

**Bonner County, Idaho**

*Financial Report*

**September 30, 2012**



**Bonner County, Idaho**  
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## Report of Independent Auditor

Board of County Commissioners  
Bonner County, Idaho  
Sandpoint, Idaho

We were engaged to audit 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 (“the County”), as of and for the year ended September 30, 2012, which collectively comprise the County’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County’s management.

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, require that we obtain written representations from management that confirm representations made to us throughout the performance of the audit and complement other auditing procedures performed by us. Management’s refusal to furnish written representations constitutes a limitation on the scope of the audit that is sufficient to preclude issuance of an unqualified opinion.

We were unable to obtain written representations from all members of management sufficient to comply 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. Accordingly, the scope of our audit evidence was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 24, 2013, on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18 and the budgetary comparison information on pages 64 through 77, 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, which 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.

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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-Profit Organizations*, and is not a required part of the financial statements. The combining and individual nonmajor 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. Because of the significance of the matter described previously, it is inappropriate to and we do not express an opinion on the supplementary information referred to above

*DeCoria, Maichel & Teague, P.S.*

DeCoria, Maichel & Teague, P.S.  
Spokane, Washington

May 24, 2013

**Bonner County, Idaho**  
**Management's Discussion and Analysis**  
**September 30, 2012**

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, 2012. 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 are designed to provide readers with a broad overview of Bonner County's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County governmental and business-type assets and liabilities, with the difference reported as net assets.

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

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 renewal districts housed within its boundaries. They are public entities unto themselves.

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Bonner County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Bonner County, Idaho**  
**Management's Discussion and Analysis, Continued**  
**September 30, 2012**

**Overview of the Financial Statements (continued)**

*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 *required supplementary information* concerning Bonner County's progress in funding its obligations.

**Governmental-wide Financial Analysis**

Bonner County is able to provide a comparative analysis of the government-wide data presented in compliance with the requirements of Governmental Accounting Standards Board (GASB) No. 34. 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.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

**Governmental-wide Financial Analysis (continued)**

Table 1 – summarizes the County's net assets for 2012 compared to 2011:

Condensed Statements of Net Assets							
	Governmental Activities		Business-type Activities		Total County		Total Percent Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 46,964,640	\$ 47,193,504	\$ 8,724,757	\$ 8,721,869	\$ 55,689,397	\$ 55,915,373	-0.4%
Capital Assets	101,792,101	118,840,869	1,994,586	2,057,554	103,786,687	120,898,423	-14.2%
<b>Total Assets</b>	<b>148,756,741</b>	<b>166,034,373</b>	<b>10,719,343</b>	<b>10,779,423</b>	<b>159,476,084</b>	<b>176,813,796</b>	<b>-9.8%</b>
Current and other liabilities	28,829,866	26,273,495	322,473	846,611	29,152,339	27,120,106	7.5%
Noncurrent Liabilities	5,372,156	4,806,029	34,927	32,444	5,407,083	4,838,473	11.8%
<b>Total Liabilities</b>	<b>34,202,022</b>	<b>31,079,524</b>	<b>357,400</b>	<b>879,055</b>	<b>34,559,422</b>	<b>31,958,579</b>	<b>8.1%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	97,173,410	114,728,145	1,994,586	2,057,554	99,167,996	116,785,699	-15.1%
Restricted for:							
General government	2,240,859	2,911,397	--	--	2,240,859	2,911,397	-23.0%
Public safety	5,431,501	6,382,229	--	--	5,431,501	6,382,229	-14.9%
Road and bridge	5,072,064	4,472,946	--	--	5,072,064	4,472,946	13.4%
Emergency medical services	627,536	332,355	--	--	627,536	332,355	88.8%
Debt retirement	136,400	235,875	664	664	137,064	236,539	-42.1%
Culture and recreation	839,308	712,739	--	--	839,308	712,739	17.8%
Health and welfare	360,843	280,707	--	--	360,843	280,707	28.5%
Sanitation	187,631	239,724	--	--	187,631	239,724	-21.7%
Capital projects	62,062	2,540,274	397,778	1,997,778	459,840	4,538,052	-89.9%
Unrestricted	2,423,105	2,118,458	7,968,915	5,844,372	10,392,020	7,962,830	30.5%
<b>Total Net Assets</b>	<b>\$ 114,554,719</b>	<b>\$ 134,954,849</b>	<b>\$ 10,361,943</b>	<b>\$ 9,900,368</b>	<b>\$ 124,916,662</b>	<b>\$ 144,855,217</b>	<b>-13.8%</b>

As noted earlier, Bonner County's net assets, when reviewed over time, may serve as a useful indicator of Bonner County's financial position. In the case of Bonner County, assets exceeded liabilities by \$124,916,662 (\$114,554,719 in governmental activities and \$10,361,943 in business-type activities) as of September 30, 2012. By far, the largest portion of the County's net assets (79 percent) reflects its 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.

**Bonner County, Idaho**  
**Management's Discussion and Analysis, Continued**  
**September 30, 2012**

**Governmental-wide Financial Analysis (continued)**

An additional portion of the County's net assets (12 percent) represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets (\$10,392,020) may be used to meet the County's ongoing obligations to citizens and creditors.

Net assets may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Table 2 – shows the changes in net assets for 2012 and 2011:

Condensed Statements of Net Assets							
	Governmental Activities		Business-type Activities		Total County		Total Percent Change
	2012	2011	2012	2011	2012	2011	2011-2012
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 4,008,135	\$ 3,997,766	\$ 2,059,939	\$ 2,156,558	\$ 6,068,074	\$ 6,154,324	-1.4%
Operating grants and contributions	1,099,184	366,298	--	--	1,099,184	366,298	200.1%
Capital grants and contributions	3,751,143	1,447,210	--	--	3,751,143	1,447,210	159.2%
General revenues:							
Property taxes	24,833,816	22,993,631	--	--	24,833,816	22,993,631	8.0%
Other taxes	33,504	37,001	2,575,247	2,546,814	2,608,751	2,583,815	1.0%
Intergovernmental	5,312,413	5,480,632	--	15,544	5,312,413	5,496,176	-3.3%
Other	2,203,788	1,078,560	(51,399)	(44,723)	2,152,389	1,033,837	108.2%
<b>Total revenues</b>	<b>41,241,983</b>	<b>35,401,098</b>	<b>4,583,787</b>	<b>4,674,193</b>	<b>45,825,770</b>	<b>40,075,291</b>	<b>14.3%</b>
<b>Expenses</b>							
General government	9,058,132	8,291,920	--	--	9,058,132	8,291,920	9.2%
Public Safety	13,923,144	13,921,329	--	--	13,923,144	13,921,329	0.0%
Emergency medical Services	2,690,292	2,626,457	--	--	2,690,292	2,626,457	2.4%
Road and bridge	33,708,750	28,838,511	--	--	33,708,750	28,838,511	16.9%
Sanitation	312,461	152,464	--	--	312,461	152,464	104.9%
Health	294,383	318,897	--	--	294,383	318,897	-7.7%
Welfare	523,702	623,067	--	--	523,702	623,067	-15.9%
Education	248,387	248,584	--	--	248,387	248,584	-0.1%
Culture and recreation	548,437	553,542	--	--	548,437	553,542	-0.9%
Capital outlay	135,131	--	--	--	135,131	--	N/A
Interest on long-term debt	199,294	192,307	--	--	199,294	192,307	3.6%
Solid waste	--	--	4,122,212	3,983,916	4,122,212	3,983,916	3.5%
<b>Total expenses</b>	<b>61,642,113</b>	<b>55,767,078</b>	<b>4,122,212</b>	<b>3,983,916</b>	<b>65,764,325</b>	<b>59,750,994</b>	<b>10.1%</b>
<b>Change in net assets</b>	<b>\$(20,400,130)</b>	<b>\$(20,365,980)</b>	<b>\$ 461,575</b>	<b>\$ 690,277</b>	<b>\$(19,938,555)</b>	<b>\$(19,675,703)</b>	<b>-1.3%</b>

**Bonner County, Idaho**  
**Management's Discussion and Analysis, Continued**  
**September 30, 2012**

**Governmental Activities**

Charges for services were the County's largest program revenue, accounting for \$4,008,135 or 10 percent 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 \$4,850,327 or 12 percent of total governmental revenues. The major recipients of intergovernmental program revenues were the Road and Bridge and Grant Funds.

Property tax revenues account for \$24,833,816 of the \$41,241,983 total revenues for governmental activities, or 60 percent of total revenues.

Road and Bridge accounted for \$33,708,750 of the \$61,642,113 total expenses for governmental activities, or 55 percent of total expenses. The main component of the expenses for Road and Bridge (\$23,430,205) was the depreciation expense related to the capitalization of the road infrastructure within the County. The next largest program was Public Safety, accounting for \$13,923,144 and representing 23 percent of total governmental expenses.

*Table 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
	2012	2011	2011-2012	2012	2011	2011-2012
General government	\$ 9,058,132	\$ 8,291,920	9.2%	\$ 7,887,259	\$ 6,785,313	16.2%
Public Safety	13,923,144	13,921,329	0.0%	11,373,684	11,740,730	-3.1%
Emergency medical Services	2,690,292	2,626,457	2.4%	2,080,144	2,027,046	2.6%
Road and bridge	33,708,750	28,838,511	16.9%	29,475,138	27,628,672	6.7%
Sanitation	312,461	152,464	104.9%	312,461	152,464	104.9%
Health	294,383	318,897	-7.7%	294,383	318,897	-7.7%
Welfare	523,702	623,067	-15.9%	523,702	623,067	-15.9%
Education	248,387	248,584	-0.1%	248,387	248,584	-0.1%
Culture and recreation	548,437	553,542	-0.9%	254,068	238,724	6.4%
Capital outlay	135,131	--	N/A	135,131	--	N/A
Interest on long-term Debt	199,294	192,307	3.6%	199,294	192,307	3.6%
<b>Total cost</b>	<b>\$ 61,642,113</b>	<b>\$ 55,767,078</b>	<b>10.5%</b>	<b>\$ 52,783,651</b>	<b>\$ 49,955,804</b>	<b>5.7%</b>

Of the total charges for services revenues of \$4,008,135, \$1,056,747 was received and used to fund the general government expenses of \$9,058,132 of the County. The remaining \$52,583,981 in net governmental activity costs are funded by property taxes, sales taxes, and intergovernmental revenues.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

**Governmental Activities (continued)**

**Business-Type Activities**

The net assets for business-type activities increased by \$461,575 during 2012 and the major revenue sources were charges for services of \$2,059,939.

**Overall Financial Position**

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

**Enterprise Fund:** During fiscal year 2004-2005 we reported a concern wherein our usual operating expenses continued to exceed the revenue generated. This forced us to continually supplant our everyday operations by using funds that had been set aside to pay for major building projects in our Solid Waste operations as our community grows and our needs increase. The Board of County Commissioners resolved this problem by implementing a new fee schedule in FY2004-2005. Our revenues from this source began to be realized in FY2005-2006, and were fully implemented in FY2006-2007. During the current fiscal year 2012 the charges exceeded the expenses by \$461,575.

**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**

Capital assets are all 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 reporting period.

The total net capital assets decreased by \$17,048,768. This amount represents book value of assets less accumulated depreciation. The decrease in capital assets was mainly due to the depreciation provision of \$25,254,143. Capital assets additions amounted to \$8,205,375 and capital asset deletions amounted to \$329,415 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 reporting cycle. Additional information on long-term debt can be found in notes 8 and 9 in the basic financial statements. Long-term liabilities had a net increase of \$566,127.

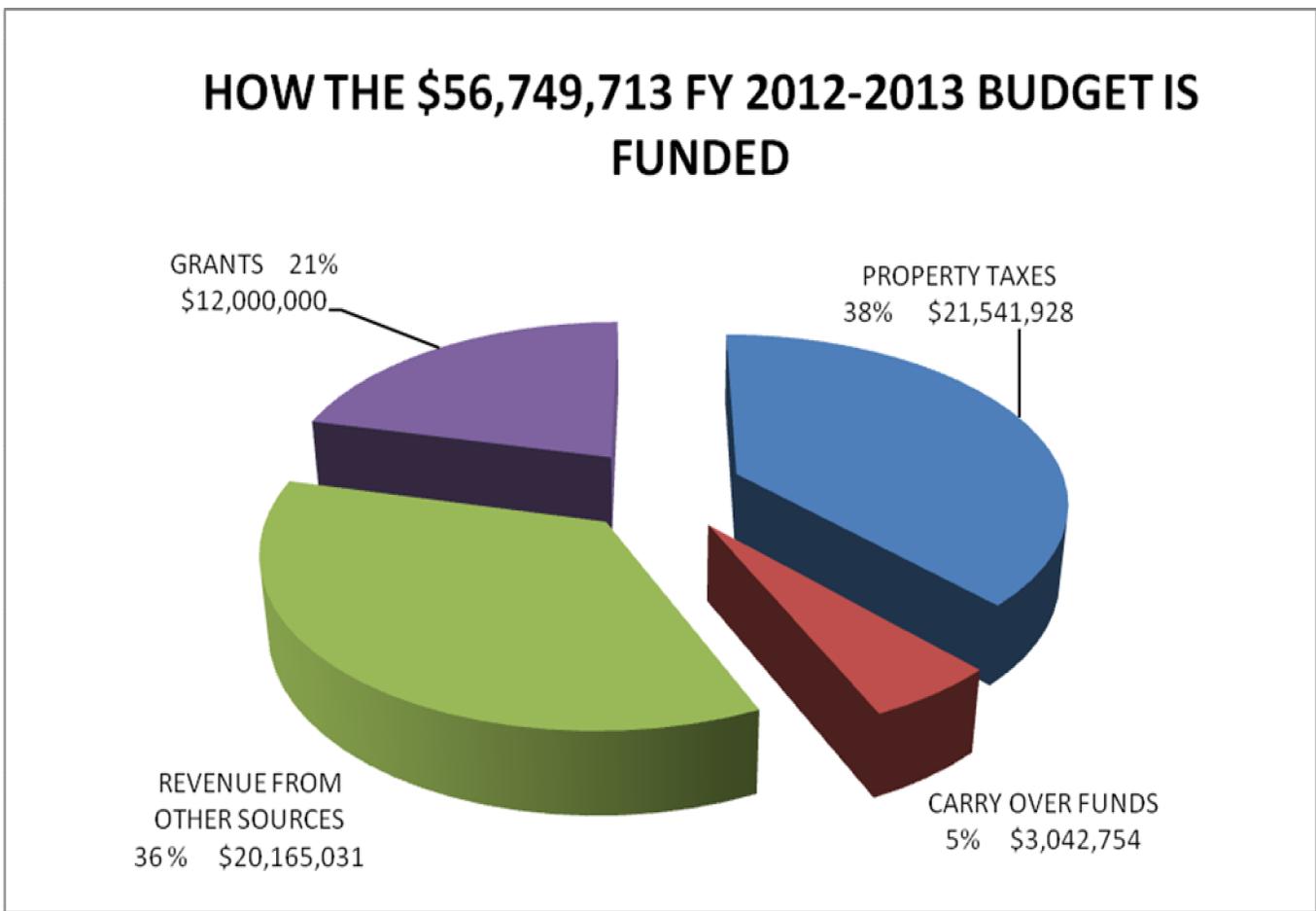
**Bonner County, Idaho  
Management’s Discussion and Analysis, Continued  
September 30, 2012**

**Long-Term Debt, Continued**

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

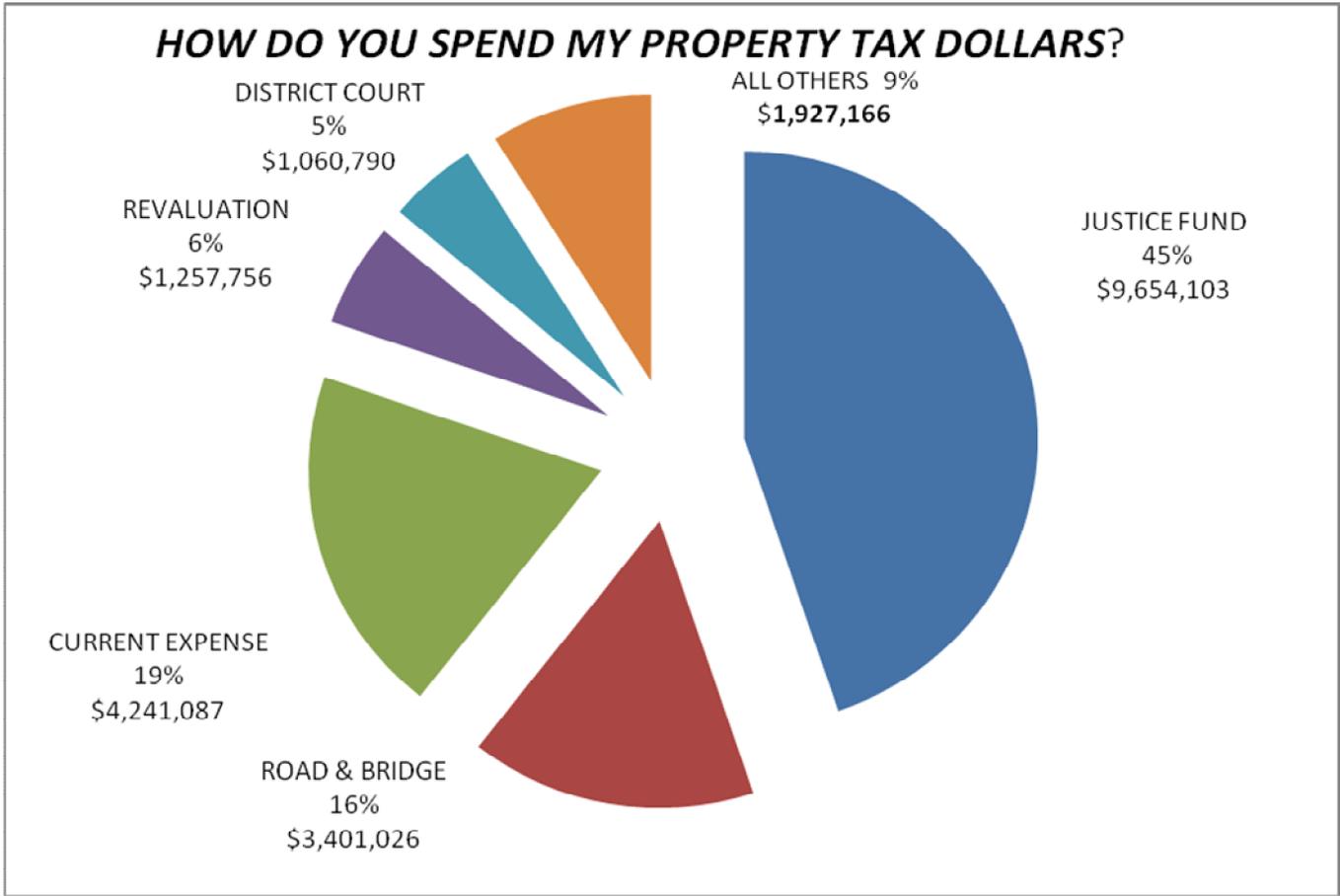
**Budget Variations**

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 think you might incur during the next fiscal year. For the fiscal year ended September 30, 2012, there were no funds for which expenditures exceeded appropriations. The following charts show how the budget for fiscal year 2012-2013 is funded as well as how taxpayer dollars are spent:



**Bonner County, Idaho  
Management’s Discussion and Analysis, Continued  
September 30, 2012**

**Budget Variations, Continued**



**Economic and Other Factors Affecting Next Year’s Operations**

**Local Economy:**

During the last decade, 2000 to 2010, Bonner County’s population has increased by 11% while the State of Idaho has seen its population increase by 21.2%. Our median household income for 2010 was \$41,943 with 14.3% of our residents living below the federal poverty level. Our per capita income in 2010 was \$24,745. [Source: U.S. Census Bureau] During this same time period, the median household income for the state was \$43,259 and the per capital income was \$22,262.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

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

**Local Economy, Continued:**

Bonner County is a rural county rather than an urban one. The following table shows the areas of growth in Bonner County for the past 40 years. [Source: Idaho Vital Statistics Annual Report]

<b>Entity</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
Bonner County	15,560	24,163	26,622	36,835	40,877
Clark Fork	367	449	448	530	536
Dover			294	342	556
East Hope	175	258	215	200	210
Hope	63	106	99	79	86
Kootenai	168	280	327	441	678
Oldtown	161	257	151	190	184
Ponderay	275	398	449	638	1,137
Priest River	1,493	1,639	1,560	1,754	1,751
Sandpoint	4,144	4,460	5,203	6,835	7,365

In addition to the nine incorporated cities noted in the above table, 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:**

In our continuing efforts to make Bonner County finances more transparent and easily understood by our citizens, we will continue to comply with Idaho Budget Law Code (Title 31, Chapter 16) and Governmental Accounting Standards Board (GASB) pronouncements.

It is important to emphasize that governmental fund accounting is not about profitability; rather, it is about *accountability*. Governmental fund accounting should not be mystical or magical; it should be logical and understandable.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

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

**County Operations, Continued:**

Increases in operational costs pose the greatest challenges to the Board of County Commissioners (BOCC) while trying to balance our current levels of service and property taxes. Like the private and business sector, the County had to make hard choices, some of which included reductions in force (RIF). Eleven positions were eliminated in FY-2011 and seven more positions were eliminated in FY-2012. While there was no significant reduction of service in FY-2012, any further staff reductions will likely have a negative impact on future service levels.

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 2011 to \$673,461 in 2012 creating a \$1,858 increase. The County was able to offset \$33,673 by participating in on-line training aimed at reducing our claims. Personnel at every level participated in the on-line training in 2012 to help reduce costs. This training will continue in 2013 to help reduce the amount of the liability insurance increase in 2014.
- Currently, medical inflation is slightly over 12% in northern Idaho. While our healthcare insurance claims trended up about 9.5% in 2012, our healthcare insurance premiums were only up by 6.4% over 2011, for a net savings of more than \$73,000. Our 2013 healthcare costs are expected to increase by about 7%, which will impact the 2014 budget. Earlier economic projections forecasted these premiums would have risen much greater in 2012 if we had not implemented competitive actions and slowed that trend:
  - In FY-2011, the BOCC bid out the contracts for a health care insurance broker and a health care insurance provider. (The County had used the prior broker for 12 years and the prior provider for 64 years.) The BOCC reviewed 14 proposals and conducted nine interviews before selecting a new health care insurance broker (Wells Fargo Insurance Services) and a new health care insurance provider (Pacific Source). As a result of both actions, the County saved money on the healthcare benefits it provides.
  - In November 2012, the County secured the return of \$289,907 of County premiums paid to the former insurance provider. The County now draws the interest off these funds, making them available to help pay future claims and/or offset future premium increases.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

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

**County Operations, Continued:**

- The Patient Protection and Affordable Care Act (PPACA) and the mandated State Insurance Exchange may impact Bonner County. The additional costs from PPACA projected in FY-2013 and FY-2014 are largely expected to come from increases in prescription use and the corresponding projected increases in new taxes and fees associated with the PPACA. The County already has a higher than commercial trend utilization of prescription medications. This is due in large part to chronic disease issues throughout our employees, and especially their dependent populations, which are contributed to by poor health and lifestyle choices.
- An Employee Wellness Program (EWP), along with Health Savings Accounts (HSA), was instituted in FY-2012. These programs help further reduce the premiums for both the County and the employees. Employees can reduce their monthly contribution by up to \$40. In FY-2012, the EWP was credited with saving two lives through the early detection of cancer. Furthermore, the EWP saved what would have been expensive future claims for cancer treatments.
- There are currently 91 (27.8%) County employees enrolled in the EWP, including one previous tobacco user. Participation in the EWP and early detection are the keys to saving lives and money.

The BOCC will continue to encourage employee participation in the EWP and HSA programs through incentives. Health care costs will be continually monitored, in order to make plan adjustments as necessary.

This is the second year that the audit of our financial statements has been conducted by the CPA firm, DeCoria, Maichel & Teague P.S. The firm was selected from three contending firms, based on a review of qualifications and interviews. This bidding competition resulted in additional savings of more than \$10,000 per year for three years.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

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

**County Operations, Continued:**

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

- Planning and Zoning's (P&Z) new "Building Location Permits" continued to decline from the high of 1,384 in 2005 to only 472 in 2012. Consequently, two more positions were eliminated; making a total loss of 4.5 positions since 2005. However, P&Z is still in a position to provide the requisite level of service in anticipation of the known developments already in progress. This includes 1,200 units recorded in January 2012 for the Clagstone Meadows project, and more than 350 units at Priest Lake on IDL lease lots which are being converted to fee simple in 2013.
- Both the Priest River and Sandpoint Airport Boards and managers have been actively working to correct airport deficiencies and attract new businesses. Because of on-going legal and other issues at both airports, a County civil attorney was appointed Director of Airports to help interface with FAA and other attorneys.
  - In early 2012, the Sandpoint Airport's status was reinstated with the FAA, thereby becoming eligible for FAA non-discretionary and improvement grants. The Sandpoint Airport received a grant to conduct an Environmental Assessment (EA) to evaluate the best plan for the future of the airport, and will address the major question of whether or not to move the runway from its current location. This EA is being conducted by JUB Engineering and is expected to be completed by June 2013. In addition, Life-Flight air-ambulance service opened operations at the Sandpoint Airport and conducted 282 flights from Sandpoint in 10 months during 2012.
  - The Priest River Airport also received tentative approval for a grant to improve and extend its taxiways and build a new transient parking area. This work is expected to be completed by August 2013.
- 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, and dust abatement, graveling and paving repairs in the warmer months.
  - In the FY-2011 Budget, three Road & Bridge positions were funded using reserves, rather than current year tax revenue. This was corrected in the FY-2012 Budget, resulting in an increase in operating costs (property taxes) for salary and benefits to maintain the current level of service for road repair and snow removal/sanding. This increase was offset by budget reductions in expenses and equipment; \$516,000 from reserves, and \$387,000 from unexpended FY-2011 revenues. The Road and Bridge FY-2012 levy rate was reduced by 24.75%.

**Bonner County, Idaho**  
**Management's Discussion and Analysis, Continued**  
**September 30, 2012**

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

**County Operations, Continued:**

- Equipment leases were changed in FY-2012 to use staggered 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.
- 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 over \$500,000 in 2012, to less than \$35,000 by 2014. This will have a direct impact on our road maintenance fund unless the U.S. Congress addresses this issue.
- In the spring of 2011, as well as in 2012, Bonner County experienced some of the highest ground saturation rates on record; Bonner County declared an emergency due to the flooding and road damage again in 2012. The Road and Bridge Department documented the damage thoroughly, resulting in approximately \$160,000 in State of Idaho cost sharing for the 2012 Flood Fight as well as for extensive on-going road repairs.
- For the past several years, the Bonner County Sheriff's Office (BCSO) had suffered a major loss of sworn personnel due to certified deputies leaving for higher wages at surrounding law enforcement agencies. The situation was mitigated in the FY-2012 Budget which set the starting wage for Deputy Sheriff at \$19/hour, making BCSO competitive. For the first time in recent memory, BCSO was fully staffed in all of its sworn positions in FY-2012. This program should be reevaluated annually, to ensure it is continuing to solve the problem.
- Created in 2006, Bonner County Emergency Medical Services (BCEMS) became its own taxing district, governed by the Board of County Commissioners (BOCC) in 2011. Several changes were instituted and continued in FY-2012 – some saved dollars and others saved lives:
  - By forming a new partnership at a substantially reduced fee with Sagle Fire Department, BCEMS is able to provide Para-Medic services to south Bonner County that had been contracted with Kootenai County in prior years. This resulted in a yearly cost reduction of over \$25,000.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

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

**County Operations, Continued:**

- The heart attack (STEMI) program has been in effect for two years and continues to save lives. This program identifies active heart attacks in the field and provides for direct transport to a catheterization facility. The time from EMS contact to the procedure completed has been reduced on an average of 173 minutes to 106 minutes. The hospital stay was reduced from 4.5 to 2.7 days.
- Previously, BCEMS did not have the ability to reach and transport injured or ill subjects out of the backcountry. In FY-2011 and FY-2012, BCEMS purchased two snowmobiles, a UTV, and a towable patient sled, allowing them to work with local volunteers to provide this service to all areas of Bonner County. This equipment continues to be used to save more lives in FY-2012.
- The County had two major construction projects in progress during FY-2012.
  - The new Juvenile Justice Services Building began construction in 2011 and became operational in April 2012. This is a state-of-the-art juvenile detention facility, which received strong praise from the Idaho State Juvenile Justice Inspection Team. The former Juvenile Services Administration Offices were turned over to the Sheriff Office and are now used by the Driver License Section, Investigations, and the Drug Task Force.
  - The Bonner County Courthouse (built in 1908) was in phase I of renovation (less than a \$1 million project) when asbestos was suspected of being present in the vermiculite insulation. In order to protect the public and employees from any possible contamination, the courthouse was closed; employees were moved into the administration building and a nearby rental. Full remediation followed. It readily became apparent the roof would need to be removed to thoroughly eliminate the vermiculite insulation. Consequently, this project moved into phase II & III at a total cost exceeding \$6 million. Air sampling and testing was conducted throughout the renovation; neither the County environmental contractor nor the EPA inspector detected any asbestos fibers.
  - It is estimated that approximately half of phase II & III costs were the result of having to comply with current building codes, to bring the 1908 structure into compliance. This included construction of a second floor exit hallway and stairwell to meet fire code, as well as providing full fire suppression sprinkler systems on all floors along with alarm systems. Also, the grade slope of the concrete handicap ramp was 1% (1/4") out of compliance and had to be entirely replaced.

**Bonner County, Idaho**  
**Management's Discussion and Analysis, Continued**  
**September 30, 2012**

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

**County Operations, Continued:**

- The BOCC reduced all FY-2012 budgets where possible and made substantial reductions in FY-2013 departmental budgets to try to cover the cost of phases II & III. It was apparent that the County did not have sufficient current resources to fund these increased costs. Therefore, in the summer of FY-2012 the BOCC requested a Judicial Confirmation to determine if these costs were "Ordinary and Necessary" as defined in Article 8, Section 3 of the Idaho Constitution. In November of 2012, Judge Simpson ruled these costs associated with the courthouse construction are "Ordinary and Necessary" and allowed the County to borrow up to \$1.5 million to finish the project. As of February 2013, the County is preparing to borrow \$600,000 to complete this project with an estimated completion date of June 2013.
- The County is currently in debt more than \$6 million from various interfund loans of approximately \$3,000,000) and Panhandle Area Council (PAC) lease-loans of approximately \$2,960,000 for construction and purchases of County owned buildings. The County borrowed \$3.1 million from the Solid Waste Fund, of which \$1.6 million was used for construction of the Juvenile Detention Facility and \$1.5 million was used for the Courthouse.
  - The PAC lease-loans must be repaid or the buildings would be forfeited.
- One of the most uncertain events facing Bonner County in early FY-2012 was the proposed closure of more than 375,000 acres in Bonner and Boundary Counties for caribou critical habitat. This proposed action by the U.S. Fish & Wildlife Service (USFWS) posed a serious economic threat to our communities and would have adversely impacted the social, cultural, and recreational activities of our residents. The BOCC invoked Government-to-Government Coordination, for the first time in Bonner County, in order to have a voice in the final decision. Following months of meetings and public hearings, in November 2012, the USFWS reduced the Critical Habitat to approximately 30,000 acres. None of the Critical Habitat is in Bonner County, and only 6,000 acres are in Idaho, with the remaining 24,000 acres in Washington. The final decision closely followed the recommendation proposed by Bonner County during its meetings with USFWS.
- Bonner County is still involved in two significant legal issues that continued during FY-2012.
  - The Flood Plain issue involves a building permit that was approved by the previous Building Department in 1994 to a previous homeowner. The home was built in the floodway, which is the highly hazardous area of the floodplain. The new home owners and a neighbor are threatening litigation against the County. The County is working with FEMA and other organizations in an attempt to obtain a grant or to remove the structure with the current owner's knowledge and consent. Mediation in this matter is continuing into 2013.

**Bonner County, Idaho  
Management's Discussion and Analysis, Continued  
September 30, 2012**

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

**County Operations, Continued:**

- SilverWing is a private residential housing-hanger development on the southwest side of the Sandpoint Airport. For years the FAA had opposed residential through-the-fence developments and terminated the airport's grants for permitting this access. In 2012, SilverWing filed an action against the County, seeking several million dollars in compensation from the County for opposing its access. In early 2012, the FAA approved new regulations, which allow existing residential through-the-fence developments to be 'grandfathered' on the airport. The County was reinstated and received a grant from the FAA to conduct an Environmental Assessment (EA) which will address the issue of whether or not to move the existing runway 60' to the west, which could impact the SilverWing development. This EA is due to be completed in June 2013. Mediation in this matter is continuing into 2013.
- The Department of Motor Vehicles (DMV) was moved from its former location on First Avenue to the remodeled facility in the Bonner Mall. The former location had very limited parking for cars and no parking for RV and larger vehicles. The new site will accommodate vehicles of all sizes, including large tractor trailer rigs.
- The Public Defender's Office is slated to move to the former DMV offices in 2013, funding permitting. This will allow them to be within easy walking distance of the Prosecuting Attorney's Office as well as the Courthouse, when it is completed in April 2013.

**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**

**Bonner County, Idaho**  
**Statement of Net Assets**  
**September 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments (Note 3)	\$ 22,463,832	\$ 4,952,767	\$ 27,416,599
Receivables, net of allowance for uncollectibles:			
Taxes	23,842,492	-	23,842,492
Fees	-	196,942	196,942
Interest	22,096	-	22,096
Accounts	233,199	174,524	407,723
Due from other governments (Note 4)	240,012	-	240,012
Interfund receivables (Notes 9 and 15)	-	3,002,082	3,002,082
Prepaid expenses	26,609	-	26,609
Restricted assets:			
Cash	136,400	397,778	534,178
Cash on deposit with fiscal agent	-	664	664
Total current assets	<u>46,964,640</u>	<u>8,724,757</u>	<u>55,689,397</u>
<b>Noncurrent assets:</b>			
Capital assets (Note 5):			
Land	3,007,146	265,356	3,272,502
Other capital assets, net of depreciation	98,784,955	1,729,230	100,514,185
Total noncurrent assets	<u>101,792,101</u>	<u>1,994,586</u>	<u>103,786,687</u>
Total assets	<u>148,756,741</u>	<u>10,719,343</u>	<u>159,476,084</u>

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

**Bonner County, Idaho**  
**Statement of Net Assets**  
**September 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Warrants payable	\$ 3,139,490	\$ 285,857	\$ 3,425,347
Vouchers payable	355,107	-	355,107
Accrued payroll	638,474	30,319	668,793
Accrued retirement payable	117,500	6,297	123,797
Payable to other governments	18,000	-	18,000
Interfund payables (Notes 9 and 15)	3,002,082	-	3,002,082
Deferred revenue (Note 6)	17,285	-	17,285
Unearned property taxes (Note 6)	21,541,928	-	21,541,928
Compensated absences, due within one year (Note 8)	578,938	34,927	613,865
Capital leases payable, due within one year (Notes 7 and 8)	470,995	-	470,995
Total current liabilities	<u>29,879,799</u>	<u>357,400</u>	<u>30,237,199</u>
<b>Noncurrent liabilities:</b>			
Compensated absences, due after one year (Note 8)	174,527	-	174,527
Capital leases payable, due after one year (Notes 7 and 8)	4,147,696	-	4,147,696
Total noncurrent liabilities	<u>4,322,223</u>	<u>-</u>	<u>4,322,223</u>
Total liabilities	<u>34,202,022</u>	<u>357,400</u>	<u>34,559,422</u>
Commitments and contingencies (Notes 10 through 13)			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	97,173,410	1,994,586	99,167,996
Restricted for:			
General government	2,240,859	-	2,240,859
Public safety	5,431,501	-	5,431,501
Road and bridge	4,597,392	-	4,597,392
Emergency medical services	627,536	-	627,536
Debt service	136,400	664	137,064
Culture and recreation	839,308	-	839,308
Health and welfare	360,843	-	360,843
Sanitation	187,631	-	187,631
Road construction	474,672	-	474,672
Capital projects	62,062	397,778	459,840
Unrestricted	<u>2,423,105</u>	<u>7,968,915</u>	<u>10,392,020</u>
Total net assets	<u>\$ 114,554,719</u>	<u>\$ 10,361,943</u>	<u>\$ 124,916,662</u>

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

**Bonner County, Idaho**  
**Statement of Activities**  
**Year Ended September 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 9,058,132	\$ 1,056,747	\$ 9,937	\$ 104,189
Public safety	13,923,144	2,112,680	436,780	-
Emergency medical services	2,690,292	610,148	-	-
Road and bridge	33,708,750	-	652,467	3,581,145
Sanitation	312,461	-	-	-
Health	294,383	-	-	-
Welfare	523,702	-	-	-
Education	248,387	-	-	-
Culture and recreation	548,437	228,560	-	65,809
Capital outlay	135,131	-	-	-
Interest on long-term debt	199,294	-	-	-
Total governmental activities	<u>61,642,113</u>	<u>4,008,135</u>	<u>1,099,184</u>	<u>3,751,143</u>
Business-type activities:				
Solid waste	4,122,212	2,059,939	-	-
Total business-type activities	<u>4,122,212</u>	<u>2,059,939</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 65,764,325</u>	<u>\$ 6,068,074</u>	<u>\$ 1,099,184</u>	<u>\$ 3,751,143</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Special assessments

Intergovernmental revenues

Miscellaneous

Interest and investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Total net assets, beginning of year

Total net assets, end of year

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

Net (Expense) Revenue and  
Changes in Net Assets  
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (7,887,259)	\$ -	\$ (7,887,259)
(11,373,684)	-	(11,373,684)
(2,080,144)	-	(2,080,144)
(29,475,138)	-	(29,475,138)
(312,461)	-	(312,461)
(294,383)	-	(294,383)
(523,702)	-	(523,702)
(248,387)	-	(248,387)
(254,068)	-	(254,068)
(135,131)	-	(135,131)
(199,294)	-	(199,294)
<u>(52,783,651)</u>	<u>-</u>	<u>(52,783,651)</u>
-	(2,062,273)	(2,062,273)
<u>-</u>	<u>(2,062,273)</u>	<u>(2,062,273)</u>
<u>(52,783,651)</u>	<u>(2,062,273)</u>	<u>(54,845,924)</u>
24,833,816	-	24,833,816
33,504	2,575,247	2,608,751
5,312,413	-	5,312,413
1,286,746	1,221	1,287,967
831,359	33,063	864,422
85,683	(85,683)	-
<u>32,383,521</u>	<u>2,523,848</u>	<u>34,907,369</u>
(20,400,130)	461,575	(19,938,555)
<u>134,954,849</u>	<u>9,900,368</u>	<u>144,855,217</u>
<u>\$ 114,554,719</u>	<u>\$ 10,361,943</u>	<u>\$ 124,916,662</u>

**Bonner County, Idaho**  
**Balance Sheet - Governmental Funds**  
**September 30, 2012**

	General	Justice	Road and Bridge	Grants	Ambulance District	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 2,565,554	\$ 5,694,707	\$ 4,621,559	\$ 1,738,010	\$ 966,323	\$ 6,877,679	\$ 22,463,832
Receivables, net of allowance for uncollectibles:							
Taxes	4,548,612	10,676,551	3,923,680	-	-	4,693,649	23,842,492
Interest	21,620	-	-	60	-	416	22,096
Accounts	56,331	28,641	2,103	4,118	36,772	105,234	233,199
Due from other governments	-	52,509	-	168,498	-	19,005	240,012
Due from other funds	4,680	178,957	1,106,544	-	-	-	1,290,181
Prepaid expenses	19,149	200	-	-	6,320	940	26,609
Restricted assets:							
Cash	-	-	-	-	-	136,400	136,400
Total assets	<u>\$ 7,215,946</u>	<u>\$ 16,631,565</u>	<u>\$ 9,653,886</u>	<u>\$ 1,910,686</u>	<u>\$ 1,009,415</u>	<u>\$ 11,833,323</u>	<u>\$ 48,254,821</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Current liabilities:</b>							
Warrants payable	\$ 183,058	\$ 525,771	\$ 1,075,428	\$ 204,728	\$ 172,869	\$ 977,636	\$ 3,139,490
Vouchers payable	-	-	-	194,930	910	159,267	355,107
Accrued payroll	70,575	296,645	76,998	2,337	61,412	130,507	638,474
Accrued retirement payable	12,149	53,954	15,203	270	11,795	24,129	117,500
Due to other governments	-	-	-	-	-	18,000	18,000
Due to other funds	1,402,082	1,600,000	-	1,161,608	128,573	-	4,292,263
Deferred revenue	-	-	-	-	-	17,285	17,285
Unearned property taxes	4,528,725	10,610,023	3,888,865	-	-	4,664,068	23,691,681
Total liabilities	<u>6,196,589</u>	<u>13,086,393</u>	<u>5,056,494</u>	<u>1,563,873</u>	<u>375,559</u>	<u>5,990,892</u>	<u>32,269,800</u>
<b>Fund balances:</b>							
Nonspendable:	19,149	200	-	-	6,320	940	26,609
Restricted for:							
General government	-	-	-	346,813	-	1,894,046	2,240,859
Public safety	-	3,544,972	-	-	-	1,886,529	5,431,501
Road and bridge	-	-	4,597,392	-	-	-	4,597,392
Emergency medical services	-	-	-	-	627,536	-	627,536
Debt service	-	-	-	-	-	136,400	136,400
Culture and recreation	-	-	-	-	-	839,308	839,308
Health and welfare	-	-	-	-	-	360,843	360,843
Sanitation	-	-	-	-	-	187,631	187,631
Road construction	-	-	-	-	-	474,672	474,672
Capital projects	-	-	-	-	-	62,062	62,062
Unassigned:	1,000,208	-	-	-	-	-	1,000,208
Total fund balances	<u>1,019,357</u>	<u>3,545,172</u>	<u>4,597,392</u>	<u>346,813</u>	<u>633,856</u>	<u>5,842,431</u>	<u>15,985,021</u>
Total liabilities and fund balances	<u>\$ 7,215,946</u>	<u>\$ 16,631,565</u>	<u>\$ 9,653,886</u>	<u>\$ 1,910,686</u>	<u>\$ 1,009,415</u>	<u>\$ 11,833,323</u>	<u>\$ 48,254,821</u>

*The accompanying notes are integral part of the basic financial statements.*

**Bonner County, Idaho**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2012**

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Total fund balances as shown on the Balance Sheet - Governmental Funds		\$ 15,985,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
The cost of capital assets is	\$ 496,057,180	
Accumulated depreciation is	<u>(394,265,079)</u>	
		101,792,101
Assets that are not available to pay for current period expenditures are not considered earned in the governmental funds:		
Property taxes		2,149,753
Long-term liabilities, including compensated absences and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated absences, due within one year	(578,938)	
Capital leases payable, due within one year	(470,995)	
Compensated absences, due after one year	(174,527)	
Capital leases payable, due after one year	<u>(4,147,696)</u>	
		<u>(5,372,156)</u>
Total net assets as shown on the Statement of Net Assets		<u><u>\$ 114,554,719</u></u>

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

**Bonner County, Idaho**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Governmental Funds**  
**Year Ended September 30, 2012**

	General	Justice	Road and Bridge	Grants	Ambulance District	Nonmajor Governmental	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ 2,891,150	\$ 10,036,388	\$ 4,479,708	\$ -	\$ 2,534,022	\$ 4,930,854	\$ 24,872,122
Licenses and permits	377,585	286,826	-	-	-	229,233	893,644
Intergovernmental	592,042	1,506,469	2,236,139	4,286,082	-	1,542,008	10,162,740
Charges for services	493,263	811,784	-	-	610,148	1,009,442	2,924,637
Fines	-	-	-	-	-	189,854	189,854
Special assessments	-	-	-	-	-	33,504	33,504
Interest income	826,679	-	-	-	2,403	2,277	831,359
Miscellaneous	59,529	119,094	860,390	-	-	247,733	1,286,746
Total revenues	<u>5,240,248</u>	<u>12,760,561</u>	<u>7,576,237</u>	<u>4,286,082</u>	<u>3,146,573</u>	<u>8,184,905</u>	<u>41,194,606</u>
<b>Expenditures:</b>							
Current:							
General government	3,805,017	-	-	92,746	-	4,011,057	7,908,820
Public safety	194,960	11,371,859	-	543,742	-	1,327,292	13,437,853
Emergency medical services	-	-	-	-	2,595,826	-	2,595,826
Road and bridge	-	-	5,980,862	3,856,241	-	442,073	10,279,176
Sanitation	-	-	-	-	-	245,134	245,134
Health	-	-	-	-	-	294,383	294,383
Welfare	-	-	-	-	-	521,960	521,960
Education	-	-	-	-	-	248,387	248,387
Culture and recreation	-	-	-	47,468	-	414,378	461,846
Capital outlay	183,947	249,096	1,615,526	-	175,422	6,116,515	8,340,506
Debt service:							
Principal	91,585	-	900,214	-	51,974	-	1,043,773
Interest	139,260	-	38,184	-	21,850	-	199,294
Total expenditures	<u>4,414,769</u>	<u>11,620,955</u>	<u>8,534,786</u>	<u>4,540,197</u>	<u>2,845,072</u>	<u>13,621,179</u>	<u>45,576,958</u>
Excess (deficiency) of revenues over (under) expenditures	825,479	1,139,606	(958,549)	(254,115)	301,501	(5,436,274)	(4,382,352)
<b>Other financing sources (uses):</b>							
Operating transfers in (out)	(429,826)	(1,975,679)	-	-	-	91,188	(2,314,317)
Equity transfers in (out)	-	-	-	-	-	2,400,000	2,400,000
Capital lease financing	-	-	1,549,740	-	-	-	1,549,740
Total other financing sources (uses)	<u>(429,826)</u>	<u>(1,975,679)</u>	<u>1,549,740</u>	<u>-</u>	<u>-</u>	<u>2,491,188</u>	<u>1,635,423</u>
Net changes in fund balances	395,653	(836,073)	591,191	(254,115)	301,501	(2,945,086)	(2,746,929)
Total fund balances, beginning of year	623,704	4,381,245	4,006,201	600,928	332,355	8,787,517	18,731,950
Total fund balances, end of year	<u>\$ 1,019,357</u>	<u>\$ 3,545,172</u>	<u>\$ 4,597,392</u>	<u>\$ 346,813</u>	<u>\$ 633,856</u>	<u>\$ 5,842,431</u>	<u>\$ 15,985,021</u>

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

**Bonner County, Idaho**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2012**

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

Net changes in fund balances - Governmental Funds	\$ (2,746,929)
<p>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 unearned 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 has been deferred:</p>	
Unearned property taxes	(38,306)
<p>Capital outlays to purchase capital assets are reported in the governmental funds as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$25,254,143 exceeds capital outlays of \$8,205,375 during the current fiscal year.</p>	
	(17,048,768)
<p>Proceeds from the issuance of long-term debt (e.g., capital leases payable) provide current financial resources to governmental funds, but the issuance increases long-term debt in the Statement of Net Assets. 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 Assets. This is the amount by which proceeds exceeded repayments during the year.</p>	
	(505,967)
<p>Some expenses reported in the Statement of Activities (e.g., compensated absences) 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 current year.</p>	
	<u>(60,160)</u>
Change in net assets, as reflected on the Statement of Activities	<u>\$ (20,400,130)</u>

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

**Bonner County, Idaho**  
**Statement of Net Assets - Proprietary Fund**  
**September 30, 2012**

	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and investments	\$ 4,952,767
Receivables, net of allowance for uncollectibles:	
Fees	196,942
Accounts	174,524
Due from other funds	3,002,082
Restricted assets:	
Cash	397,778
Cash on deposit with fiscal agent	664
	<u>8,724,757</u>
Total current assets	
<b>Noncurrent assets:</b>	
Capital assets, net of accumulated depreciation	<u>1,994,586</u>
Total noncurrent assets	<u>1,994,586</u>
Total assets	<u>10,719,343</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Warrants payable	285,857
Accrued payroll	30,319
Accrued retirement payable	6,297
Compensated absences payable	34,927
	<u>357,400</u>
Total liabilities	
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,994,586
Restricted for:	
Debt service	664
Capital improvements	397,778
Unrestricted	<u>7,968,915</u>
Total net assets	<u>\$ 10,361,943</u>

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

**Bonner County, Idaho**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund**  
**Year Ended September 30, 2012**

	<u>Solid Waste Fund</u>
<b>Operating revenues:</b>	
Charges for services	\$ 2,059,939
<b>Operating expenses:</b>	
Salaries	660,647
Payroll taxes and benefits	289,401
Other services and charges	2,993,057
Depreciation	<u>179,107</u>
Total operating expenses	<u>4,122,212</u>
Operating loss	<u>(2,062,273)</u>
<b>Nonoperating revenues:</b>	
Special assessments	2,575,247
Penalties and interest	33,063
Miscellaneous	<u>1,221</u>
Total nonoperating revenues	<u>2,609,531</u>
Transfers in (out):	
Equity transfers	<u>(85,683)</u>
Total transfers	<u>(85,683)</u>
Change in net assets	461,575
Net assets, beginning of year	<u>9,900,368</u>
Net assets, end of year	<u><u>\$ 10,361,943</u></u>

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

**Bonner County, Idaho**  
**Statement of Cash Flows - Proprietary Fund**  
**Year Ended September 30, 2012**

	<u>Solid Waste Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 2,056,369
Cash payments to suppliers for goods and services	(3,519,221)
Cash payments to or in behalf of employees for services	<u>(945,539)</u>
Net cash used by operating activities	<u>(2,408,391)</u>
<b>Cash flows from non-capital financing activities:</b>	
Special assessments	2,575,247
Miscellaneous receipts	34,284
Cash received (loaned) to other funds, net	<u>(1,501,022)</u>
Net cash provided by non-capital financing activities	<u>1,108,509</u>
<b>Cash flows from capital financing and related financing activities:</b>	
Acquisition of capital assets	<u>(201,822)</u>
Net cash used by capital financing activities	<u>(201,822)</u>
Net decrease in cash and cash equivalents	(1,501,704)
Cash and cash equivalents, beginning of year	<u>6,852,913</u>
Cash and cash equivalents, end of year	<u>\$ 5,351,209</u>
<b>Cash and cash equivalents:</b>	
Cash	\$ 4,952,767
Restricted assets:	
Cash	397,778
Cash on deposit with fiscal agent	<u>664</u>
Total cash and cash equivalents	<u>\$ 5,351,209</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (2,062,273)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	179,107
Changes in assets and liabilities:	
Receivables:	
Fees	(18,061)
Accounts	6,131
Due from other governments	8,360
Warrants payable	(520,964)
Accounts payable	(5,200)
Accrued payroll	1,629
Accrued retirement payable	397
Compensated absences payable	<u>2,483</u>
Net cash used by operating activities	<u>\$ (2,408,391)</u>

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

**Bonner County, Idaho**  
**Statement of Assets and Liabilities - Fiduciary Funds**  
**September 30, 2012**

Agency  
Funds

**ASSETS**

**Current assets:**

Cash and investments	\$ 1,421,184
Receivables, net of allowance for uncollectibles:	
Property taxes	2,829,722
Due from other governments	<u>18,000</u>
Total assets	<u>\$ 4,268,906</u>

**LIABILITIES**

**Current liabilities:**

Warrants payable	\$ 66,340
Accounts payable	1,081,827
Due to other taxing districts	3,101,734
Due to other governments	<u>19,005</u>
Total liabilities	<u>\$ 4,268,906</u>

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

**Bonner County, Idaho**  
**Notes to Financial Statements**  
**September 30, 2012**

**1. Organization and 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 (law enforcement), emergency medical services, road and bridge, sanitation, 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

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Measurement Focus and Basis of Presentation, Continued*

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 do 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 Assets 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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Government-wide Financial Statements, Continued*

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 nonmajor 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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Fund Financial Statements, Continued*

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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Fund Financial Statements, Continued*

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

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

The other governmental funds of the County are considered nonmajor 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. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the County has elected to apply all applicable FASB pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which 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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Fund Financial Statements, Continued*

- 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, 2012, 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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Deposits and Investments, Continued*

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, 2012.

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 Assets 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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Capital Assets, Continued*

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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*Compensated Absences, Continued*

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, 2012, total compensated absences payable by the County is \$788,392. Of this amount, \$753,465 arises from governmental activity operations and \$34,927 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 Assets.

*Net Assets* – Net assets represent the difference between assets and liabilities. Net assets are comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following components.

*Invested in capital assets, net of related debt* – This component of net assets 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 assets* – This component of net assets consists of net assets 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.

*Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

*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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**1. Organization and Summary of Significant Accounting Policies, Continued**

Summary of Significant Accounting Policies, Continued

*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 the other classifications.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**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, 2012.

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, 2012, there were no funds for which expenditures exceeded appropriations.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**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 uninsured repurchase agreements. 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 does not limit the balance of investments with a single issuer; however, one issuer holds more than 50% of the County's total portfolio at September 30, 2012. As of September 30, 2012, the following issuers hold more than 5% of the County's total portfolio: State of Idaho – 70% (Investment Pool, 38%, Diversified Bond Fund, 32%), Panhandle State Bank – 25%.

*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, 2012, the County's deposits over and above the FDIC insurance limits at Panhandle State Bank were covered under the federal government's Transaction Account Guarantee (TAG) program. All non-interest bearing transaction accounts at institutions participating in the TAG program are fully guaranteed by the FDIC for the entire amount in the account.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**3. Cash and Investments, Continued**

*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 \$6,800,937 that are uninsured, unregistered, and held by Panhandle State Bank which is also the counterparty for the repurchase agreements. 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 \$6,800,937 as of September 30, 2012.

*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.

<u>Investment Type</u>	<u>Under 30 Days</u>	<u>31-180 Days</u>	<u>181-365 Days</u>	<u>1 to 5 Years</u>	<u>Market Value</u>	<u>Cost</u>	<u>Percent of Total</u>
Panhandle State Bank							
Repurchase agreements							
Treasurer's account	\$ 5,834,614	\$ --	\$ --	\$ --	\$ 5,834,614	\$ 5,384,614	19.86%
Ambulance account	966,323	--	--	--	966,323	966,323	3.29%
Certificates of deposit	--	--	--	109,747	109,747	109,747	0.37%
Checking account	400,000	--	--	--	400,000	400,000	1.36%
Mountain West Bank							
Certificate of deposit	--	--	106,569	--	106,569	106,569	0.36%
U.S. Bank							
Certificate of deposit	--	102,206	--	--	102,206	102,206	0.35%
Savings account	12,178	--	--	--	12,178	12,178	0.04%
State of Idaho							
Local Government							
Investment Pool	--	11,274,993	--	--	11,274,993	11,274,993	38.39%
Diversified Bond Fund	--	--	--	9,304,655	9,304,655	8,759,702	31.68%
Multi-Bank Securities, Inc.	--	--	--	1,252,170	1,252,170	1,245,000	4.26%
Cash on hand	9,170	--	--	--	9,170	9,170	0.03%
Total cash and investments	<u>\$ 7,222,285</u>	<u>\$11,377,199</u>	<u>\$ 106,569</u>	<u>\$10,666,572</u>	<u>\$29,372,625</u>	<u>\$28,820,502</u>	<u>100.00%</u>

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

Cash on hand	\$ 9,170
Bank deposits	612,178
Carrying value of investments	<u>28,751,277</u>
Total cash and investments	<u>\$ 29,372,625</u>

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**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.

**5. Capital Assets**

Capital asset activity for the year ended September 30, 2012 was as follows:

Governmental activities:

	Balance September 30, <u>2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	Balance September 30, <u>2012</u>
Capital assets, depreciated:					
Infrastructure	\$ 453,673,135	\$ 7,922	\$ --	\$ --	\$ 453,681,057
Buildings and improvements	11,005,902	5,507,630	46,967	--	16,560,499
Machinery and equipment	20,538,231	2,585,356	--	(315,109)	22,808,478
Accumulated depreciation	<u>(369,326,045)</u>	<u>(25,235,359)</u>	<u>(18,784)</u>	<u>315,109</u>	<u>(394,265,079)</u>
Net capital assets, depreciated	115,891,223	(17,078,085)	28,183	--	98,784,955
Capital assets, not depreciated:					
Land	<u>2,949,646</u>	<u>--</u>	<u>57,500</u>	<u>--</u>	<u>3,007,146</u>
Total capital assets, net	<u>\$ 118,840,869</u>	<u>\$ (16,963,085)</u>	<u>\$ 85,683</u>	<u>\$ --</u>	<u>\$ 101,792,101</u>

During 2012, depreciation expense was charged to functions as follows:

General government	\$ 1,130,621
Public safety	445,695
Emergency medical services	91,962
Road and bridge	23,430,205
Sanitation	67,327
Welfare	1,742
Culture and recreation	<u>86,591</u>
Total governmental activities depreciation expense	<u>\$ 25,254,143</u>

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**5. Capital Assets, Continued**

Business-type activities:

	Balance September 30, 2011	Additions	Transfers	Disposals	Balance September 30, 2012
Capital assets, depreciated:					
Buildings and improvements	\$ 912,520	\$ --	\$ (46,967)	\$ --	\$ 865,553
Other improvements	1,182,849	201,822	--	--	1,384,671
Machinery and equipment	<u>1,697,435</u>	<u>--</u>	<u>--</u>	<u>(14,306)</u>	<u>1,683,129</u>
Total capital assets, depreciated	<u>3,792,804</u>	<u>201,822</u>	<u>(46,967)</u>	<u>(14,306)</u>	<u>3,933,353</u>
Less: accumulated depreciation					
Buildings and improvements	(341,005)	(21,319)	18,784	--	343,540
Other improvements	(390,781)	(66,925)	--	--	457,706
Machinery and equipment	<u>(1,326,320)</u>	<u>(90,863)</u>	<u>--</u>	<u>14,306</u>	<u>1,402,877</u>
Total accumulated depreciation	<u>(2,058,107)</u>	<u>(179,107)</u>	<u>18,784</u>	<u>14,306</u>	<u>2,204,123</u>
Net capital assets, depreciated	<u>1,734,697</u>	<u>22,715</u>	<u>(28,183)</u>	<u>--</u>	<u>1,729,230</u>
Capital assets, not depreciated:					
Land	<u>322,856</u>	<u>--</u>	<u>(57,500)</u>	<u>--</u>	<u>265,356</u>
Total capital assets, net	<u>\$ 2,057,554</u>	<u>\$ 22,715</u>	<u>\$ (85,683)</u>	<u>\$ --</u>	<u>\$ 1,994,586</u>

During 2012, depreciation expense was charged to functions as follows:

Solid Waste	<u>\$ 179,107</u>
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**6. Deferred and Unearned 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, 2012, the various components of deferred revenue and unearned revenue reported in the County's governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Subsequent property taxes receivable – earned and available in FY 2013	\$ --	\$ 21,541,928
Delinquent property taxes receivable	2,149,753	--
Special Revenue program services not yet performed	--	17,285
Grant draw-downs prior to meeting all eligibility requirements	<u>--</u>	<u>116,468</u>
Total deferred and unearned revenue	<u>\$ 2,149,753</u>	<u>\$ 21,675,681</u>

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**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, 2012, 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 and increased to \$4,635 per month as of October 2011. The lease expires September 30, 2013, at which time the County can renew the lease for another year. Total payments made for the year ended September 30, 2012 were \$55,656.

*Sheriff's Office* – In the summer of 2000, the County entered into an agreement to lease a building for a Sheriff's 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, 2012, were \$2,299.

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 \$6,315,162. The leases are collateralized by the assets. Future minimum annual lease payments under capital leases at September 30, 2012 are as follows:

Year Ending September 30,	Assessor/ Clerk	Road and Bridge	Bonner County Administration	Calvary Building	EMS/ Ambulance	Total
2013	\$ 10,140	\$ 378,014	\$ 158,061	\$ 39,429	\$ 76,879	\$ 662,523
2014	10,140	189,540	158,061	39,429	76,879	474,049
2015	10,140	120,177	158,061	39,429	76,879	404,686
2016	6,750	120,177	158,061	39,429	50,333	374,750
2017	840	621,571	158,061	39,429	18,716	838,617
2018-2022	--	540,570	2,408,172	88,701	93,580	3,131,023
2023	--	--	--	--	17,148	17,148
Total minimum lease payments	38,010	1,970,049	3,198,477	285,846	410,414	5,902,796
Less: amounts representing interest	--	(223,253)	(949,974)	(46,369)	(64,509)	(1,284,105)
Present value of minimum lease payments	38,010	1,746,796	2,248,503	239,477	345,905	4,618,691
Less amounts due within one year	(10,140)	(321,417)	(47,846)	(28,127)	(63,465)	(470,995)
Amount due after one year	\$ 27,870	\$ 1,425,379	\$ 2,200,657	\$ 211,350	\$ 282,440	\$ 4,147,696

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**8. Long-Term Obligations**

A summary of changes in long-term liabilities of the County for the year ended September 30, 2012 is as follows:

	Long-term Liabilities September 30, 2011	Long-term Liabilities Incurred	Long-term Liabilities Paid	Long-term Liabilities September 30, 2012	Due Within One Year
<u>Governmental activities:</u>					
Capital leases payable	\$ 4,112,724	\$ 1,549,740	\$ (1,043,773)	\$ 4,618,691	\$ 470,995
Compensated absences	<u>693,305</u>	<u>719,505</u>	<u>(659,345)</u>	<u>753,465</u>	<u>578,938</u>
Total governmental activities	<u>\$ 4,806,029</u>	<u>\$ 2,302,236</u>	<u>\$ (1,736,109)</u>	<u>\$ 5,372,156</u>	<u>\$ 1,049,933</u>
<u>Business-type activities:</u>					
Compensated absences	\$ 32,444	\$ 32,991	\$ (30,508)	\$ 34,927	\$ 34,927
Total business-type activities	<u>\$ 32,444</u>	<u>\$ 32,991</u>	<u>\$ (30,508)</u>	<u>\$ 34,927</u>	<u>\$ 34,927</u>

Interest expense recorded associated with capital leases payable totaled \$199,294 for the year ended September 30, 2012. Additionally, on February 12, 2013, 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 (see Note 15), 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.

**9. Interfund Receivables, Payables and Transfers**

The composition of interfund receivables and payables as of September 30, 2012 was as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Justice Fund	\$ 178,957	\$ --
General Fund	4,680	--
Road and Bridge Fund	1,106,544	--
Grants Fund	--	1,161,608
Ambulance District	<u>--</u>	<u>128,573</u>
	<u>\$ 1,290,181</u>	<u>\$ 1,290,181</u>
	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ --	\$ 1,402,082
Justice Fund	--	1,600,000
Solid Waste Fund	<u>3,002,082</u>	<u>--</u>
	<u>\$ 3,002,082</u>	<u>\$ 3,002,082</u>

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**9. Interfund Receivables, Payables and Transfers, Continued**

The interfund receivable and payable amounts represent interfund loans from the Solid Waste Fund to the General Fund and the Justice Fund, respectively. The interfund loans arose from resolutions passed by the BOCC to transfer money from the Solid Waste Fund to the General Fund and the Justice Fund in order to cover unforeseen costs relating to asbestos abatement with the remodel of the Bonner County Courthouse and the new Juvenile Detention Facility, respectively (see Note 15). The loans call for payments over a fifteen-year period of time, including interest at 0.30% and 0.2066%, respectively.

Interfund transfers for the year ended September 30, 2012 are summarized as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 515,509	\$ 85,683
Justice Fund	1,975,679	--
Junior College	615,000	--
Judgments	1	--
911 Dispatch	124,321	--
Veterans Memorial	80	--
Building Construction	--	3,330,065
LID Admin Fund	99,475	--
Solid Waste Fund	<u>85,683</u>	<u>--</u>
	<u>\$ 3,415,748</u>	<u>\$ 3,415,748</u>

**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.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**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 of 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. For the year ended September 30, 2012, 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. Bonner County's contributions required and paid were \$1,366,210, \$1,349,809 and \$1,415,673 for the years ended September 30, 2012, 2011 and 2010, respectively.

**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

The County is the defendant in a lawsuit filed in the United States District Court for the District of Idaho, Northern Division, in which the plaintiff is seeking compensation from the County for opposing its access on a private residential housing-hanger development. Additionally, the County has also been threatened with litigation relating to a building permit issued for property in a highly hazardous area of the floodplain. Management of the County intends to vigorously defend against the claims. It is at least reasonably possible that if either or both of the 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

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**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 all 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 2011-2012 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. Allianz, an A++ reinsurer, provides 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, 2012, 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, 2012 were below the limits of the insurance coverage.

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**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, 2012, was \$1,054,445.

**15. Uncertainty of Interfund Loans**

In 2006, as a result of a county-wide needs assessment, the County developed a conceptual master plan and budget for the renovation of the Bonner County Courthouse (the Courthouse). The master plan consisted of a series of remodels and code upgrades that were to be completed in phases over several years as funding was available. The initial phase was to consist of adding a new courtroom (Courtroom #3) on the first floor in an area that had previously been occupied by the County Treasurer.

Upon commencement of the work, the structural integrity of the ceiling over the area that was to become the courtroom was identified as insufficiently supported. It was then learned that the ceiling in Courtroom #1, directly above Courtroom #3, was also insufficiently supported. Consequently, new structural supports had to be implemented by installing supports from the roof to the foundation.

The structural work was underway while the building was still occupied by employees. For many years, there had been concerns that the building might contain asbestos. This concern prompted an inspection by the Environmental Protection Agency (EPA), which issued a stop work order, and required constant air monitoring for the presence of asbestos. Although the EPA ultimately determined that the construction work had progressed properly, with appropriate safety measures in place, the EPA required that any asbestos be abated or the construction would remain suspended. As a result, all courthouse personnel and operations were relocated to other buildings within the County for the remainder of the construction project. Subsequently, full remediation of all vermiculite insulation was completed and no asbestos fibers were ever detected in the air.

Upon further evaluation, the County identified additional structural, fire safety and building code issues, which were addressed in a modified plan that would include the removal of the entire roof for full remediation of all vermiculite insulation. County management evaluated its options and determined that the most prudent long-term option was to continue the rehabilitation of the structure under an accelerated schedule. A consequence of this decision was that a project which had initially been planned to occur over several years, as funding was available, would require significant funding in a shorter timeframe.

Based on information obtained regarding the practices followed by other counties throughout the State of Idaho, and assurances from various legal advisors, the BOCC passed a resolution authorizing an interfund loan to assist in the financing of the Courthouse rehabilitation project. Accordingly, a long-term interfund loan of \$1.5 million was made from the Solid Waste Fund to the General Fund (see Note 9).

**Bonner County, Idaho**  
**Notes to Financial Statements, Continued**  
**September 30, 2012**

**15. Uncertainty of Interfund Loans, Continued**

In addition, during 2009, the State of Idaho conducted an inspection of the Bonner County Juvenile Detention Facility (the Facility). As a result of the inspection, the County was notified during 2010 that the State would no longer certify the use of the Facility beyond June 30, 2011. Based on this notification, the County determined that it would either have to build a new facility, or use the Regional Juvenile Detention Facility in Kootenai County, Idaho at an estimated cost of up to \$1,000,000, annually.

Because the County was unable to obtain funding for this project through either judicial confirmation or voter approval, the BOCC passed a resolution authorizing an interfund loan to assist in the financing of a new juvenile detention facility. Accordingly, a long-term interfund loan of \$1.6 million was made from the Solid Waste Fund to the Justice Fund (see Note 9).

During 2012, the legality of the long-term interfund loans was challenged. Idaho Code Section 31-1508 states "*The board must not transfer any money from one fund to another nor in any manner divert the money in any fund to other uses, except in cases expressly provided and permitted by law...*" Subsequent to September 30, 2012, the Idaho Attorney General, the County's bond counsel and the County's Prosecutor each issued their opinion that such long-term interfund loans are prohibited under Idaho Code Section 31-1508 and would constitute a violation of the Idaho Constitution, Article VIII, Section Three.

Accordingly, on April 23, 2013, the BOCC adopted and approved Resolution 2013-29, to rescind or modify the previous resolutions which had authorized the interfund loans. Resolution 2013-29 further voided the interfund loans and prohibited any further repayments of the loans to the lending fund. In accordance with this adopted resolution, the BOCC has directed County management to void the loans, cease all future repayments, and remove the loans from the County's accounting books and records.

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.

**16. Subsequent Events**

The County has evaluated subsequent events through May 24, 2013, the date as of which these financial statements were available to be issued. With the exception of the matters disclosed in Notes 8 and 15, no material subsequent events have occurred since September 30, 2012 that required recognition or disclosure in these financial statements.

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## **Supplementary Information**



**Bonner County, Idaho**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**September 30, 2012**

	Nonmajor Special Revenue <u>Funds</u>	Nonmajor Capital Projects <u>Funds</u>	Nonmajor Debt Service <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 6,392,841	\$ 484,838	\$ -	\$ 6,877,679
Restricted cash	-	-	136,400	136,400
Receivables, net of allowance for uncollectibles:				
Taxes	4,692,965	684	-	4,693,649
Interest	416	-	-	416
Accounts	105,234	-	-	105,234
Prepaid expenses	940	-	-	940
Due from other governments	19,005	-	-	19,005
Total assets	<u>\$ 11,211,401</u>	<u>\$ 485,522</u>	<u>\$ 136,400</u>	<u>\$ 11,833,323</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Warrants payable	\$ 713,394	\$ 264,242	\$ -	\$ 977,636
Vouchers payable	720	158,547	-	159,267
Accrued payroll	130,507	-	-	130,507
Accrued retirement payable	24,129	-	-	24,129
Due to other governments	18,000	-	-	18,000
Deferred revenue	17,285	-	-	17,285
Unearned property taxes	4,663,397	671	-	4,664,068
Total liabilities	<u>5,567,432</u>	<u>423,460</u>	<u>-</u>	<u>5,990,892</u>
<b>Fund balances:</b>				
Nonspendable:	940	-	-	940
Restricted for:				
General government	1,894,046	-	-	1,894,046
Debt service	-	-	136,400	136,400
Public safety	1,886,529	-	-	1,886,529
Culture and recreation	839,308	-	-	839,308
Health and welfare	360,843	-	-	360,843
Sanitation	187,631	-	-	187,631
Road construction	474,672	-	-	474,672
Capital projects	-	62,062	-	62,062
Total fund balances	<u>5,643,969</u>	<u>62,062</u>	<u>136,400</u>	<u>5,842,431</u>
Total liabilities and fund balances	<u>\$ 11,211,401</u>	<u>\$ 485,522</u>	<u>\$ 136,400</u>	<u>\$ 11,833,323</u>

**Bonner County, Idaho**  
**Combining Balance Sheet — Nonmajor Special Revenue Funds**  
**September 30, 2012**

	<u>Airport</u>	<u>Elections</u>	<u>Junior College</u>	<u>Revaluation</u>	<u>Historical Society</u>	<u>District Court</u>
<b>ASSETS</b>						
Cash and investments	\$ 301,066	\$ 121,969	\$ 457,512	\$ 708,701	\$ 1,125	\$ 1,063,000
Receivables, net of allowance for uncollectibles:						
Taxes	39,288	-	72	1,390,482	20,374	1,158,603
Interest	-	-	-	-	-	-
Accounts	1,441	-	-	22	-	41,019
Prepaid expenses	33	-	-	-	-	907
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 341,828</u>	<u>\$ 121,969</u>	<u>\$ 457,584</u>	<u>\$ 2,099,205</u>	<u>\$ 21,499</u>	<u>\$ 2,263,529</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Warrants payable	\$ 52,434	\$ 32,660	\$ 123,626	\$ 31,105	\$ -	\$ 87,299
Vouchers payable	-	-	-	-	-	720
Accrued payroll	-	3,384	-	40,008	-	38,233
Accrued retirement payable	-	462	-	6,991	-	7,993
Due to other governments	-	-	-	-	-	-
Deferred revenue	17,285	-	-	-	-	-
Unearned property taxes	39,035	-	71	1,381,983	20,273	1,152,371
Total liabilities	<u>108,754</u>	<u>36,506</u>	<u>123,697</u>	<u>1,460,087</u>	<u>20,273</u>	<u>1,286,616</u>
<b>Fund balances</b>						
Nonspendable for:	33	-	-	-	-	907
Restricted for:						
General government	233,041	85,463	333,887	639,118	-	-
Public safety	-	-	-	-	-	976,006
Culture and recreation	-	-	-	-	1,226	-
Health and welfare	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Road construction	-	-	-	-	-	-
Total fund balance	<u>233,074</u>	<u>85,463</u>	<u>333,887</u>	<u>639,118</u>	<u>1,226</u>	<u>976,913</u>
Total liabilities and fund balances	<u>\$ 341,828</u>	<u>\$ 121,969</u>	<u>\$ 457,584</u>	<u>\$ 2,099,205</u>	<u>\$ 21,499</u>	<u>\$ 2,263,529</u>

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*See Report of Independent Auditor.*

**Bonner County, Idaho**  
**Combining Balance Sheet — Nonmajor Special Revenue Funds, Continued**  
**September 30, 2012**

	Special Highway	Judgments	Drainage District	Translator District	911	Indigent and Charity
<b>ASSETS</b>						
Cash and investments	\$ 474,672	\$ -	\$ 16,563	\$ 568	\$ 994,789	\$ 385,427
Receivables, net of allowance for uncollectibles:						
Taxes	-	4	266	1,035	-	595,959
Interest	-	-	-	-	416	-
Accounts	-	-	-	-	46,562	10,194
Prepaid expenses	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 474,672</u>	<u>\$ 4</u>	<u>\$ 16,829</u>	<u>\$ 1,603</u>	<u>\$ 1,041,767</u>	<u>\$ 991,580</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Warrants payable	\$ -	\$ -	\$ 70	\$ -	\$ 160,168	\$ 41,400
Vouchers payable	-	-	-	-	-	-
Accrued payroll	-	-	-	-	36,159	3,298
Accrued retirement payable	-	-	-	-	5,863	610
Due to other governments	-	-	-	-	18,000	-
Deferred revenue	-	-	-	-	-	-
Unearned property taxes	-	4	-	-	-	592,320
Total liabilities	<u>-</u>	<u>4</u>	<u>70</u>	<u>-</u>	<u>220,190</u>	<u>637,628</u>
<b>Fund balances</b>						
Nonspendable for:	-	-	-	-	-	-
Restricted for:						
General government	-	-	16,759	-	-	-
Public safety	-	-	-	-	821,577	-
Culture and recreation	-	-	-	1,603	-	-
Health and welfare	-	-	-	-	-	353,952
Sanitation	-	-	-	-	-	-
Road construction	474,672	-	-	-	-	-
Total fund balance	<u>474,672</u>	<u>-</u>	<u>16,759</u>	<u>1,603</u>	<u>821,577</u>	<u>353,952</u>
Total liabilities and fund balances	<u>\$ 474,672</u>	<u>\$ 4</u>	<u>\$ 16,829</u>	<u>\$ 1,603</u>	<u>\$ 1,041,767</u>	<u>\$ 991,580</u>

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*See Report of Independent Auditor.*

**Bonner County, Idaho**  
**Combining Balance Sheet — Nonmajor Special Revenue Funds, Continued**  
**September 30, 2012**

	<u>Weeds</u>	<u>Tort</u>	<u>Health District</u>	<u>Snowmobile- Priest Lake</u>	<u>Snowmobile- Sandpoint</u>	<u>Waterways</u>
<b>ASSETS</b>						
Cash and investments	\$ 205,693	\$ 648,528	\$ 65,265	\$ 65,448	\$ 89,645	\$ 424,330
Receivables, net of allowance for uncollectibles:						
Taxes	119,889	915,978	248,011	-	-	-
Interest	-	-	-	-	-	-
Accounts	1,200	2,500	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 326,782</u>	<u>\$ 1,567,006</u>	<u>\$ 313,276</u>	<u>\$ 65,448</u>	<u>\$ 89,645</u>	<u>\$ 424,330</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Warrants payable	\$ 16,930	\$ 70,601	\$ 59,870	\$ 19	\$ 62	\$ 15,825
Vouchers payable	-	-	-	-	-	-
Accrued payroll	2,891	-	-	-	-	-
Accrued retirement payable	494	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Unearned property taxes	118,836	910,627	246,515	-	-	-
Total liabilities	<u>139,151</u>	<u>981,228</u>	<u>306,385</u>	<u>19</u>	<u>62</u>	<u>15,825</u>
<b>Fund balances</b>						
Nonspendable for:	-	-	-	-	-	-
Restricted for:						
General government	-	585,778	-	-	-	-
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	65,429	89,583	408,505
Health and welfare	-	-	6,891	-	-	-
Sanitation	187,631	-	-	-	-	-
Road construction	-	-	-	-	-	-
Total fund balance	<u>187,631</u>	<u>585,778</u>	<u>6,891</u>	<u>65,429</u>	<u>89,583</u>	<u>408,505</u>
Total liabilities and fund balances	<u>\$ 326,782</u>	<u>\$ 1,567,006</u>	<u>\$ 313,276</u>	<u>\$ 65,448</u>	<u>\$ 89,645</u>	<u>\$ 424,330</u>

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*See Report of Independent Auditor.*

**Bonner County, Idaho**  
**Combining Balance Sheet — Nonmajor Special Revenue Funds, Continued**  
**September 30, 2012**

	<u>Parks and Recreation</u>	<u>Court Facilities</u>	<u>Court Interlock</u>	<u>County Fair</u>	<u>Drug Court</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and investments	\$ 219,391	\$ 59,125	\$ 18,332	\$ 49,624	\$ 22,068	\$ 6,392,841
Receivables, net of allowance for uncollectibles:						
Taxes	9,907	-	-	193,097	-	4,692,965
Interest	-	-	-	-	-	416
Accounts	215	1,270	301	-	510	105,234
Prepaid expenses	-	-	-	-	-	940
Due from other governments	19,005	-	-	-	-	19,005
Total assets	<u>\$ 248,518</u>	<u>\$ 60,395</u>	<u>\$ 18,633</u>	<u>\$ 242,721</u>	<u>\$ 22,578</u>	<u>\$ 11,211,401</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Warrants payable	\$ 5,118	\$ -	\$ 971	\$ 3,547	\$ 11,689	\$ 713,394
Vouchers payable	-	-	-	-	-	720
Accrued payroll	2,961	-	-	3,573	-	130,507
Accrued retirement payable	649	-	-	1,067	-	24,129
Due to other governments	-	-	-	-	-	18,000
Deferred revenue	-	-	-	-	-	17,285
Unearned property taxes	9,318	-	-	192,044	-	4,663,397
Total liabilities	<u>18,046</u>	<u>-</u>	<u>971</u>	<u>200,231</u>	<u>11,689</u>	<u>5,567,432</u>
<b>Fund balances</b>						
Nonspendable for:	-	-	-	-	-	940
Restricted for:						
General government	-	-	-	-	-	1,894,046
Public safety	-	60,395	17,662	-	10,889	1,886,529
Culture and recreation	230,472	-	-	42,490	-	839,308
Health and welfare	-	-	-	-	-	360,843
Sanitation	-	-	-	-	-	187,631
Road construction	-	-	-	-	-	474,672
Total fund balance	<u>230,472</u>	<u>60,395</u>	<u>17,662</u>	<u>42,490</u>	<u>10,889</u>	<u>5,643,969</u>
Total liabilities and fund balances	<u>\$ 248,518</u>	<u>\$ 60,395</u>	<u>\$ 18,633</u>	<u>\$ 242,721</u>	<u>\$ 22,578</u>	<u>\$ 11,211,401</u>

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*See Report of Independent Auditor.*

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**Bonner County, Idaho**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2012**

	Total Nonmajor Special Revenue <u>Funds</u>	Nonmajor Capital Projects <u>Funds</u>	Nonmajor Debt Service <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
<b>Revenues:</b>				
Taxes	\$ 4,930,703	\$ 151	\$ -	\$ 4,930,854
Licenses and permits	229,233	-	-	229,233
Intergovernmental	1,542,008	-	-	1,542,008
Charges for services	1,009,442	-	-	1,009,442
Fines	189,854	-	-	189,854
Special assessments	33,504	-	-	33,504
Interest income	2,277	-	-	2,277
Miscellaneous	242,674	5,059	-	247,733
Total revenues	<u>8,179,695</u>	<u>5,210</u>	<u>-</u>	<u>8,184,905</u>
<b>Expenditures:</b>				
Current:				
General government	4,011,057	-	-	4,011,057
Public safety	1,327,292	-	-	1,327,292
Road and bridge	442,073	-	-	442,073
Sanitation	245,134	-	-	245,134
Health	294,383	-	-	294,383
Welfare	521,960	-	-	521,960
Education	248,387	-	-	248,387
Culture and recreation	414,378	-	-	414,378
Capital outlay	303,028	5,813,487	-	6,116,515
Total expenditures	<u>7,807,692</u>	<u>5,813,487</u>	<u>-</u>	<u>13,621,179</u>
Excess (deficiency) of revenues over (under) expenditures	<u>372,003</u>	<u>(5,808,277)</u>	<u>-</u>	<u>(5,436,274)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	(739,402)	930,065	(99,475)	91,188
Grant transfers in (out)	-	-	-	-
Equity transfers in (out)	-	2,400,000	-	2,400,000
Total other financing sources (uses)	<u>(739,402)</u>	<u>3,330,065</u>	<u>(99,475)</u>	<u>2,491,188</u>
Net change in fund balance	<u>(367,399)</u>	<u>(2,478,212)</u>	<u>(99,475)</u>	<u>(2,945,086)</u>
Fund balances, beginning of year	<u>6,011,368</u>	<u>2,540,274</u>	<u>235,875</u>	<u>8,787,517</u>
Fund balances, end of year	<u>\$ 5,643,969</u>	<u>\$ 62,062</u>	<u>\$ 136,400</u>	<u>\$ 5,842,431</u>

**Bonner County, Idaho**  
**Combining Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Nonmajor Special Revenue Funds**  
**Year Ended September 30, 2012**

	<u>Airport</u>	<u>Elections</u>	<u>Junior College</u>	<u>Revaluation</u>	<u>Historical Society</u>	<u>District Court</u>
<b>Revenues:</b>						
Taxes	\$ 34,545	\$ -	\$ 47	\$ 1,279,364	\$ 18,796	\$ 943,892
Licenses and permits	-	-	-	673	-	-
Intergovernmental	-	237,245	545,751	73,000	-	206,937
Charges for services	-	-	-	-	-	-
Fines	-	-	-	-	-	172,284
Special assessments	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous	76,677	-	-	68	-	140,424
Total revenues	<u>111,222</u>	<u>237,245</u>	<u>545,798</u>	<u>1,353,105</u>	<u>18,796</u>	<u>1,463,537</u>
<b>Expenditures:</b>						
Current:						
General government	122,845	223,015	-	1,316,855	-	1,409,605
Public safety	-	-	-	-	-	-
Road and bridge	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Education	-	-	248,387	-	-	-
Culture and recreation	-	-	-	-	18,600	-
Capital outlay	36,690	3,526	-	-	-	98,129
Total expenditures	<u>159,535</u>	<u>226,541</u>	<u>248,387</u>	<u>1,316,855</u>	<u>18,600</u>	<u>1,507,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,313)</u>	<u>10,704</u>	<u>297,411</u>	<u>36,250</u>	<u>196</u>	<u>(44,197)</u>
<b>Other financing sources (uses):</b>						
Operating transfers in (out)	-	-	(615,000)	-	-	-
Grant transfers in (out)	-	-	-	-	-	-
Equity transfers in (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(615,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(48,313)</u>	<u>10,704</u>	<u>(317,589)</u>	<u>36,250</u>	<u>196</u>	<u>(44,197)</u>
Fund balances, beginning of year	281,387	74,759	651,476	602,868	1,030	1,021,110
Fund balances, end of year	<u>\$ 233,074</u>	<u>\$ 85,463</u>	<u>\$ 333,887</u>	<u>\$ 639,118</u>	<u>\$ 1,226</u>	<u>\$ 976,913</u>

**Bonner County, Idaho**  
**Combining Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Nonmajor Special Revenue Funds, Continued**  
**Year Ended September 30, 2012**

	<u>Special Highway</u>	<u>Judgments</u>	<u>Drainage District</u>	<u>Translator District</u>	<u>911</u>	<u>Indigent and Charity</u>
<b>Revenues:</b>						
Taxes	\$ -	\$ 1	\$ -	\$ -	\$ 546,455	\$ 657,952
Licenses and permits	-	-	-	-	-	-
Intergovernmental	450,000	-	-	-	-	-
Charges for services	-	-	-	-	991,322	-
Fines	-	-	-	-	-	-
Special assessments	-	-	2,279	31,225	-	-
Interest income	-	-	-	-	2,277	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>450,000</u>	<u>1</u>	<u>2,279</u>	<u>31,225</u>	<u>1,540,054</u>	<u>657,952</u>
<b>Expenditures:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	1,304,144	-
Road and bridge	442,073	-	-	-	-	-
Sanitation	-	-	3,613	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	521,960
Education	-	-	-	-	-	-
Culture and recreation	-	-	-	31,556	-	-
Capital outlay	-	-	-	-	164,683	-
Total expenditures	<u>442,073</u>	<u>-</u>	<u>3,613</u>	<u>31,556</u>	<u>1,468,827</u>	<u>521,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,927</u>	<u>1</u>	<u>(1,334)</u>	<u>(331)</u>	<u>71,227</u>	<u>135,992</u>
<b>Other financing sources (uses):</b>						
Operating transfers in (out)	-	(1)	-	-	(124,321)	-
Grant transfers in (out)	-	-	-	-	-	-
Equity transfers in (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(124,321)</u>	<u>-</u>
Net change in fund balance	7,927	-	(1,334)	(331)	(53,094)	135,992
Fund balances, beginning of year	466,745	-	18,093	1,934	874,671	217,960
Fund balances, end of year	<u>\$ 474,672</u>	<u>\$ -</u>	<u>\$ 16,759</u>	<u>\$ 1,603</u>	<u>\$ 821,577</u>	<u>\$ 353,952</u>

**Bonner County, Idaho**  
**Combining Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Nonmajor Special Revenue Funds, Continued**  
**Year Ended September 30, 2012**

	<u>Weeds</u>	<u>Tort</u>	<u>Health District</u>	<u>Snowmobile-Priest Lake</u>	<u>Snowmobile-Sandpoint</u>	<u>Waterways</u>
<b>Revenues:</b>						
Taxes	\$ 162,121	\$ 811,338	\$ 224,687	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	39,016	18,483	171,061
Intergovernmental	26,075	-	-	-	3,000	-
Charges for services	-	-	-	-	-	-
Fines	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous	1,232	2,491	13,841	-	-	80
Total revenues	<u>189,428</u>	<u>813,829</u>	<u>238,528</u>	<u>39,016</u>	<u>21,483</u>	<u>171,141</u>
<b>Expenditures:</b>						
Current:						
General government	-	909,937	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	-	-	-	-	-	-
Sanitation	241,521	-	-	-	-	-
Health	-	-	294,383	-	-	-
Welfare	-	-	-	-	-	-
Education	-	-	-	-	-	-
Culture and recreation	-	-	-	32,980	16,311	84,572
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>241,521</u>	<u>909,937</u>	<u>294,383</u>	<u>32,980</u>	<u>16,311</u>	<u>84,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,093)</u>	<u>(96,108)</u>	<u>(55,855)</u>	<u>6,036</u>	<u>5,172</u>	<u>86,569</u>
<b>Other financing sources (uses):</b>						
Operating transfers in (out)	-	-	-	-	-	-
Grant transfers in (out)	-	-	-	-	-	-
Equity transfers in (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(52,093)</u>	<u>(96,108)</u>	<u>(55,855)</u>	<u>6,036</u>	<u>5,172</u>	<u>86,569</u>
Fund balances, beginning of year	<u>239,724</u>	<u>681,886</u>	<u>62,746</u>	<u>59,393</u>	<u>84,411</u>	<u>321,936</u>
Fund balances, end of year	<u>\$ 187,631</u>	<u>\$ 585,778</u>	<u>\$ 6,891</u>	<u>\$ 65,429</u>	<u>\$ 89,583</u>	<u>\$ 408,505</u>

**Bonner County, Idaho**  
**Combining Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Nonmajor Special Revenue Funds, Continued**  
**Year Ended September 30, 2012**

	<u>Parks and Recreation</u>	<u>Court Facilities</u>	<u>Court Interlock</u>	<u>Veterans Memorial</u>	<u>County Fair</u>	<u>Drug Court</u>	<u>Total</u>
<b>Revenues:</b>							
Taxes	\$ 89,127	\$ -	\$ -	\$ 80	\$ 162,298	\$ -	\$ 4,930,703
Licenses and permits	-	-	-	-	-	-	229,233
Intergovernmental	-	-	-	-	-	-	1,542,008
Charges for services	-	18,120	-	-	-	-	1,009,442
Fines	-	-	4,628	-	-	12,942	189,854
Special assessments	-	-	-	-	-	-	33,504
Interest income	-	-	-	-	-	-	2,277
Miscellaneous	7,861	-	-	-	-	-	242,674
Total revenues	<u>96,988</u>	<u>18,120</u>	<u>4,628</u>	<u>80</u>	<u>162,298</u>	<u>12,942</u>	<u>8,179,695</u>
<b>Expenditures:</b>							
Current:							
General government	-	-	-	-	-	28,800	4,011,057
Public safety	-	16,000	7,148	-	-	-	1,327,292
Road and bridge	-	-	-	-	-	-	442,073
Sanitation	-	-	-	-	-	-	245,134
Health	-	-	-	-	-	-	294,383
Welfare	-	-	-	-	-	-	521,960
Education	-	-	-	-	-	-	248,387
Culture and recreation	81,301	-	-	-	149,058	-	414,378
Capital outlay	-	-	-	-	-	-	303,028
Total expenditures	<u>81,301</u>	<u>16,000</u>	<u>7,148</u>	<u>-</u>	<u>149,058</u>	<u>28,800</u>	<u>7,807,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,687</u>	<u>2,120</u>	<u>(2,520)</u>	<u>80</u>	<u>13,240</u>	<u>(15,858)</u>	<u>372,003</u>
<b>Other financing sources (uses):</b>							
Operating transfers in (out)	-	-	-	(80)	-	-	(739,402)
Grant transfers in (out)	-	-	-	-	-	-	-
Equity transfers in (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>(739,402)</u>
Net change in fund balance	15,687	2,120	(2,520)	-	13,240	(15,858)	(367,399)
Fund balances, beginning of year	214,785	58,275	20,182	-	29,250	26,747	6,011,368
Fund balances, end of year	<u>\$ 230,472</u>	<u>\$ 60,395</u>	<u>\$ 17,662</u>	<u>\$ -</u>	<u>\$ 42,490</u>	<u>\$ 10,889</u>	<u>\$ 5,643,969</u>

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See Report of Independent Auditor.

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## **Required Supplementary Information**



**Bonner County, Idaho**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 2,857,233	\$ 2,857,233	\$ 2,891,150	\$ 33,917
Licenses and permits	403,600	403,600	377,585	(26,015)
Intergovernmental	599,411	599,411	592,042	(7,369)
Charges for services	460,324	460,324	493,263	32,939
Interest income	338,100	338,100	826,679	488,579
Miscellaneous	31,656	31,656	59,529	27,873
Total revenues	<u>4,690,324</u>	<u>4,690,324</u>	<u>5,240,248</u>	<u>549,924</u>
<b>Expenditures:</b>				
Current:				
General government	4,656,719	4,690,219	4,035,862	654,357
Public safety	191,448	198,426	194,960	3,466
Capital outlay	82,028	101,028	183,947	(82,919)
Total expenditures	<u>4,930,195</u>	<u>4,989,673</u>	<u>4,414,769</u>	<u>574,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(239,871)</u>	<u>(299,349)</u>	<u>825,479</u>	<u>1,124,828</u>
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	(429,826)	(429,826)
Grant transfers	-	-	-	-
Equity transfers	-	-	-	-
Capital lease financing	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(429,826)</u>	<u>(429,826)</u>
Net change in fund balance	(239,871)	(299,349)	395,653	695,002
Fund balance, beginning of year	<u>623,704</u>	<u>623,704</u>	<u>623,704</u>	<u>-</u>
Fund balance, end of year	<u>\$ 383,833</u>	<u>\$ 324,355</u>	<u>\$ 1,019,357</u>	<u>\$ 695,002</u>

**Bonner County, Idaho**  
**Statement of Revenues - Budget and Actual - General Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Taxes:</b>				
Current	\$ 2,812,560	\$ 2,812,560	\$ 2,830,943	\$ 18,383
Penalties and interest	24,000	24,000	39,953	15,953
REA tax	20,673	20,673	20,254	(419)
Total taxes	2,857,233	2,857,233	2,891,150	33,917
<b>Licenses and permits:</b>				
Motor vehicle licenses	248,450	248,450	279,044	30,594
Trailer house licenses	2,975	2,975	3,570	595
Recreation vehicle licenses	5,050	5,050	5,900	850
Boat licenses	6,975	6,975	10,652	3,677
Conditional use permit	11,000	11,000	4,325	(6,675)
Building licenses and permits	129,150	129,150	74,094	(55,056)
Total licenses and permits	403,600	403,600	377,585	(26,015)
<b>Intergovernmental:</b>				
Inventory phase-out	435,619	435,619	448,944	13,325
Category 58 replacement revenue	24,197	24,197	24,197	-
Revenue sharing	100,000	100,000	113,902	13,902
Extension office	39,595	39,595	4,999	(34,596)
Total intergovernmental	599,411	599,411	592,042	(7,369)
<b>Charges for services:</b>				
Recorder's fees	329,640	329,640	311,025	(18,615)
Planning fees	81,034	81,034	48,565	(32,469)
Treasurer fees	32,000	32,000	104,354	72,354
Assessor's fees	17,650	17,650	16,012	(1,638)
Title company billings and access fees	-	-	13,307	13,307
Total charges for services	460,324	460,324	493,263	32,939
<b>Interest:</b>				
Interest income	338,100	338,100	826,679	488,579
<b>Miscellaneous:</b>				
Refunds and reimbursements	30,756	30,756	38,135	7,379
Miscellaneous	900	900	21,394	20,494
Total miscellaneous	31,656	31,656	59,529	27,873
Total general fund revenues	\$ 4,690,324	\$ 4,690,324	\$ 5,240,248	\$ 549,924

**Bonner County, Idaho**  
**Statement of Expenditures - Budget and Actual - General Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Clerk – Auditor:</b>				
General government:				
Salaries	\$ 248,195	\$ 248,195	\$ 240,455	\$ 7,740
Other services and charges	18,000	18,000	13,600	4,400
Capital outlay	7,200	7,200	7,200	-
Total Clerk - Auditor	<u>273,395</u>	<u>273,395</u>	<u>261,255</u>	<u>12,140</u>
<b>Clerk – Elections:</b>				
General government:				
Other services and charges	133,989	133,989	133,989	-
Total Clerk - Elections	<u>133,989</u>	<u>133,989</u>	<u>133,989</u>	<u>-</u>
<b>Treasurer:</b>				
General government:				
Salaries	192,213	192,213	185,553	6,660
Other services and charges	87,612	112,612	86,188	26,424
Capital outlay	10,000	10,000	8,670	1,330
Total Treasurer	<u>289,825</u>	<u>314,825</u>	<u>280,411</u>	<u>34,414</u>
<b>Commissioners:</b>				
General government:				
Salaries	307,498	305,498	283,301	22,197
Other services and charges	15,550	17,550	15,599	1,951
Capital outlay	1,000	1,000	675	325
Total Commissioners	<u>324,048</u>	<u>324,048</u>	<u>299,575</u>	<u>24,473</u>
<b>Coroner:</b>				
Public safety:				
Salaries	50,936	50,936	51,429	(493)
Other services and charges	49,560	53,711	53,711	-
Total Coroner	<u>100,496</u>	<u>104,647</u>	<u>105,140</u>	<u>(493)</u>
<b>Buildings and grounds:</b>				
General government:				
Salaries	70,908	70,908	71,084	(176)
Other services and charges	177,075	184,075	182,659	1,416
Total buildings and grounds	<u>247,983</u>	<u>254,983</u>	<u>253,743</u>	<u>1,240</u>

**Bonner County, Idaho**  
**Statement of Expenditures - Budget and Actual - General Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Emergency management:</b>				
Public safety:				
Salaries	\$ 75,752	\$ 75,752	\$ 74,312	\$ 1,440
Other services and charges	15,200	18,027	15,508	2,519
Capital outlay	-	19,000	21,000	(2,000)
Total emergency management	<u>90,952</u>	<u>112,779</u>	<u>110,820</u>	<u>1,959</u>
<b>Extension office:</b>				
General government:				
Salaries	57,639	59,739	55,503	4,236
Other services and charges	23,323	22,723	22,618	105
Capital outlay	1,500	1,500	763	737
Total extension office	<u>82,462</u>	<u>83,962</u>	<u>78,884</u>	<u>5,078</u>
<b>Information services:</b>				
General government:				
Other services and charges	290,900	290,900	290,616	284
Capital outlay	20,400	20,400	20,595	(195)
Total information services	<u>311,300</u>	<u>311,300</u>	<u>311,211</u>	<u>89</u>
<b>General:</b>				
General government:				
Salaries	12,360	12,360	7,450	4,910
Benefits	762,815	762,815	626,441	136,374
Other services and charges	1,369,604	1,369,604	1,029,692	339,912
Total general	<u>2,144,779</u>	<u>2,144,779</u>	<u>1,749,266</u>	<u>395,513</u>
<b>Personnel:</b>				
General government:				
Salaries	55,641	55,641	54,543	1,098
Other services and charges	15,979	15,979	15,697	282
Total personnel	<u>71,620</u>	<u>71,620</u>	<u>70,240</u>	<u>1,380</u>
<b>Planning:</b>				
General government:				
Salaries	390,469	390,469	349,020	41,449
Other services and charges	77,950	77,950	42,187	35,763
Capital outlay	18,300	18,300	17,500	800
Total planning	<u>486,719</u>	<u>486,719</u>	<u>408,707</u>	<u>78,012</u>

**Bonner County, Idaho**  
**Statement of Expenditures - Budget and Actual - General Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Geographic information systems:</b>				
General government:				
Salaries	\$ 89,865	\$ 89,865	\$ 81,204	\$ 8,661
Other services and charges	22,185	22,185	22,459	(274)
Capital outlay	22,628	22,628	21,861	767
Total geographic information systems	<u>134,678</u>	<u>134,678</u>	<u>125,524</u>	<u>9,154</u>
<b>Assessor – motor vehicles:</b>				
General government:				
Salaries	220,207	220,207	209,281	10,926
Other services and charges	16,742	16,742	16,723	19
Capital outlay	1,000	1,000	-	1,000
Total Assessor – motor vehicles	<u>237,949</u>	<u>237,949</u>	<u>226,004</u>	<u>11,945</u>
<b>Total General Fund:</b>				
General government	4,656,719	4,690,219	4,035,862	654,357
Public safety	191,448	198,426	194,960	3,466
Capital outlay	82,028	101,028	183,947	(82,919)
Total General Fund	<u>\$ 4,930,195</u>	<u>\$ 4,989,673</u>	<u>\$ 4,414,769</u>	<u>\$ 574,904</u>

**Bonner County, Idaho**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - Justice Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 9,984,071	\$ 9,984,071	\$ 10,036,388	\$ 52,317
Licenses and permits	232,240	232,240	286,826	54,586
Intergovernmental	1,326,571	1,326,571	1,506,469	179,898
Charges for services	569,100	569,100	811,784	242,684
Miscellaneous	74,680	74,680	119,094	44,414
Total revenues	<u>12,186,662</u>	<u>12,186,662</u>	<u>12,760,561</u>	<u>573,899</u>
<b>Expenditures:</b>				
Current:				
Public safety	12,551,682	12,548,046	11,371,859	1,176,187
Capital outlay	262,300	262,300	249,096	13,204
Total expenditures	<u>12,813,982</u>	<u>12,810,346</u>	<u>11,620,955</u>	<u>1,189,391</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(627,320)</u>	<u>(623,684)</u>	<u>1,139,606</u>	<u>1,763,290</u>
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	(1,975,679)	(1,975,679)
Grant transfers	-	-	-	-
Equity transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,975,679)</u>	<u>(1,975,679)</u>
Net change in fund balance	(627,320)	(623,684)	(836,073)	(212,389)
Fund balance, beginning of year	<u>4,381,245</u>	<u>4,381,245</u>	<u>4,381,245</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,753,925</u>	<u>\$ 3,757,561</u>	<u>\$ 3,545,172</u>	<u>\$ (212,389)</u>

**Bonner County, Idaho**  
**Statement of Revenues - Budget and Actual - Justice Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Taxes:</b>				
Current	\$ 9,822,429	\$ 9,822,429	\$ 9,831,463	\$ 9,034
Penalties and interest	99,700	99,700	134,187	34,487
REA tax	61,942	61,942	70,738	8,796
Total taxes	9,984,071	9,984,071	10,036,388	52,317
<b>Licenses and permits:</b>				
Drivers licenses	60,000	60,000	76,848	16,848
Boat licenses	145,000	145,000	176,097	31,097
Beer and liquor licenses	22,240	22,240	22,519	279
Other licenses and permits	5,000	5,000	11,362	6,362
Total licenses and permits	232,240	232,240	286,826	54,586
<b>Intergovernmental:</b>				
State revenue sharing	889,760	889,760	893,599	3,839
Payment in lieu of taxes	477,771	477,771	528,602	50,831
Kootenai	1,200	1,200	1,200	-
Oldtown services	4,800	4,800	4,400	(400)
Army Corps of Engineers	75,000	75,000	58,300	(16,700)
FILT-I F&G	8,500	8,500	5,968	(2,532)
Park Corp of Engineers	-	-	14,400	14,400
Total intergovernmental	1,326,571	1,326,571	1,506,469	179,898
<b>Charges for services:</b>				
Prisoner board	402,000	402,000	621,564	219,564
Processing and servicing fees	87,200	87,200	76,957	(10,243)
Fingerprinting and bonding fees	11,000	11,000	13,338	2,338
Work release and inmate labor	32,000	32,000	25,826	(6,174)
Other	36,900	36,900	74,099	37,199
Total charges for services	569,100	569,100	811,784	242,684
<b>Miscellaneous:</b>				
ITD reinstatements	-	-	21,200	21,200
Pay phone commissions	18,000	18,000	19,177	1,177
Prisoner reimbursements	30,000	30,000	29,768	(232)
Court surcharge	-	-	35,938	35,938
Public defender costs	26,680	26,680	17,943	(8,737)
Miscellaneous	-	-	(4,932)	(4,932)
Total miscellaneous	74,680	74,680	119,094	44,414
Total justice	\$ 12,186,662	\$ 12,186,662	\$ 12,760,561	\$ 573,899

**Bonner County, Idaho**  
**Statement of Expenditures - Budget and Actual - Justice Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Clerk:</b>				
Salaries	\$ 667,038	\$ 702,038	\$ 663,806	\$ 38,232
Other services and charges	3,000	3,000	2,958	42
Total clerk	670,038	705,038	666,764	38,274
<b>Sheriff:</b>				
Salaries	2,559,656	2,518,156	2,428,803	89,353
Other services and charges	574,454	625,654	601,024	24,630
Capital outlay	200,000	200,000	191,196	8,804
Total sheriff	3,334,110	3,343,810	3,221,023	122,787
<b>Prosecuting attorney:</b>				
Salaries	879,618	871,618	856,085	15,533
Other services and charges	87,304	137,186	95,660	41,526
Total prosecuting attorney	966,922	1,008,804	951,745	57,059
<b>Public defender:</b>				
Salaries	389,480	392,480	383,223	9,257
Other services and charges	180,797	262,947	208,305	54,642
Capital outlay	7,300	7,300	6,197	1,103
Total public defender	577,577	662,727	597,725	65,002
<b>Juvenile detention:</b>				
Salaries	486,588	486,588	466,288	20,300
Other services and charges	42,766	49,766	47,511	2,255
Total juvenile detention	529,354	536,354	513,799	22,555
<b>General:</b>				
Benefits	2,711,221	2,717,516	2,165,028	552,488
Other services and charges	1,274,635	1,278,616	1,073,030	205,586
Total general	3,985,856	3,996,132	3,238,058	758,074
<b>Jail:</b>				
Salaries	1,716,242	1,616,242	1,569,147	47,095
Other services and charges	417,283	517,283	513,485	3,798
Capital outlay	55,000	55,000	51,703	3,297
Total jail	2,188,525	2,188,525	2,134,335	54,190

**Bonner County, Idaho**  
**Statement of Expenditures - Budget and Actual - Justice Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Marine patrol:				
Salaries	\$ 142,262	\$ 142,262	\$ 140,759	\$ 1,503
Other services and charges	2,738	2,738	(7,064)	9,802
Total marine patrol	<u>145,000</u>	<u>145,000</u>	<u>133,695</u>	<u>11,305</u>
Building and grounds:				
Other services and charges	31,600	34,937	34,917	20
Total building and grounds	<u>31,600</u>	<u>34,937</u>	<u>34,917</u>	<u>20</u>
Civil litigation				
Other services and charges	185,000	185,000	128,894	56,106
Total civil litigation	<u>185,000</u>	<u>185,000</u>	<u>128,894</u>	<u>56,106</u>
5% statutory reserve:				
Other services and charges	200,000	4,019	-	4,019
<b>Total for all justice funds</b>				
Public safety	12,551,682	12,548,046	11,371,859	1,176,187
Capital outlay	262,300	262,300	249,096	13,204
Total justice	<u>\$ 12,813,982</u>	<u>\$ 12,810,346</u>	<u>\$ 11,620,955</u>	<u>\$ 1,189,391</u>

**Bonner County, Idaho**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - Road and Bridge Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 4,476,807	\$ 4,476,807	\$ 4,479,708	\$ 2,901
Intergovernmental	2,255,026	2,255,026	2,236,139	(18,887)
Miscellaneous	43,500	43,500	860,390	816,890
Total revenues	<u>6,775,333</u>	<u>6,775,333</u>	<u>7,576,237</u>	<u>800,904</u>
<b>Expenditures:</b>				
Current:				
Road and bridge	6,044,033	6,369,162	5,980,862	388,300
Capital outlay	463,000	463,000	65,786 <sup>1</sup>	397,214
Debt service:				
Principal	275,000	983,800	900,214	83,586
Interest	-	-	38,184	(38,184)
Total expenditures	<u>6,782,033</u>	<u>7,815,962</u>	<u>6,985,046</u>	<u>830,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,700)</u>	<u>(1,040,629)</u>	<u>591,191</u>	<u>1,631,820</u>
<b>Other financing sources (uses):</b>				
Grant transfers	-	-	-	-
Capital leases	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(6,700)	(1,040,629)	591,191	1,631,820
Fund balance, beginning of year	<u>4,006,201</u>	<u>4,006,201</u>	<u>4,006,201</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,999,501</u>	<u>\$ 2,965,572</u>	<u>\$ 4,597,392</u>	<u>\$ 1,631,820</u>

<sup>1</sup> This amount consists of capital outlays, net of the proceeds from the issuance of capital leases, totaling \$1,549,740. These amounts are not included in the budgetary comparison schedule shown above, and are different from the amounts recorded in the fund financial statements as follows:

Total expenditures from above	\$ 6,985,046
Capital outlay for capital leases	1,549,740
Total expenditures, fund financial statements	<u>\$ 8,534,786</u>
Total other financing sources (uses) from above	\$ -
Proceeds from capital leases	1,549,740
Total other financing sources (uses), fund financial statements	<u>\$ 1,549,740</u>

**Bonner County, Idaho**  
**Statement of Revenues and Expenditures - Budget and Actual - Road and Bridge Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Current	\$ 4,400,452	\$ 4,400,452	\$ 4,383,538	\$ (16,914)
Penalties and interest	40,500	40,500	54,522	14,022
REA tax	35,855	35,855	41,648	5,793
Total taxes	<u>4,476,807</u>	<u>4,476,807</u>	<u>4,479,708</u>	<u>2,901</u>
Intergovernmental:				
Highway user revenue	1,600,000	1,600,000	1,541,903	(58,097)
Sales tax base and excess	116,000	116,000	116,000	-
Category 58 replacement revenue	11,026	11,026	11,026	-
State cost sharing - Forest apportionment	528,000	528,000	567,210	39,210
Total intergovernmental	<u>2,255,026</u>	<u>2,255,026</u>	<u>2,236,139</u>	<u>(18,887)</u>
Miscellaneous:				
Miscellaneous	22,000	22,000	20,307	(1,693)
Refunds and reimbursements	21,500	21,500	840,083	818,583
Total miscellaneous	<u>43,500</u>	<u>43,500</u>	<u>860,390</u>	<u>816,890</u>
Total revenues	<u>6,775,333</u>	<u>6,775,333</u>	<u>7,576,237</u>	<u>800,904</u>
<b>Expenditures</b>				
Current:				
Road and bridge				
Salaries	1,817,041	1,817,041	1,623,447	193,594
Benefits	804,392	804,392	654,704	149,688
Other services and charges	3,422,600	3,747,729	3,702,711	45,018
Total current	<u>6,044,033</u>	<u>6,369,162</u>	<u>5,980,862</u>	<u>388,300</u>
Capital outlay	463,000	463,000	65,786	397,214
Debt service:				
Principal	275,000	983,800	900,214	83,586
Interest	-	-	38,184	(38,184)
Total debt service	<u>275,000</u>	<u>983,800</u>	<u>938,398</u>	<u>45,402</u>
Total expenditures	<u>6,782,033</u>	<u>7,815,962</u>	<u>6,985,046</u>	<u>830,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,700)</u>	<u>(1,040,629)</u>	<u>591,191</u>	<u>1,631,820</u>
<b>Other financing sources (uses):</b>				
Grant transfers	-	-	-	-
Capital leases	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (6,700)</u>	<u>\$ (1,040,629)</u>	<u>\$ 591,191</u>	<u>\$ 1,631,820</u>

**Bonner County, Idaho**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - Grants Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental	\$ 12,000,000	\$ 12,000,000	\$ 4,286,082	\$ (7,713,918)
Total revenues	12,000,000	12,000,000	4,286,082	(7,713,918)
<b>Expenditures:</b>				
Current:				
General government	4,718,318	4,718,318	92,746	4,625,572
Public safety	557,812	557,812	543,742	14,070
Road and bridge	4,523,959	4,523,959	3,856,241	667,718
Culture and recreation	-	-	47,468	(47,468)
Total expenditures	9,800,089	9,800,089	4,540,197	5,259,892
Excess (deficiency) of revenues over (under) expenditures	2,199,911	2,199,911	(254,115)	(2,454,026)
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
Grant transfers	-	-	-	-
Equity transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	2,199,911	2,199,911	(254,115)	(2,454,026)
Fund balance, beginning of year	600,928	600,928	600,928	-
Fund balance, end of year	\$ 2,800,839	\$ 2,800,839	\$ 346,813	\$ (2,454,026)

**Bonner County, Idaho**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - Ambulance District**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 2,465,974	\$ 2,465,974	\$ 2,534,022	\$ 68,048
Charges for services	602,381	602,381	610,148	7,767
Interest income	-	-	2,403	2,403
Total revenues	<u>3,068,355</u>	<u>3,068,355</u>	<u>3,146,573</u>	<u>78,218</u>
<b>Expenditures:</b>				
Current:				
Public safety	3,026,867	3,526,867	2,595,826	931,041
Capital outlay	-	-	175,422	(175,422)
Debt service:				
Principal	58,163	58,163	51,974	6,189
Interest	-	-	21,850	(21,850)
Total expenditures	<u>3,085,030</u>	<u>3,585,030</u>	<u>2,845,072</u>	<u>739,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,675)</u>	<u>(516,675)</u>	<u>301,501</u>	<u>818,176</u>
<b>Other financing sources (uses):</b>				
Capital lease financing	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(16,675)</u>	<u>(516,675)</u>	<u>301,501</u>	<u>(818,176)</u>
Fund balance, beginning of year	<u>332,355</u>	<u>332,355</u>	<u>332,355</u>	<u>-</u>
Fund balance, end of year	<u>\$ 315,680</u>	<u>\$ (184,320)</u>	<u>\$ 633,856</u>	<u>\$ 818,176</u>

**Bonner County, Idaho**  
**Statement of Revenues and Expenditures - (Non-GAAP Budgetary Basis) -**  
**Budget and Actual - Solid Waste Enterprise Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Charges for services:				
Commercial disposal	\$ 1,946,000	\$ 1,946,000	\$ 1,893,298	\$ (52,702)
Gate	133,819	133,819	166,641	32,822
Total charges for services	2,079,819	2,079,819	2,059,939	(19,880)
<b>Non-operating revenues:</b>				
Special assessments	2,590,000	2,590,000	2,575,247	(14,753)
Penalties and interest	-	-	33,063	33,063
Miscellaneous	8,500	8,500	1,221	(7,279)
Total revenues	4,678,319	4,678,319	4,669,470	(8,849)
<b>Expenses:</b>				
Salaries	643,465	643,465	660,647	(17,182)
Benefits	356,961	356,961	289,401	67,560
Other services and charges	3,828,258	3,828,258	2,993,057	835,201
Depreciation	-	-	179,107	(179,107)
Total expenses	4,828,684	4,828,684	4,122,212	706,472
Transfers in (out)	102,417	102,417	(85,683)	(188,100)
Excess (deficiency) of revenues over (under) expenditures	\$ (47,948)	\$ (47,948)	\$ 461,575	\$ 509,523

**Bonner County, Idaho**  
**Notes to Budgetary Comparison Schedules**  
**September 30, 2012**

**1. Basis of Presentation**

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting, which is the same basis of accounting used in the governmental funds financial statements.

**2. Expenditures in Excess of Budgeted Amounts**

As disclosed in Note 1 above, the budgetary comparison schedules have been prepared in conformance with the presentation used in the preparation of the governmental funds financial statements. This presentation differs from the account groupings required by Idaho Statutes for Board of County Commissioners budgetary control at the functional level, as described in Note 3 to the Financial Statements. As a result, the budgetary comparison schedules at pages 64 through 77 disclose instances in which actual expenditures exceeded budgeted expenditures. In fact, there were no instances in which actual expenditures exceeded budgeted expenditures at the functional levels required by Idaho Statutes.



## **Compliance Reports**

  
**dm-t**

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

Board of County Commissioners  
Bonner County, Idaho  
Sandpoint, Idaho

We were engaged to audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho (“the County”), as of and for the year ended September 30, 2012, which collectively comprise the County’s basic financial statements and have issued our report thereon dated May 24, 2013.

We were unable to obtain written representations from all members of management sufficient to comply 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. Accordingly, the scope of our audit evidence was not sufficient to enable us to express, and we did not express, an opinion on the financial statements.

**Internal Control over Financial Reporting**

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, which were considered to be, in the aggregate, a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 12-1 and 12-2 to be, in the aggregate, a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 12-1 and 12-2 to be significant deficiencies in internal control over financial reporting.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

*DeCoria, Maichel & Teague, P.S.*

DeCoria, Maichel & Teague, P.S.  
Spokane, Washington

May 24, 2013

  
**dm-t**

decoria • maichel • teague

**Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of County Commissioners  
Bonner County, Idaho  
Sandpoint, Idaho

**Compliance**

We were engaged to audit Bonner County, Idaho's ("the County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management.

Auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government 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*, require that we obtain written representations from management that confirm representations made to us throughout the performance of the audit and complement other auditing procedures performed by us. Management's refusal to furnish written representations constitutes a limitation on the scope of the audit that is sufficient to preclude issuance of an unqualified opinion.

We were unable to obtain written representations from all members of management sufficient to comply with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government 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*. Accordingly, the scope of our audit evidence was not sufficient to enable us to express, and we do not express, an opinion on the County's compliance 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, 2012.

## Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the County's internal control over compliance.

*A deficiency in internal control over compliance* 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, 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*DeCoria, Maichel & Teague, P.S.*

DeCoria, Maichel & Teague, P.S.  
Spokane, Washington

May 24, 2013

**Bonner County, Idaho**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2012**

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Passed Through the Forest Service:</b>			
ARRA Capital Improvement and Maintenance - Road Project	10.687	10RO110182B1028	\$ 2,871,387
Cooperative Forestry Assistance - Westside Watershed	10.664	11SAFP03	<u>170,919</u>
Total U.S. Department of Agriculture			<u>3,042,306</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed Through Idaho Homeland Security Office:</b>			
Boating Safety Financial Assistance	97.012	97.012	58,309
Disaster Grants Cluster:			
Disaster Grants - Public Assistance	97.036	DR1987 PW11	\$ 37,004
Disaster Grants - Public Assistance	97.036	DR1987 PW12	1,080
Disaster Grants - Public Assistance	97.036	DR1987 PW13	136,075
Disaster Grants - Public Assistance	97.036	DR1987 PW14	109,406
Disaster Grants - Public Assistance	97.036	DR1987 PW17	271,512
Disaster Grants - Public Assistance	97.036	DR1987 PW18	194,679
Disaster Grants - Public Assistance	97.036	DR1987 PW28	221,280
Disaster Grants - Public Assistance	97.036	DR1987 PW63	<u>13,818</u>
			984,854
Emergency Management Performance Grant	97.042	2008-GE-T8-0044	<u>16,598</u>
Total U.S. Department of Agriculture			<u>1,059,761</u>
<b>U.S. Department of Justice</b>			
<b>Passed Through the Idaho Department of Corrections:</b>			
Juvenile Justice and Delinquency Prevention	16.540	11-DC-1101	30,000
Mobile Data Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	09BJAGMD	2,431
Disaster Grants - Public Assistance	16.738	10BJAGMD	9,039
Disaster Grants - Public Assistance	16.738	11BJAGMD	<u>65,516</u>
			<u>76,986</u>
Total U.S. Department of Agriculture			<u>106,986</u>
<b>U.S. Department of the Interior</b>			
<b>Passed Through the Bureau of Land Management:</b>			
National Fire Plan - Fire Assistance	15.228	DLA020423	<u>627</u>
Total U.S. Department of Agriculture			<u>627</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 4,209,680</u></u>

*See accompanying Note to Schedule of Expenditures of Federal Awards.*

**Bonner County, Idaho**  
**Note to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2012**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bonner County, Idaho and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Bonner County, Idaho**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2012**

**Section I – Summary of Auditor’s Results:**

*Financial Statements*

The report of independent auditor disclaimed an opinion on the basic financial statements of Bonner County, Idaho.

The audit of the financial statements of Bonner County, Idaho disclosed two significant deficiencies in internal control over financial reporting.

The significant deficiencies in internal control over financial reporting were considered to be, in the aggregate, a material weakness in internal control over financial reporting.

Because the report of independent auditor disclaimed an opinion on the basic financial statements of Bonner County, Idaho, we do not express an opinion or provide any other assurance regarding 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.

*Federal Awards*

The report of independent auditor disclaimed an opinion on compliance for major programs.

The audit identified no material weaknesses for internal control over compliance.

Because the report of independent auditor disclaimed an opinion on the basic financial statements of Bonner County, Idaho, we do not express an opinion or provide any other assurance regarding compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to federal programs.

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.687	Department of Agriculture, Forest Service: ARRA Forest Service Road Project
97.036	Department of Agriculture, FEMA Public Assistance

The dollar threshold used to distinguish type A and B programs was \$300,000.

The auditee qualified as a high-risk auditee.

**Bonner County, Idaho**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended September 30, 2012**

**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 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.
Criteria	An effective system of internal control over financial reporting includes periodically reconciling each general ledger account or financial area, and adjusting the recorded balances, if necessary, in order to ensure that all amounts reported in the financial statements are reported at the correct amounts.
Effect	In connection with performing our audit testing, we noted that the County does not have documented procedures for reconciling capital asset additions and deletions to the amounts reported in the financial statements. The County previously implemented capital asset software which is separate from the County's accounting software.
Cause	The internal auditing department of the County does not have fully formalized, documented procedures for periodically reviewing and reconciling capital asset activity, and does not have capital asset software that integrates with the County's accounting software.
Recommendation	We recommend that the County's management investigate the adequacy of the software module for capital assets that is available from their accounting software vendor. If the software for capital assets is evaluated as adequate for the County's needs, we recommend that the module be acquired and implemented. We also recommend that procedures be implemented to ensure that the amounts reported in the financial statements are supported by the underlying accounting records.
Management's Response	Management has discussed the features and functionality of the software module for capital assets with their accounting software vendor and has determined that it provides the necessary functionality and reporting needed by the County. The County will acquire and implement the software module during the upcoming fiscal year. Additionally, procedures for reconciling capital asset activity will be implemented to ensure the accuracy of amounts reported in the financial statements.

**Bonner County, Idaho**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended September 30, 2012**

**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.
Criteria	An effective system of internal control includes periodically reconciling each general ledger account, and adjusting the recorded balances if necessary.
Effect	In connection with performing our audit testing, we proposed 5 audit adjustments to correct account balances. Statement on Auditing Standards No. 115, <i>Communicating Internal Control Related Matters Identified in an Audit</i> (SAS No. 115), indicates that identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control should at least be regarded as a significant deficiency and should be considered as a strong indicator of a material weakness in internal control.
Cause	The County does not have fully formalized, documented procedures 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 increased 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.

**Bonner County, Idaho**  
**Status of Prior Year Findings and Questioned Costs**  
**Year Ended September 30, 2012**

**Finding 11-1**

Condition            The implementation of GASB 34 several years ago resulted in significantly expanded reporting requirements, and although the County continues to appropriately utilize and report within the fund accounting model, they have not added an additional employee to enable the County to prepare the year-end statements that are required under the reporting model noted above.

Status                This condition no longer exists.

**Finding 11-2**

Condition            The County's September 30, 2010 Government-wide Statement of Net Assets which relied upon improperly correlated accounting methods, incorrectly reported unearned property tax revenues of \$1,824,534, which was overstated by \$1,803,534. The correct amount of unearned revenues as of September 30, 2010 was \$21,000 for hangar leases.

Status                This condition no longer exists.

**Finding 11-3**

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

Status                Finding 11-3 still exists and is reported as finding 12-1.