>	<u>(3,636)</u>	<u>51</u>	<u>723,622</u>
Fund balances, beginning of year	408,505	346,813	-	16,759	1,603	5,757,708
Prior period adjustment	(126)	-	-	-	-	194,659
Adjusted fund balances, beginning of year	<u>408,379</u>	<u>346,813</u>	<u>-</u>	<u>16,759</u>	<u>1,603</u>	<u>5,952,367</u>
Fund balances, end of year	<u>\$ 397,576</u>	<u>\$ 572,357</u>	<u>\$ -</u>	<u>\$ 13,123</u>	<u>\$ 1,654</u>	<u>\$ 6,675,989</u>

COMPLIANCE REPORTS

Bonner County, Idaho

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY GRANT
For the Year Ended September 30, 2013**

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture Direct			
National School Lunch Program	10.555	2012IN109947	389
National School Lunch Program	10.555	2013IN109947	6,615
School Breakfast Program	10.553	2012IN109947	266
School Breakfast Program	10.553	2013IN109947	4,173
Total United States Department of Agriculture Direct			<u>11,443</u>
Highway Safety Cluster-Cluster			
Department of Transportation Direct Programs			
Alcohol Impaired Driving Countermeasures Incentive	20.601	K8-2012-01-00-00	2,000
State and Community Highway Safety	20.600	OP-2012-01-00-00	540
State and Community Highway Safety	20.600	AL-2012-01-00-00	3,830
State and Community Highway Safety	20.600	PT-2012-01-00-00	500
Total Department of Transportation Direct Programs			<u>6,870</u>
JAG Program Cluster-Cluster			
United States Department of Justice Direct Programs			
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2982	484
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2009-SU-B9-0046	34,982
Total United States Department of Justice Direct			<u>35,466</u>
Department of Homeland Security Direct Programs			
Homeland Security Grant Program	97.067	2009SST90014	15,388
Homeland Security Grant Program	97.067	2008GET80044	412
Homeland Security Grant Program	97.067	2010SST00088	106,404
Homeland Security Grant Program	97.067	EMW2011SS00018	24,402
Total Department of Homeland Security			<u>146,606</u>
Department of Homeland Security Direct Programs			
Boating Safety Financial Assistance	97.012	14.01.16	115,053
Emergency Management Performance Grants	97.042	EMW2012EP00065	30,320
Emergency Management Performance Grants	97.042	EMW2011EP00082	1,211
Total Department of Homeland Security Direct			<u>146,584</u>

Bonner County, Idaho

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY GRANT (CONTINUED)

For the Year Ended September 30, 2013

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Department of the Interior Direct Programs			
National Fire Plan - Wildland Urban Interface	15.228	DLA020423	
Community Fire Assistance			50,041
Total Department of the Interior			<u>50,041</u>
United States Department of Justice Direct Programs			
Juvenile Justice and Delinquency	16.540	11-DC-1101	
Prevention Allocation to States			30,000
Total United States Department of Justice			<u>30,000</u>
Department of Transportation Direct Programs			
Airport Improvement Program	20.106	3-16-0058-004-2013	607,327
Airport Improvement Program	20.106	3-16-0033-012	171,240
Airport Improvement Program	20.106	3-16-003-013-2013	393,604
Airport Improvement Program	20.106	3-016-003-014-2013	281
Total Department of Transportation			<u>1,172,452</u>
United States Department of Agriculture Direct			
Cooperative Forestry Assistance	10.664	10-DG-11010000-019	10,000
Cooperative Forestry Assistance	10.664	11-DG-11010000-011	104,029
Cooperative Forestry Assistance	10.664	12-DG-11010000-020	21,922
ARRA-Recovery Act of 2009: Capital Improvement and Maintenance	10.687	10RO110182B1028	302,407
Total United States Department of Agriculture Direct			<u>438,358</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,037,820</u></u>

Bonner County, Idaho
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2013

GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the expenditure activity of all federal awards programs of Bonner County, Idaho. All expenditures of federal awards received directly from federal agencies as well as expenditures of federal awards passed through other government agencies are included on the schedule.

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis accounting.

**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**

To the County Commissioners
Bonner County, Idaho
Sandpoint, Idaho 83864

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise Bonner County, Idaho's, basic financial statements, and have issued our report thereon dated January 27, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Bonner County, Idaho'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 Bonner County, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bonner County, Idaho'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during

our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Bonner County, Idaho'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hayden Ross, PLLC

Moscow, Idaho
January 27, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the County Commissioners
Bonner County, Idaho
Sandpoint, Idaho 83864

Report on Compliance for Each Major Federal Program

We have audited Bonner County, Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bonner County, Idaho's, major federal programs for the year ended September 30, 2013. Bonner County, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bonner County, Idaho's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bonner County, Idaho, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Bonner County, Idaho's compliance.

Opinion on Each Major Federal Program

In our opinion, Bonner County, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Bonner County, Idaho is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bonner County, Idaho's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bonner County, Idaho's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hayden Ross, PLLC

Moscow, Idaho
January 27, 2014

Bonner County, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 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:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ no

Noncompliance material to financial

statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued – unqualified

on compliance for major programs

Any audit finding disclosed that are required

to be reported in accordance with Section

510(a) of OMB Circular A-133? ☐ yes ☒ no

Identification of major program: Reporting Requirements and Communication Considerations

CFDA Number(s)

Name of Federal
Program or Cluster

20.106	Department of Transportation Airport Improvement Program
10.687 - ARRA	Department of Agriculture Capital Improvement and Maintenance Program

Dollar threshold used to distinguish between

Type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Bonner County, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) For the Year Ended September 30, 2013

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2013-01

Condition	Month-end and year-end closing procedures are not fully formalized and documented for all accrual-related amounts, and are not always performed in a timely manner, for certain accounts.
Criteria	An effective system of internal control includes periodically reconciling each general ledger account, and adjusting the recorded balances in necessary
Effect	In connection with performing our audit testing, we proposed two audit adjustments to correct account balances. Statement on Auditing Standards No. 122, AU-C Section 265, Communicating Internal Control Related Matters Identified in an Audit, indicates that identification by the auditor of a material misstatement of the financial statements under audit would not have been detected by the entity's internal control should at least be regarded as a deficiency in internal control.
Cause	The County does not have a fully formalized, documented procedure for periodically reviewing and reconciling each general ledger account.
Recommendation	We recommend that month-end and year-end closing procedures be further developed, documented, and implemented for each general ledger account. The implementation of increase procedures should reduce or eliminate the need for audit adjustments.
Management's Response	The County will continue to develop and implement documented procedures for reconciling and adjusting account balances for each general ledger account in an effort to eliminate audit adjustments.

Section III – Federal Award Findings and Questioned Costs

None.

Bonner County, Idaho

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2013

Finding 12-1

Condition Month-end and year-end closing procedures are not fully formalized and documented for capital assets in order to provide accurate information that is reported in the County's financial statements.

Status This condition no longer exists.

Finding 12-2

Condition Month-end and year-end closing procedures are not fully formalized and documented for all accrual-related amounts, and are not always performed in a timely manner, for certain accounts.

Status Finding 12-2 still exists and is reported as finding 2013-01.