

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**Audited Financial Statements
For the Year Ended September 30, 2016**

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**Audited Financial Statements
For the Year Ended September 30, 2016**



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Sandpoint, Idaho

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INTRODUCTORY SECTION



BONNER COUNTY, IDAHO

COUNTY AUDITOR'S CERTIFICATE

For the Fiscal Year Ended September 30, 2016

COUNTY OF BONNER
STATE OF IDAHO

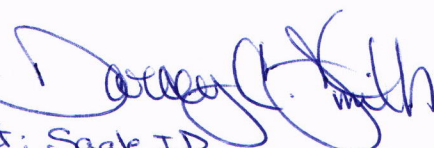
Michael Rosedale, being first duly sworn, deposes and says that he is the County Clerk of Bonner County, Idaho, that to the best of his knowledge the following is a full, true, and correct and complete statement of the financial condition of said county for the year ended September 30, 2016.



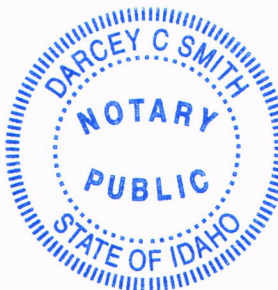
Michael Rosedale
County Clerk

Subscribed and sworn to before me this 18th day of April, 20 17.

Notary Public



residing at: Sagle, ID
My Commission Expires: 11/14/19



Approved by the Board of Commissioners of Bonner County, Idaho in regular session this 18th day of April, 20 17.



Jeff Connolly, Commissioner



Dan McDonald, Commissioner



Glen Bailey, Commissioner

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of September 30, 2016, and the respective changes in financial position and where applicable, cash flows, and the respective budgetary comparison for the General Fund, Justice Fund, Road and Bridge Fund, Airport Fund, and Ambulance District, thereof and for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 and the net pension liability related schedules on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bonner County's basic financial statements. The introductory section, combining and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017 on our consideration of Bonner County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bonner County's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
January 9, 2017

Bonner County, Idaho
Sandpoint, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

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, 2016. We encourage readers to consider the information presented herein in conjunction with additional information that has been furnished in the accompanying *Notes to Financial Statements* which are a part of this audit report. Comparative analysis will be done on key elements of governmental funds and enterprise funds in this MD&A.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements contain information relative only to Bonner County itself and none of the 54 other taxing districts and 5 urban renewal districts housed within its boundaries. They are separate political parts of the State of Idaho and are not considered political-parts of the County.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A detailed explanation of these funds can be found in Note 1 of this report. Bonner County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - This category includes the operations for all departments except for Solid Waste.

Proprietary Funds - The Solid Waste operations are our only Proprietary Fund.

Fiduciary Funds - The Fiduciary Funds are those dollars that we hold in trust for other agencies and taxing districts.

Notes to Financial Statements: For an overview of Bonner County and its operations, one should refer to the *Notes to Financial Statements*, which are an integral part of this report. There, discussion is had concerning the structure of the various offices; how and why our funds are established; when we call for

budgets; how changes to a budget can be made once adopted; information concerning our long-term debt, fixed assets, and leases.

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

Government-wide Financial Analysis

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

Table 1 – summarizes the County's net position for 2016 compared to 2015:

Condensed Statements of Net Position							
	Governmental Activities		Business-type Activities		Total County		Total percentage change
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$55,954,165	\$53,615,510	\$8,577,145	\$9,215,283	\$64,531,310	\$62,830,793	2.7%
Capital assets	41,685,563	42,722,304	3,100,618	2,664,216	44,786,181	45,386,520	-1.3%
Deferred outflows of resources	6,236,751	3,248,790	297,446	149,373	6,534,197	3,398,163	N/A
Total assets and deferred outflows of resources	103,876,479	99,586,604	11,975,209	12,028,872	115,851,688	111,615,476	3.8%
Current and other liabilities	6,042,517	4,781,182	983,122	916,835	7,025,639	5,698,017	23.3%
Noncurrent liabilities	15,119,215	10,788,187	567,753	323,537	15,686,968	11,111,724	41.2%
Deferred inflows of resources	31,008,688	30,662,589	2,765,152	2,748,548	33,773,840	33,411,137	N/A
Total liabilities and deferred inflows of resources	52,170,420	46,231,958	4,316,027	3,988,920	56,486,447	50,220,878	12.5%
Net position							
Net investment in capital assets	38,120,404	38,859,911	3,100,618	2,664,216	41,221,022	41,524,127	-0.7%
Restricted for:							
General gov.	1,940,709	2,769,708	-	-	1,940,709	2,769,708	-29.9%
Public safety	8,954,025	9,015,912	-	-	8,954,025	9,015,912	-0.7%
Road & bridge	3,347,073	3,406,402	-	-	3,347,073	3,406,402	-1.7%
Emergency medical services	1,446,180	1,490,270	-	-	1,446,180	1,490,270	-3.0%
Debt retirement	-	-	664	664	664	664	0.0%

Historical society & rec.	577,520	580,466	-	-	577,520	580,466	-0.5%
Health & welfare	967,691	853,163	-	-	967,691	853,163	13.4%
Weeds	96,731	84,775	-	-	96,731	84,775	14.1%
Road Construction	325,695	410,359	-	-	325,695	410,359	-20.6%
Capital projects	80	235,342	-	193,538	80	428,880	-100.0%
Unrestricted	(4,070,049)	(4,351,662)	4,557,900	5,181,534	487,851	829,872	-41.2%
Total net position	\$51,706,059	\$53,354,646	\$7,659,182	\$8,039,952	\$59,365,241	\$61,394,598	-3.3%

As noted earlier, Bonner County's net position, when reviewed over time, may serve as a useful indicator of Bonner County's financial position. In the case of Bonner County, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$59,365,241 (\$51,706,059 in governmental activities and \$7,659,182 in business-type activities) as of September 30, 2016. By far, the largest portion of the County's net position (69.44%) reflects its net investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (29.7%) represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets (\$487,851) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position for the government as a whole.

Table 2 – shows the changes in net position for 2016 and 2015:

Condensed Statements of Activities							
	Governmental Activities		Business-type Activities		Total County		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues							
Program revenues:							
Charges for services	\$3,976,448	\$3,739,176	\$2,267,168	\$2,225,426	\$6,243,616	\$5,964,602	4.7%
Operating grants & contributions	852,542	244,831	-	-	852,542	244,831	248.2%
Capital grants & contributions	463,526	1,007,818	-	-	463,526	1,007,818	-54.0%
General revenues:							
Property taxes:	26,069,866	26,288,646	-	-	26,069,866	26,288,646	-0.8%
Other taxes	-	-	2,567,750	2,554,461	2,567,750	2,554,461	0.5%

Inter-governmental	7,218,290	6,138,447	-	-	7,218,290	6,138,447	17.6%
Other	1,776,993	3,274,956	153,299	36,964	1,930,292	3,311,920	-41.7%
Total revenues	40,357,665	40,693,874	4,988,217	4,816,851	45,345,882	45,510,725	-0.3%
Expenses							
General government	9,082,658	8,287,506	-	-	9,082,658	8,287,506	9.6%
Public safety	18,639,506	17,487,168	-	-	18,639,506	17,487,168	6.6%
Emergency medical services	2,887,040	2,897,795	-	-	2,887,040	2,897,795	-0.4%
Road & bridge	10,177,712	29,530,253	-	-	10,177,712	29,530,253	-65.5%
Weeds	170,386	168,719	-	-	170,386	168,719	1.0%
Health	251,401	250,970	-	-	251,401	250,970	0.2%
Welfare	161,488	293,158	-	-	161,488	293,158	-44.9%
Junior college	240,119	263,924	-	-	240,119	263,924	-9.0%
Historical society & recreation	611,148	500,269	-	-	611,148	500,269	22.2%
Capital outlay	358,490	287,758	-	-	358,490	287,758	24.6%
Interest on long-term debt	134,400	191,918	-	-	134,400	191,918	-30.0%
Solid waste	-	-	5,368,987	4,534,094	5,368,987	4,534,094	18.4%
Total expenses	42,714,348	60,159,438	5,368,987	4,534,094	48,083,335	64,693,532	-25.7%
Change in net position	\$(2,356,683)	\$(19,465,564)	\$(380,770)	\$282,757	\$(2,737,453)	\$(19,182,807)	85.7%

Governmental Activities

Charges for services were the County's largest program revenue, accounting for 3,976,448 or 9.9% of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

The County's grant revenues from federal, state and local sources made up \$1,316,068 or 3.26% of total governmental revenues.

Property tax revenues account for \$26,069,866 of the \$40,357,665 total revenues for governmental activities or 64.6% of total revenues.

The largest program was Public Safety, accounting for \$18,639,506 and representing 43.64% of total governmental expenses. Road and Bridge accounted for \$10,177,712 of the \$42,714,348 total expenses for governmental activities, or 23.83% of total expenses.

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

Of the total charges for services revenues of \$3,976,448, \$613,455 was received and used to fund the general government expenses of \$9,082,658 of the County. The remaining \$33,631,690 in net governmental activity costs are funded by property taxes, sales taxes, and intergovernmental revenues.

Condensed Statements of Activities						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015	2015-2016	2016	2015	2015-2016
General government	\$9,082,658	\$8,287,506	9.6%	\$8,110,968	\$7,197,629	12.7%
Public safety	18,639,506	17,487,168	6.6%	15,726,905	14,347,183	9.6%
Emergency medical services	2,887,040	2,897,795	-0.4%	2,101,451	2,163,185	-2.9%
Road & bridge	10,177,712	29,530,253	-65.5%	9,568,636	29,508,817	-67.6%
Weeds	170,386	168,719	1.0%	170,386	168,719	1.0%
Health	251,401	250,970	0.2%	251,401	250,970	0.2%
Welfare	161,488	293,158	-44.9%	161,488	293,158	-44.9%
Junior college	240,119	263,924	-9.0%	240,119	263,924	-9.0%
Historical society and recreation	611,148	500,269	22.2%	597,588	494,352	20.9%
Capital outlay	358,490	287,758	24.6%	358,490	287,758	24.6%
Interest on long-term debt	134,400	191,918	-30.0%	134,400	191,918	-30.0%
Total cost	\$42,714,348	\$60,159,438	-29.0%	\$37,421,832	\$55,167,613	-32.2%

Business-Type Activities

The net position for business-type activities decreased by \$380,770 during the year and the major revenue sources were charges for services of \$2,267,168.

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

Proprietary Fund: During fiscal year 2016, actual expenses exceeded revenues by \$380,770 for the Solid Waste fund.

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

The total net capital assets decreased by \$600,339 across all funds, including Solid Waste. This amount represents book value of assets less accumulated depreciation.

Long-Term Debt

Long-term liabilities are the debt incurred by the County. The debt typically has a maturity date that extends beyond a single annual reporting cycle. Additional information on long-term debt can be found in notes 7 and 8 in the basic financial statements.

Please see the tables titled Condensed Statements of Net Position and Expenses and Net Cost of Governmental Activities for further detail regarding these comments. These tables are an integral part of the Managements' Discussion and Analysis report.

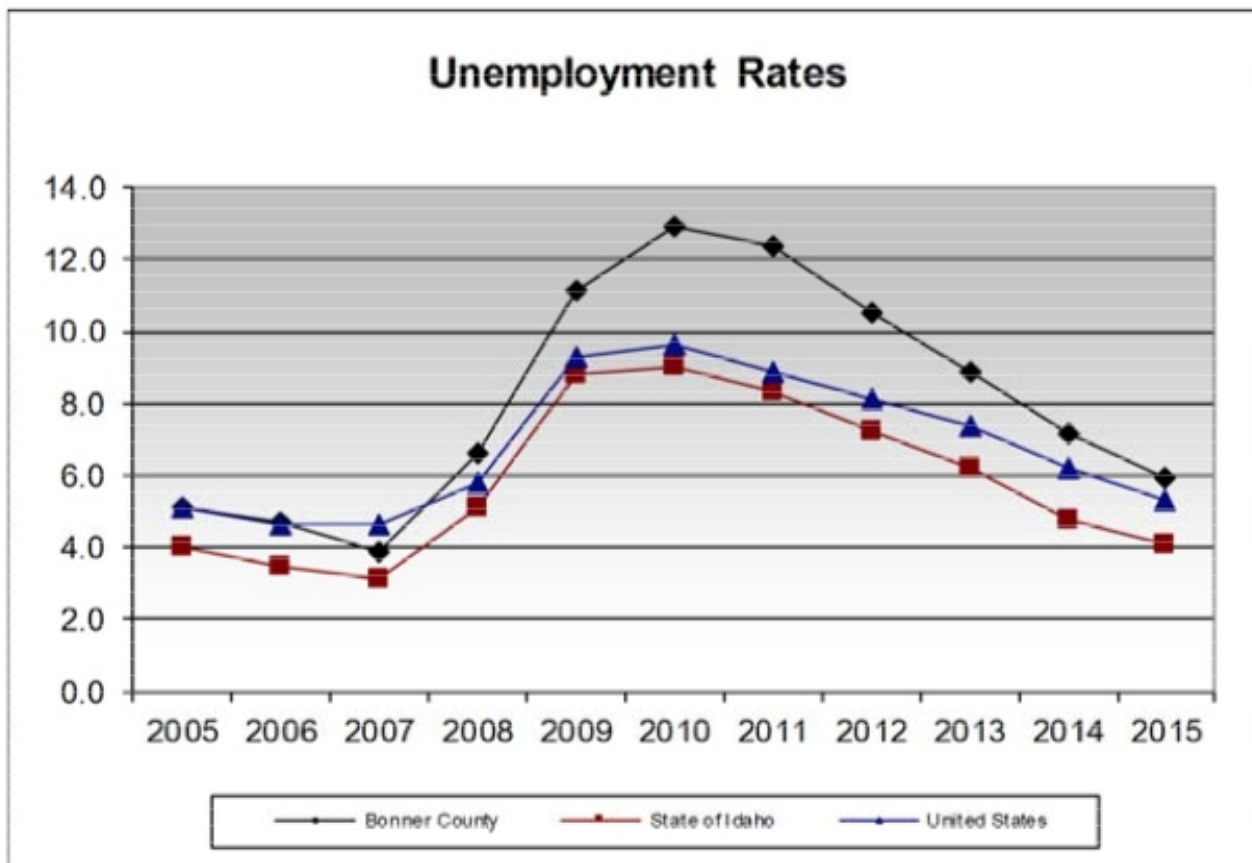
Bonner County has a capital lease debt related to the Administration building in the amount of \$1,516,208.

Budget Variations

Developing a budget is not an exact science. It is the best estimate available at the time of projection of the revenues you anticipate receiving and of the expenses you estimate will be incurred during the next fiscal year. For the fiscal year ended September 30, 2016, there were no funds for which expenditures exceeded appropriations.

Economic and Other Factors Affecting Next Year's Operations

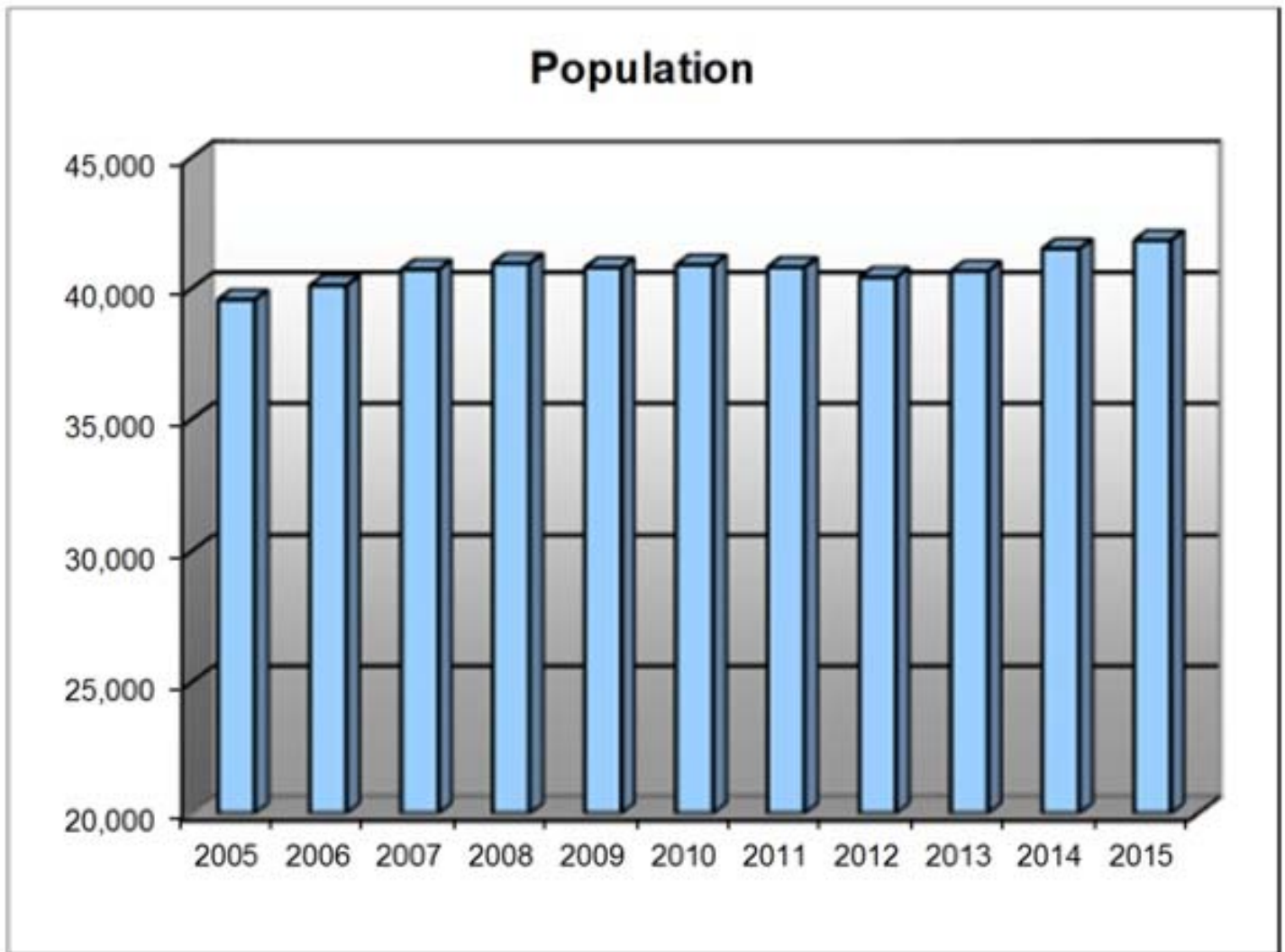
Local Economy: Bonner County has enjoyed considerable success in diversifying and expanding its economy. Manufacturing jobs rose 27 percent from 1,486 in 2000 to 1,880 in 2010 while they fell 26 percent statewide. Per capita income increased from \$33,011 to \$34,890 from 2011 to 2013. Graph below indicates a downward trend in unemployment from 2010. (Charts and Information were collected from the Idaho Department of Labor.)



Population

Bonner County has experienced rapid population growth. Its beauty, recreational opportunities and quality of life attracted thousands of new residents. From 2004 to 2014, however, the County's population grew 7 percent from 38,836 to 41,585 while Idaho's population grew 17 percent and the U.S. population grew 9 percent. The County also has hundreds of summer residents.

Sandpoint, the County seat has a population of 7,760 in 2014. Surrounding populations include 1,136 in Ponderay, 770 in Kootenai and 607 in Dover. The largest city west of Sandpoint, Priest River, has 1,751 residents. Clark Fork with 540 residents is the largest town to the east. (Charts and Information were collected from the Idaho Department of Labor.)



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

County Operations

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

Health Care and Liability Insurance:

Liability insurance costs were maintained with minimal increase through Wells Fargo/Travelers. The premium for FY 2016 was \$516,000.

Medical insurance costs for FY 2016 paid claims totaled \$4,500,262 to paid premiums of \$3,117,868. The County experienced an increase in paid claims from the prior year by 29.5%. There were no changes in carriers for plan benefits. The County elected to change direction in the area of broker coverage and selected Helbling Benefits Consulting as the new broker for the benefits package.

Human Resources (HR)/Risk Management:

While concerted efforts are being made to manage medical premium and claim costs for benefits, the County continues to incorporate a culture of wellness into the workforce. The County has continued to expand the Wellness Program, offering premium reductions for employees who participate in the program and complete biometric screenings. All employees participating in the health plan were able to reduce their costs by participating in the Wellness Program which required employees to complete a health screening, an on-line health assessment, and an exercise program.

FY 2016 saw an increase in labor costs. In 2015 an across the board wage increase was implemented for all employees to keep pace with market wages and competition. Most employees had wages increase by \$.50 per hour. In June of 2016, the County engaged Ameriben Consulting to complete a review of our compensation program using benchmarking and external data. The work will result in better alignment of our positions to the market as well as creating a range system for our exempt staff.

Road & Bridge:

Road and Bridge has one of the largest budgets within County government. The department maintains approximately 700 miles of roads in Bonner County. This includes snow plowing and sanding in the winter, followed by dust abatement, gravel road grading, gravel and pavement repairs in the warmer months.

Equipment leases are staggered in five and seven year terms on the motor graders. The leases cover major maintenance costs and reduce the total annual operating expense. 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.

Planning:

Through FY 2016, the Planning Department continued to see an uptick in the number of building location permits (BLP's) and zoning permits, as the area experienced a modest recovery from the Recession. The department is expected to close out the 2016 calendar year with 752 BLP's, which is a five year high. The numbers reached a low of 472 in 2012 and rose to 637 at the end of calendar year 2013. The continued sale of state cabin lease sites at Priest Lake to the private sector will positively impact permitting numbers as the next tranche of lots come under County jurisdiction.

Silver Wing Development Litigation:

The Silver Wing litigation is winding down with the Federal Court overturning 3 of the 4 claims made against the County. One allegation remains in State Court. Legal costs have continued to drop in 2016 and the County expects a positive outcome with the remaining issue.

Requests for Information

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

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

FINANCIAL STATEMENTS

BONNER COUNTY, IDAHO
Sandpoint, Idaho

STATEMENT OF NET POSITION
September 30, 2016

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and investments	25,084,803	5,643,331	30,728,134
Receivables, net of allowance for uncollectibles:			
Taxes	1,248,299	-	1,248,299
Special assessments	-	133,050	133,050
Unbilled taxes	27,301,137	-	27,301,137
Unbilled special assessments	-	2,598,266	2,598,266
Fees	468	-	468
Interest	10,198	-	10,198
Accounts	277,844	182,422	460,266
Prepaid expenses	139,362	8,314	147,676
Due from other governments	1,892,054	11,098	1,903,152
Restricted assets:			
Cash on deposit with fiscal agent	-	664	664
Total current assets	55,954,165	8,577,145	64,531,310
Noncurrent assets:			
Land	3,685,875	504,716	4,190,591
Construction in progress	1,773,595	397,484	2,171,079
Other capital assets, net of depreciation	36,226,093	2,198,418	38,424,511
Total noncurrent assets	41,685,563	3,100,618	44,786,181
Total assets	97,639,728	11,677,763	109,317,491
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	6,236,751	297,446	6,534,197
LIABILITIES			
Current liabilities:			
Warrants payable	2,483,339	589,984	3,073,323
Vouchers payable	805,087	339,543	1,144,630
Accrued payroll	355,535	47,951	403,486
Accrued retirement payable	34,995	5,644	40,639
Tax anticipation note payable	1,600,000	-	1,600,000
Capital leases payable, due within one year	763,561	-	763,561
Total current liabilities	6,042,517	983,122	7,025,639
Noncurrent liabilities:			
Compensated absences, due after one year	1,063,258	36,985	1,100,243
Capital leases payable, due after one year	2,801,598	-	2,801,598
Net pension liability	11,254,359	530,768	11,785,127
Total noncurrent liabilities	15,119,215	567,753	15,686,968
Total liabilities	21,161,732	1,550,875	22,712,607
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	19,980	-	19,980
Unavailable tax revenue	27,301,137	-	27,301,137
Unbilled special assessment	-	2,598,266	2,598,266
Pension related items	3,687,571	166,886	3,854,457
Total deferred inflows of resources	31,008,688	2,765,152	33,773,840
NET POSITION			
Net investment in capital assets	38,120,404	3,100,618	41,221,022
Restricted for:			
General governmental	1,940,709	-	1,940,709
Public safety	8,954,025	-	8,954,025
Road and bridge	3,347,073	-	3,347,073
Emergency medical services	1,446,180	-	1,446,180
Debt service	-	664	664
Historical society and recreation	577,520	-	577,520
Health and welfare	967,691	-	967,691
Weeds	96,731	-	96,731
Road construction	325,695	-	325,695
Capital projects	80	-	80
Unrestricted	(4,070,049)	4,557,900	487,851
Total net position	\$ 51,706,059	\$ 7,659,182	\$ 59,365,241

BONNER COUNTY, IDAHO
Sandpoint, Idaho

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities:							
General governmental	9,082,658	613,455	-	358,235	(8,110,968)	-	(8,110,968)
Public safety	18,639,506	2,563,844	243,466	105,291	(15,726,905)	-	(15,726,905)
Emergency medical services	2,887,040	785,589	-	-	(2,101,451)	-	(2,101,451)
Road and bridge	10,177,712	-	609,076	-	(9,568,636)	-	(9,568,636)
Weeds	170,386	-	-	-	(170,386)	-	(170,386)
Health	251,401	-	-	-	(251,401)	-	(251,401)
Welfare	161,488	-	-	-	(161,488)	-	(161,488)
Junior college	240,119	-	-	-	(240,119)	-	(240,119)
Historical society and recreation	611,148	13,560	-	-	(597,588)	-	(597,588)
Capital outlay	358,490	-	-	-	(358,490)	-	(358,490)
Interest on long-term debt	134,400	-	-	-	(134,400)	-	(134,400)
Total governmental activities	<u>42,714,348</u>	<u>3,976,448</u>	<u>852,542</u>	<u>463,526</u>	<u>(37,421,832)</u>	<u>-</u>	<u>(37,421,832)</u>
Business-type activities:							
Solid waste	5,368,987	2,267,168	-	-	-	(3,101,819)	(3,101,819)
Total business-type activities	<u>5,368,987</u>	<u>2,267,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,101,819)</u>	<u>(3,101,819)</u>
Total primary government	<u>\$ 48,083,335</u>	<u>\$ 6,243,616</u>	<u>\$ 852,542</u>	<u>\$ 463,526</u>	<u>(37,421,832)</u>	<u>(3,101,819)</u>	<u>(40,523,651)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					26,069,866	-	26,069,866
Special assessments					-	2,567,750	2,567,750
Intergovernmental revenues					7,218,290	-	7,218,290
Licenses and permits					980,746	-	980,746
Fines					169,206	-	169,206
Gain (loss) on disposal of fixed assets					(174,971)	116,700	(58,271)
Miscellaneous					691,825	36,599	728,424
Interest and investment earnings					110,187	-	110,187
Total general revenue and transfers					<u>35,065,149</u>	<u>2,721,049</u>	<u>37,786,198</u>
Change in net position					(2,356,683)	(380,770)	(2,737,453)
Net position - beginning of year					53,354,646	8,039,952	61,394,598
Prior-period adjustment - capital assets (see note 15)					<u>708,096</u>	<u>-</u>	<u>708,096</u>
Total net position - end of year					<u>\$ 51,706,059</u>	<u>\$ 7,659,182</u>	<u>\$ 59,365,241</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

**GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2016**

	General	Justice	Road and Bridge	Airport	Ambulance District	Nonmajor Governmental	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Assets							
Cash and investments	6,066,704	7,953,012	2,964,039	295,191	1,697,196	6,108,661	25,084,803
Receivables, net of allowance for uncollectibles:							
Taxes	184,747	521,560	234,550	12,250	110,760	184,432	1,248,299
Unbilled taxes	4,512,885	10,013,519	5,646,768	722,462	2,501,115	3,904,388	27,301,137
Interest	9,944	-	-	-	-	254	10,198
Fees	-	-	-	-	-	468	468
Accounts	2,310	10	55	5,841	211,619	58,009	277,844
Prepaid expenses	19,442	3,300	23,184	300	36,648	56,488	139,362
Due from other governments	287,993	394,363	695,707	81,815	20,000	412,176	1,892,054
Interfund receivable	106,694	22,436	9,900	-	-	44,448	183,478
Total assets	<u>11,190,719</u>	<u>18,908,200</u>	<u>9,574,203</u>	<u>1,117,859</u>	<u>4,577,338</u>	<u>10,769,324</u>	<u>56,137,643</u>
Deferred outflows of resources	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,190,719</u>	<u>\$ 18,908,200</u>	<u>\$ 9,574,203</u>	<u>\$ 1,117,859</u>	<u>\$ 4,577,338</u>	<u>\$ 10,769,324</u>	<u>\$ 56,137,643</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Warrants payable	443,906	626,861	380,844	44,446	448,690	538,592	2,483,339
Vouchers payable	49,420	596,868	8,095	10,364	14,569	125,771	805,087
Accrued payroll	62,704	144,564	35,867	3,248	24,048	85,104	355,535
Retirement payable	6,594	15,202	3,772	342	2,529	6,556	34,995
Tax anticipation note payable	1,600,000	-	-	-	-	-	1,600,000
Interfund payable	-	-	-	-	-	183,478	183,478
Total liabilities	<u>2,162,624</u>	<u>1,383,495</u>	<u>428,578</u>	<u>58,400</u>	<u>489,836</u>	<u>939,501</u>	<u>5,462,434</u>
Deferred inflows of resources							
Deferred revenue	148,036	416,833	184,151	29,820	89,363	146,666	1,014,869
Unavailable tax revenue	4,512,885	10,013,519	5,646,768	722,462	2,501,115	3,904,388	27,301,137
Total deferred inflows of resources	<u>4,660,921</u>	<u>10,430,352</u>	<u>5,830,919</u>	<u>752,282</u>	<u>2,590,478</u>	<u>4,051,054</u>	<u>28,316,006</u>
Fund balance							
Nonspendable	19,442	3,300	23,184	300	36,648	56,488	139,362
Restricted for:							
General governmental	-	-	-	306,877	-	1,735,797	2,042,674
Public safety	-	7,091,053	-	-	-	2,006,536	9,097,589
Road and bridge	-	-	3,291,522	-	-	-	3,291,522
Emergency medical services	-	-	-	-	1,460,376	-	1,460,376
Historical society and recreation	-	-	-	-	-	594,866	594,866
Health and welfare	-	-	-	-	-	960,413	960,413
Weeds	-	-	-	-	-	98,894	98,894
Road construction	-	-	-	-	-	325,695	325,695
Capital projects	-	-	-	-	-	80	80
Unassigned	4,347,732	-	-	-	-	-	4,347,732
Total fund balance	<u>4,367,174</u>	<u>7,094,353</u>	<u>3,314,706</u>	<u>307,177</u>	<u>1,497,024</u>	<u>5,778,769</u>	<u>22,359,203</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 11,190,719</u>	<u>\$ 18,908,200</u>	<u>\$ 9,574,203</u>	<u>\$ 1,117,859</u>	<u>\$ 4,577,338</u>	<u>\$ 10,769,324</u>	<u>\$ 56,137,643</u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2016**

Total fund balances - governmental funds		22,359,203
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
Cost of capital assets	512,783,986	
Accumulated depreciation	<u>(471,098,423)</u>	41,685,563
Assets that are not available to pay for current period expenditures are not considered earned in the governmental funds:		
Property taxes		994,889
Certain pension related items are recorded as deferred outflow or inflow of resources and recognized in future periods for governmental activities (see note 11)		
Deferred outflow of resources		6,236,751
Deferred inflow of resources		<u>(3,687,571)</u>
The tax anticipation note is not due and payable in the current period and, therefore, are not reported in the governmental funds.		
		-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Capital leases payable, due within one year	(763,561)	
Compensated absences, due after one year	(1,063,258)	
Capital leases payable, due after one year	(2,801,598)	
Net pension liability	<u>(11,254,359)</u>	<u>(15,882,776)</u>
Total net position - governmental activities		<u>\$ 51,706,059</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2016

	General	Justice	Road and Bridge	Airport	Ambulance District	Nonmajor Governmental	Total Governmental Funds
REVENUES							
Taxes	4,028,215	11,573,367	4,501,901	256,891	2,465,441	4,014,704	26,840,519
Licenses and permits	503,702	280,421	-	-	-	196,624	980,747
Intergovernmental	1,130,034	1,976,350	3,345,471	118,399	-	1,964,104	8,534,358
Charges for services	612,684	859,929	-	-	785,589	1,717,276	3,975,478
Fines	-	-	-	-	-	169,206	169,206
Interest income	108,799	-	-	-	1,001	752	110,552
Miscellaneous	65,068	192,667	138,565	94,909	16,934	184,651	692,794
Total revenues	<u>6,448,502</u>	<u>14,882,734</u>	<u>7,985,937</u>	<u>470,199</u>	<u>3,268,965</u>	<u>8,247,317</u>	<u>41,303,654</u>
EXPENDITURES							
General governmental	5,289,678	-	-	278,510	-	2,365,668	7,933,856
Public safety	183,164	13,776,516	-	-	-	3,305,459	17,265,139
Emergency medical expenses	-	-	-	-	2,759,149	-	2,759,149
Road and bridge	-	-	6,974,362	-	-	534,664	7,509,026
Weeds	-	-	-	-	-	152,748	152,748
Health	-	-	-	-	-	251,401	251,401
Welfare	-	-	-	-	-	159,459	159,459
Junior college	-	-	-	-	-	240,119	240,119
Historical society and recreation	-	-	-	-	-	561,276	561,276
Capital outlay	608,546	832,894	973,078	376,959	372,627	584,920	3,749,024
Debt service:							
Principal	96,117	43,121	131,189	-	57,345	3,360	331,132
Interest	78,009	36	54,796	-	1,559	-	134,400
Total expenditures	<u>6,255,514</u>	<u>14,652,567</u>	<u>8,133,425</u>	<u>655,469</u>	<u>3,190,680</u>	<u>8,159,074</u>	<u>41,046,729</u>
Excess (deficiency) of revenues over/under expenditures	<u>192,988</u>	<u>230,167</u>	<u>(147,488)</u>	<u>(185,270)</u>	<u>78,285</u>	<u>88,243</u>	<u>256,925</u>
Other financing sources (uses):							
Operating transfers in (out)	(112,638)	-	-	112,642	-	(4)	-
Capital lease financing	33,898	-	-	-	-	-	33,898
Net increase in the fair value of investments	(365)	-	-	-	-	-	(365)
Total other financing sources (uses)	<u>(79,105)</u>	<u>-</u>	<u>-</u>	<u>112,642</u>	<u>-</u>	<u>(4)</u>	<u>33,533</u>
Net change in fund balance	113,883	230,167	(147,488)	(72,628)	78,285	88,239	290,458
Fund balances, beginning of year	<u>4,253,291</u>	<u>6,864,186</u>	<u>3,462,194</u>	<u>379,805</u>	<u>1,418,739</u>	<u>5,690,530</u>	<u>22,068,745</u>
Fund balances, end of year	<u>\$ 4,367,174</u>	<u>\$ 7,094,353</u>	<u>\$ 3,314,706</u>	<u>\$ 307,177</u>	<u>\$ 1,497,024</u>	<u>\$ 5,778,769</u>	<u>\$ 22,359,203</u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016**

Net change in fund balances - governmental funds 290,458

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities:

Capital outlays	3,390,534	
Depreciation expense	<u>(4,960,400)</u>	(1,569,866)

Some property taxes will not be collected for several months after the County's fiscal year end and are not considered as "available" revenues in the governmental funds. Instead they are recorded as deferred revenues. They are however, recorded as revenues in the Statement of Activities. (770,653)

In the Statement of Activities, a gain on the disposal of an asset is recognized, whereas, in the governmental funds assets are not capitalized. Therefore, upon the disposal of an asset, no gain is recognized. (174,971)

Proceeds from the issuance of long-term debt are recorded as revenues for governmental funds, but the issuance increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

Capital lease proceeds	(33,898)	
Capital lease principal payments	<u>331,132</u>	297,234

Net pension liability adjustments:

Fiscal year 2015 employer PERSI contributions recognized as pension expense in the current year.	(406,910)	
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Fiscal year 2016 employer PERSI contributions deferred to subsequent year.	511,054	
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Pension related amortization expense.	<u>(499,263)</u>	(395,119)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount by which compensated absences incurred exceeded the amount paid during the year. (33,766)

Total change in net position of governmental activities	<u><u>\$ (2,356,683)</u></u>
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BONNER COUNTY, IDAHO

Sandpoint, Idaho

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2016

			Variances		
			Favorable (Unfavorable)		
	Original Budget	Amended Budget	Original to Actual	Amended to Actual	
Revenues					
Taxes	4,000,886	4,000,886	4,028,215	27,329	27,329
Licenses and permits	512,115	512,115	503,702	(8,413)	(8,413)
Intergovernmental	969,197	969,197	1,130,034	160,837	160,837
Charges for services	492,300	492,300	612,684	120,384	120,384
Interest income	80,830	80,830	108,799	27,969	27,969
Miscellaneous	31,873	31,873	65,068	33,195	33,195
Total revenues	<u>6,087,201</u>	<u>6,087,201</u>	<u>6,448,502</u>	<u>361,301</u>	<u>361,301</u>
Expenditures					
General governmental	6,184,047	6,043,458	5,289,678	894,369	753,780
Public safety	183,895	192,718	183,164	731	9,554
Capital outlay	1,119,668	1,836,668	608,546	511,122	1,228,122
Debt service:					
Principal	-	-	96,117	(96,117)	(96,117)
Interest	-	-	78,009	(78,009)	(78,009)
Total expenditures	<u>7,487,610</u>	<u>8,072,844</u>	<u>6,255,514</u>	<u>1,232,096</u>	<u>1,817,330</u>
Excess (deficiency) of revenues over/under expenditures	<u>(1,400,409)</u>	<u>(1,985,643)</u>	<u>192,988</u>	<u>1,593,397</u>	<u>2,178,631</u>
Other financing sources:					
Capital lease financing	-	-	33,898	33,898	33,898
Operating transfers out	-	-	(112,638)	(112,638)	(112,638)
Net decrease in the fair value of investments	-	-	(365)	(365)	(365)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(79,105)</u>	<u>(79,105)</u>	<u>(79,105)</u>
Net change in fund balance	<u>\$ (1,400,409)</u>	<u>\$ (1,985,643)</u>	<u>113,883</u>	<u>\$ 1,514,292</u>	<u>\$ 2,099,526</u>
Fund balance, beginning of year			<u>4,253,291</u>		
Fund balance, end of year			<u>\$ 4,367,174</u>		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

JUSTICE FUND**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended September 30, 2016

	Original Budget	Amended Budget	Actual	Variances Favorable (Unfavorable)	
				Original to Actual	Amended to Actual
Revenues					
Taxes	11,526,413	11,526,413	11,573,367	46,954	46,954
Licenses and permits	272,000	272,000	280,421	8,421	8,421
Intergovernmental	1,618,343	1,618,343	1,976,350	358,007	358,007
Charges for services	600,515	600,515	859,929	259,414	259,414
Miscellaneous	136,500	136,500	192,667	56,167	56,167
Total revenues	<u>14,153,771</u>	<u>14,153,771</u>	<u>14,882,734</u>	<u>728,963</u>	<u>728,963</u>
Expenditures					
Public safety	14,754,818	14,721,272	13,776,516	978,302	944,756
Capital outlay	1,039,187	1,639,709	832,894	206,293	806,815
Debt service:					
Principal	57,184	57,184	43,121	14,063	14,063
Interest	-	-	36	(36)	(36)
Total expenditures	<u>15,851,189</u>	<u>16,418,165</u>	<u>14,652,567</u>	<u>1,198,622</u>	<u>1,765,598</u>
Net change in fund balance	<u>\$ (1,697,418)</u>	<u>\$ (2,264,394)</u>	230,167	<u>\$ 1,927,585</u>	<u>\$ 2,494,561</u>
Fund balance, beginning of year			<u>6,864,186</u>		
Fund balance, end of year			<u>\$ 7,094,353</u>		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Amended Budget	Actual	Variances	
				Favorable (Unfavorable) Original to Actual	Amended to Actual
Revenues					
Taxes	4,570,678	4,570,678	4,501,901	(68,777)	(68,777)
Intergovernmental	2,151,026	2,151,026	3,345,471	1,194,445	1,194,445
Miscellaneous	45,500	45,500	138,565	93,065	93,065
Total revenues	<u>6,767,204</u>	<u>6,767,204</u>	<u>7,985,937</u>	<u>1,218,733</u>	<u>1,218,733</u>
Expenditures					
Road and bridge	7,567,404	8,241,113	6,974,362	593,042	1,266,751
Capital outlay	1,246,800	1,542,365	973,078	273,722	569,287
Debt service:					
Principal	186,000	186,000	131,189	54,811	54,811
Interest	-	-	54,796	(54,796)	(54,796)
Total expenditures	<u>9,000,204</u>	<u>9,969,478</u>	<u>8,133,425</u>	<u>866,779</u>	<u>1,836,053</u>
Net change in fund balance	<u>\$ (2,233,000)</u>	<u>\$ (3,202,274)</u>	(147,488)	<u>\$ 2,085,512</u>	<u>\$ 3,054,786</u>
Fund balance, beginning of year			<u>3,462,194</u>		
Fund balance, end of year			<u>\$ 3,314,706</u>		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

AIRPORT FUND**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended September 30, 2016

			Variances		
	Original	Amended		Favorable (Unfavorable)	
	Budget	Budget	Actual	Original to	Amended to
				Actual	Actual
Revenues					
Taxes	255,146	255,146	256,891	1,745	1,745
Intergovernmental	221,416	221,416	118,399	(103,017)	(103,017)
Miscellaneous	113,730	113,730	94,909	(18,821)	(18,821)
Total revenues	590,292	590,292	470,199	(120,093)	(120,093)
Expenditures					
General governmental	515,292	644,810	278,510	236,782	366,300
Capital outlay	75,000	134,000	376,959	(301,959)	(242,959)
Total expenditures	590,292	778,810	655,469	(65,177)	123,341
Excess (deficiency) of revenues over/under expenditures	-	(188,518)	(185,270)	(185,270)	3,248
Other financing sources:					
Operating transfers in	-	-	112,642	112,642	112,642
Net change in fund balance	\$ -	\$ (188,518)	\$ (72,628)	\$ (72,628)	\$ 115,890
Fund balance, beginning of year			379,805		
Fund balance, end of year			\$ 307,177		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

AMBULANCE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Amended Budget	Actual	Variances	
				Favorable (Unfavorable) Original to Actual	Amended to Actual
Revenues					
Taxes	2,360,415	2,360,415	2,465,441	105,026	105,026
Charges for services	700,000	700,000	785,589	85,589	85,589
Interest income	-	-	1,001	1,001	1,001
Miscellaneous	19,745	19,745	16,934	(2,811)	(2,811)
Total revenues	<u>3,080,160</u>	<u>3,080,160</u>	<u>3,268,965</u>	<u>188,805</u>	<u>188,805</u>
Expenditures					
Emergency medical expenses	3,041,854	3,041,854	2,759,149	282,705	282,705
Capital outlay	132,000	467,104	372,627	(240,627)	94,477
Debt service:					
Principal	80,085	80,085	57,345	22,740	22,740
Interest	-	-	1,559	(1,559)	(1,559)
Total expenditures	<u>3,253,939</u>	<u>3,589,043</u>	<u>3,190,680</u>	<u>63,259</u>	<u>398,363</u>
Net change in fund balance	<u>\$ (173,779)</u>	<u>\$ (508,883)</u>	78,285	<u>\$ 252,064</u>	<u>\$ 587,168</u>
Fund balance, beginning of year			<u>1,418,739</u>		
Fund balance, end of year			<u>\$ 1,497,024</u>		

BONNER COUNTY, IDAHO
Sandpoint, Idaho

SOLID WASTE FUND
STATEMENT OF NET POSITION
September 30, 2016

ASSETS

Current assets:		
Cash and investments	5,643,331	
Receivables, net of allowance for uncollectibles:		
Special assessment	133,050	
Unbilled special assessments	2,598,266	
Accounts	182,422	
Due from other governments	11,098	
Prepaid expenses	8,314	
Restricted assets:		
Cash on deposit with fiscal agent	664	
Total current assets		8,577,145
Noncurrent assets:		
Land	504,716	
Construction in progress	397,484	
Other capital assets, net of depreciation	2,198,418	
Total noncurrent assets		3,100,618
Total assets		11,677,763

DEFERRED OUTFLOW OF RESOURCES

Pension related items		297,446
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LIABILITIES

Current liabilities:		
Warrants payable	589,984	
Vouchers payable	339,543	
Accrued payroll	47,951	
Retirement payable	5,644	
Total current liabilities		983,122
Noncurrent liabilities:		
Compensated absences, due after one year	36,985	
Net pension liability	530,768	
Total noncurrent liabilities		567,753
Total liabilities		1,550,875

DEFERRED INFLOW OF RESOURCES

Unbilled special assessment revenue	2,598,266	
Pension related items	166,886	
Total deferred inflow of resources		2,765,152

NET POSITION

Net investment in capital assets	3,100,618	
Restricted for:		
Debt service	664	
Unrestricted	4,557,900	
Total net position		\$ 7,659,182

BONNER COUNTY, IDAHO
Sandpoint, Idaho

SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2016

OPERATING REVENUES

Charges for services		<u>2,267,168</u>
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OPERATING EXPENSES

Salaries	862,802	
Benefits	336,869	
Other services and charges	3,849,718	
Depreciation	<u>319,598</u>	
Total operating expenses		<u>5,368,987</u>
Operating loss		(3,101,819)

NON-OPERATING REVENUES

Special assessments	2,567,750	
Gain on disposal of fixed assets	116,700	
Miscellaneous	<u>36,599</u>	
Total non-operating revenues		<u>2,721,049</u>
Change in net position		(380,770)
Net position, beginning of year		<u>8,039,952</u>
Net position, end of year		<u><u>\$ 7,659,182</u></u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**SOLID WASTE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2016**

Cash flows from operating activities:

Cash received from customers	2,521,456	
Cash paid to suppliers	(3,755,305)	
Cash paid for salaries and benefits	(1,173,265)	
Net cash used in operating activities		(2,407,114)

Cash flows from investing activities:

-

Cash flows from capital financing and related financing activities:

Gain on disposal of asset	116,700	
Acquisition of capital assets	(756,000)	
Net cash used in capital financing activities		(639,300)

Cash flows from non-capital financing activities:

Special assessments	2,567,750	
Miscellaneous receipts	36,599	
Net cash provided by non-capital financing activities		2,604,349

Net decrease in cash (442,065)

Cash and investments- beginning of year 6,086,060

Cash and investments- end of year \$ 5,643,995

Cash and investments:

Cash and investments	5,643,331	
Restricted assets:		
Cash		-
Cash on deposit with fiscal agent		664
Total cash and investments		<u>\$ 5,643,995</u>

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

Operating loss		(3,101,819)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	319,598	
Change in pension related items:		
Deferred outflow of resources	(148,073)	
Deferred inflow of resources	(41,498)	
Decrease (increase) in assets:		
Receivables	256,032	
Due from other governments	(1,744)	
Prepaid expenses	(113)	
Increase (decrease) in liabilities:		
Warrants payable	(203,806)	
Vouchers payable	298,332	
Accrued payroll	4,996	
Retirement payable	1,766	
Net pension liability	207,700	
Compensated absences	1,515	
Total adjustments		694,705
Net cash used in operating activities		<u>\$ (2,407,114)</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2016

		<u>Agency Funds</u>
ASSETS		
Cash		<u>2,969,482</u>
DEFERRED OUTFLOWS OF RESOURCES		<u>-</u>
LIABILITIES		
Warrants payable	143,646	
Due to other governments	<u>2,825,836</u>	
Total liabilities		<u>2,969,482</u>
DEFERRED INFLOWS OF RESOURCES		<u>-</u>
NET POSITION		<u><u>\$ -</u></u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

NOTE 1 Summary of Significant Accounting Policies

Organization

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

Summary of Significant Accounting Policies

The County's significant accounting policies are described below:

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

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

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

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

Financial reporting is based upon all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and Accounting and Research Bulletins that were issued on or before November 30, 1989, that 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 Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. In general, the effect of the interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separate from business-type activities, which rely to a significant extent on special assessments and charges for services.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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 60 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.

NOTE 1 Summary of Significant Accounting Policies (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 another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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

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

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

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

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

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

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

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.

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

The *Solid Waste Fund* accounts for those operations that meet one of two criteria:

1. The activity runs in a manner similar to private business enterprises and the intent of the governing body is that the ongoing operating costs (including depreciation) of providing goods or services to the public are financed or recovered primarily through user charges; or
2. The governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

c) *Fiduciary Funds* - Accounts 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, 2016, 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

NOTE 1 Summary of Significant Accounting Policies (Continued)

for the investment of funds as well as what constitutes an allowable investment. County policy is consistent with the Code.

The Code limits investments to the following general types:

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

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

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

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

Receivables are recorded net of any allowance for uncollectible amounts. The allowance for uncollectible amounts is \$94,608 at September 30, 2016.

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

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

taxes are due in full on or before March 15 of the following year. The County bills and collects its own property taxes and also collects taxes for all other taxing districts within its boundaries.

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

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

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

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

Capital assets 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

Unavailable Tax Revenue - Unavailable tax revenue represent the property taxes levied for 2016 that is measurable but unavailable to the County, and therefore recorded as a deferred inflow of resources in both the governmental fund and the government-wide financial statements.

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:

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

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

At September 30, 2016, total compensated absences payable by the County is \$1,100,243. Of this amount, \$1,063,258 arises from governmental activity operations and \$36,985 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 the Statement of Net Position.

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

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

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

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

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

Ambulance District is designated to the emergency medical services fund.

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

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

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

Weeds is designated to the weed fund.

Road Construction is designated to the special highway fund.

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

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

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54, which became effective for fiscal years beginning after June 15, 2010, requires the fund balance amounts to be properly reported within one of the following fund balance classifications:

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

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

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

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

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

NOTE 2 Stewardship, Compliance, and Accountability

Budgetary Information

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

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

During the fiscal year, only the Board of County Commissioners may amend the annual appropriated budget by resolution, through the courts or by the budget hearing process. The

NOTE 2 Stewardship, Compliance, and Accountability (Continued)

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 proprietary funds are adopted on a non-GAAP basis. Budgeted amounts are as amended during the fiscal year ended September 30, 2016.

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, 2016, there were no funds for which expenditures exceeded appropriations.

NOTE 3 Cash and Investments

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

Through an "Automatic Commercial Investment Sweep and Daily Repurchase Agreement" dated in December 2012 with Columbia Bank, and a "Master Repurchase Agreement" dated in June 2015 with Mountain West Bank, the County invests idle cash in repurchase agreements that are not insured by the FDIC. However, the repurchase agreements are fully collateralized with an undivided, fractional interest in obligations of, or obligations that are fully guaranteed by, the United States Government, its agencies, or instrumentalities. Title to the securities is vested in the bank. The bank repurchases the undivided, fractional interest from the County on the next banking day.

NOTE 3 Cash and Investments (Continued)

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

Concentration of Credit Risk - The County's investment policy currently limits the balance of investments with a single issuer to 50% of the County's total funds. As of September 30, 2016, the following issuers hold more than 5% of the County's total portfolio: State of Idaho Investment Pool- 30%, Columbia Bank - 40%, Wells Fargo - 12%, Mountain West Bank - 9% and Multi-Bank Securities, Inc. - 7%.

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, 2016, the County's deposits in FDIC insured financial institutions did not exceed the FDIC insured limit of \$250,000 for time deposits in an in-state bank. On-demand accounts at Columbia Bank exceed the FDIC insurance limit of \$250,000 by \$381,169, with a total of \$631,169 deposited.

Custodial Credit Risk – Investments - This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The County is exposed to custodial credit risk because it has repurchase agreement investments of \$12,863,334 that are uninsured, unregistered, and held by Columbia Bank, and \$2,957,271 that are uninsured, unregistered, and held by Mountain West Bank. Columbia Bank and Mountain West Bank are the counterparties for the repurchase agreements. However, this risk is mitigated, because the repurchase agreements are fully collateralized by U.S. Government securities, with the collateral held in trust by the Federal Home Loan Bank in Columbia Bank and Mountain West Bank's names with market values of \$14,331,581 as of September 30, 2016. The Federal Home Loan Bank is an independent safekeeping agent unaffiliated with Columbia Bank and Mountain West Bank.

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

NOTE 3 Cash and Investments (Continued)

<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>
Columbia Bank							
Repurchase agreements							
Treasurer's account	11,166,138	-	-	-	11,166,138	11,166,138	33.12%
Ambulance account	1,497,196	-	-	-	1,497,196	1,497,196	4.44%
Checking accounts							
Ambulance checking	200,000	-	-	-	200,000	200,000	0.59%
General checking	140,000	-	-	-	140,000	140,000	0.42%
Prosecutor trust accounts	36,467	-	-	-	36,467	36,467	0.11%
Sheriff detention fund	127,339	-	-	-	127,339	127,339	0.38%
Fair association	109,548	-	-	-	109,548	109,548	0.33%
Drug Restitution	205,116	-	-	-	205,116	205,116	0.61%
Other	986	-	-	-	986	986	0.00%
Wells Fargo							
Money market	4,015,484	-	-	-	4,015,484	4,015,484	11.91%
Mountain West Bank							
Repurchase agreements	2,957,271	-	-	-	2,957,271	2,957,271	8.77%
Checking account	50,000	-	-	-	50,000	50,000	0.15%
Certificate of deposit	-	-	107,811	-	107,811	107,811	0.32%
Fair association	84,111	-	-	-	84,111	84,111	0.25%
Nationwide Retirement Solutions	286,284	-	-	-	286,284	286,284	0.85%
American West Bank							
Certificate of deposit	-	-	241,627	-	241,627	241,627	0.72%
State of Idaho							
Local government							
investment pool	-	9,975,296	-	-	9,975,296	9,975,296	29.60%
Multi-Bank Securities, Inc.	-	-	-	2,489,086	2,489,086	2,496,225	7.41%
Cash on hand	8,520	-	-	-	8,520	8,520	0.03%
Total Cash and investments	<u>\$ 20,884,460</u>	<u>\$ 9,975,296</u>	<u>\$ 349,438</u>	<u>\$ 2,489,086</u>	<u>\$ 33,698,280</u>	<u>\$ 33,705,419</u>	<u>100.00%</u>

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

Cash on hand	8,520
Bank deposits	711,984
Carrying value of investments	<u>32,977,776</u>
Total cash and investments	<u>\$33,698,280</u>

NOTE 4 Due From Other Governments

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

NOTE 5 Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

Governmental activities:

	Balance September 30, 2015	Additions	Transfers/ Adjustments	Disposals	Balance September 30, 2016
Capital assets, depreciated:					
Infrastructure	459,963,520	118,823	7,948	(3,230)	460,087,061
Building and improvements	20,190,074	455,526	1,422,674	(27,972)	22,040,302
Machinery and equipment	27,305,062	1,532,416	282,069	(3,922,394)	25,197,153
Accumulated depreciation	(469,892,075)	(4,960,400)	(24,573)	3,778,625	(471,098,423)
Net capital assets, depreciated	37,566,581	(2,853,635)	1,688,118	(174,971)	36,226,093
Capital assets, not depreciated					
Land	3,587,115	98,760	-	-	3,685,875
Construction in progress	1,568,608	1,185,009	(980,022)	-	1,773,595
Total capital assets, not depreciated	5,155,723	1,283,769	(980,022)	-	5,459,470
Total capital assets, net	\$ 42,722,304	\$ (1,569,866)	\$ 708,096	\$ (174,971)	\$ 41,685,563

During 2016, depreciation expense was charged to functions as follows:

General government	985,669
Public safety	1,193,225
Emergency Medical services	94,251
Road and bridge	2,628,625
Weeds	14,312
Health and welfare	1,745
Historical society and recreation	42,573
Total governmental activities depreciation expense	<u>\$4,960,400</u>

Business-type activities:

	Balance September 30, 2015	Additions	Transfers/ Adjustments	Disposals	Balance September 30, 2016
Capital assets, depreciated:					
Buildings and improvements	885,477	18,449	-	-	903,926
Other improvements	1,930,963	42,443	561,328	-	2,534,734
Machinery and equipment	1,681,025	321,275	(154,573)	(446,572)	1,401,155
Total capital assets, depreciated	4,497,465	382,167	406,755	(446,572)	4,839,815

NOTE 5 Capital Assets (Continued)

Less: accumulated depreciation					
Buildings and improvements	(420,357)	(23,844)	-	-	(444,201)
Other improvements	(969,875)	(205,941)	-	-	(1,175,816)
Machinery and equipment	(1,532,712)	(89,813)	154,573	446,572	(1,021,380)
Total accumulated depreciation	<u>(2,922,944)</u>	<u>(319,598)</u>	<u>154,573</u>	<u>446,572</u>	<u>(2,641,397)</u>
Net capital assets, depreciated	<u>1,574,521</u>	<u>62,569</u>	<u>561,328</u>	<u>-</u>	<u>2,198,418</u>
Capital assets, not depreciated					
Land	504,716	-	-	-	504,716
Construction in progress	584,979	373,833	(561,328)	-	397,484
Total capital assets, not depreciated	<u>1,089,695</u>	<u>373,833</u>	<u>(561,328)</u>	<u>-</u>	<u>902,200</u>
Total capital assets, net	<u>\$ 2,664,216</u>	<u>\$ 436,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,100,618</u>

During 2016, \$319,598 depreciation expense was charged to Solid Waste.

NOTE 6 Deferred Revenue

The County's deferred revenue is comprised of three amounts; deferred tax revenue, deferred revenue and unearned revenue as more fully explained below.

Deferred Tax revenue - The County's property tax is levied each October on the value listed as of the prior January 1 for all real property located in the County. A revaluation of all property is required to be completed no less than every five years. The market value at January 1, 2015, upon which the 2015 levy was based, was \$6,025,350,636 for the County and Ambulance District and was \$4,532,212,653 for Road and Bridge fund.

Various sections of the Idaho Code limit the amount that may be levied for general and special purpose funds. The 2015 levy was 0.3295512% of market value for the County, 0.0403359% for Ambulance District, and 0.00988755% for Road and Bridge fund.

Taxes are due in two equal installments on December 20th and June 20th of the next year following the levy date. Interest and penalty charges begin on the day following the installment due date. The total 2015 tax levy was \$26,881,960, of which 97.26% was collected and \$735,963 remains unpaid as of September 30, 2016.

Property taxes levied for 2015 and prior years and uncollected as of September 30, 2016 are shown as taxes receivable. To the extent that they are not collected by the County by November 30, 2016, a deferred revenue account in that amount is established in the governmental funds.

NOTE 6 Deferred Revenue (Continued)

Total taxes receivable as of September 30, 2016	1,248,299
Less: Taxes collected by November 30, 2016	<u>(253,410)</u>
Total deferred tax revenue	<u><u>\$ 994,889</u></u>

In accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the County has recognized the 2016 property tax levy as a receivable. This levy is an enforceable legal claim created during the fiscal year. The 2016 property tax levy funds are considered unavailable as of September 30, 2016. The total property tax levy for 2016 of \$27,301,137 is considered unavailable at September 30, 2016 and is recorded as a deferred inflow of resources.

Deferred revenue – Certain revenues have been accrued and were uncollected at year-end. To the extent that they were not collected by the County by November 30, 2016, a deferred revenue account in that amount is established in the governmental funds.

Prepaid airport hangar rent	19,980
Total unearned revenue	<u><u>\$ 19,980</u></u>

NOTE 7 Leases

Operating Leases

Ambulance District - On July 20, 2010, the County entered into an agreement to lease a building for office space. The County leases the building on an annual renewal which expires September 30th of each year. For the current year, the payments were \$5,319 per month. Total payments made for the year ended September 30, 2016 were \$63,823.

Ambulance District - On June 1, 2015, the County entered into an agreement to lease a building for EMS housing in Sagle, Idaho for a period of fifteen months, renewable on a month-to-month basis after August 31, 2016. For the current year, the payments were \$450 per month. Total payments made for the year ended September 30, 2016 were \$5,400.

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 leases the building on a month-to-month basis. Total payments made for the year ended September 30, 2016, were \$1,500.

Department of Motor Vehicles - On October 1, 2012, the County entered into an agreement to lease a portion of Bonner Mall for office space for a period of 15 years, renewable annually. For the current year, the payments were \$1,094 per month. Total payments made during the year ended September 30, 2016, were \$13,123.

NOTE 7 Leases (Continued)

Waterways - The County leases access to the Hope boat launch for sportsman access on an annual renewal expiring September 30th of each year. Total payments made for the year ended September 30, 2016, were \$650.

Waterways - The County leases a winter boat slip at Garfield Shores on a month-to-month basis. Total payments made for the year ended September 30, 2016, were \$1,000.

Waterways - The County leases a boat slip for the Sheriffs boat on a month-to-month basis. Total payments made for the year ended September 30, 2016, were \$300.

Airport Directors Office - The County leases an office space from Granite Aviation which expires February 14, 2017. Total payments made for the year ended September 30, 2016, were \$2,250.

Annual required payments are as follows:

2017	17,701
2018	13,882
2019	14,266
2020	14,266
2021	15,040
Thereafter	<u>100,461</u>
Total	<u>\$175,616</u>

Capital Leases

The County has entered into various leases to purchase equipment and buildings. These lease agreements qualify as capital leases for accounting purposes and are recorded in the capital assets of the County. The original cost of the leased assets is \$6,240,643. The leases are collateralized by the assets. Future minimum annual lease payments under capital leases at September 30, 2016 are as follows:

Year Ending September, 30	Revaluation	Road and Bridge	Bonner County Administration	Calvary Building	Ambulance	Justice Department	Technology Department	Total
2017	840	687,380	170,168	-	22,439	-	8,148	888,975
2018	-	298,500	170,168	-	20,569	-	8,148	497,385
2019	-	1,065,000	170,168	-	-	-	679	1,235,847
2020	-	-	168,062	-	-	-	-	168,062
2021	-	-	163,480	-	-	-	-	163,480
Thereafter	-	-	1,079,828	-	-	-	-	1,079,828
Total minimum lease payments	840	2,050,880	1,921,874	-	43,008	-	16,975	4,033,577
Less: amounts representing interest	-	(113,047)	(353,923)	-	(947)	-	(501)	(468,418)
Present Value of minimum Lease Payments	840	1,937,833	1,567,951	-	42,061	-	16,474	3,565,159
Less: amounts due within one year	(840)	(636,178)	(97,035)	-	(21,719)	-	(7,788)	(763,561)
Amounts due after one year	\$ -	\$ 1,301,655	\$ 1,470,916	\$ -	\$ 20,342	\$ -	\$ 8,686	\$ 2,801,598
Current Year Interest Payment	\$ -	\$ 54,796	\$ 77,433	\$ -	\$ 1,559	\$ 36	\$ 574	\$ 134,398
Current Year Principal Payment	\$ 3,360	\$ 131,189	\$ 88,543	\$ -	\$ 57,345	\$ 43,121	\$ 7,574	\$ 331,132

NOTE 8 Long-Term Obligations

A summary of changes in long-term liabilities of the County for the year ended September 30, 2016 is as follows:

	Long-Term Liabilities September 30, 2015	Current Year Activity	Long-term Liabilities September 30, 2016	Due Within One Year
<u>Governmental activities:</u>				
Note payable	-	1,600,000	1,600,000	1,600,000
Capital leases payable	3,862,393	(297,234)	3,565,159	763,561
Compensated absences	1,029,492	33,766	1,063,258	-
Total governmental activities	<u>\$ 4,891,885</u>	<u>\$ 1,336,532</u>	<u>\$ 6,228,417</u>	<u>\$ 2,363,561</u>
<u>Business-type activities:</u>				
Compensated absences	35,470	1,515	36,985	-
Total business-type activities	<u>\$ 35,470</u>	<u>\$ 1,515</u>	<u>\$ 36,985</u>	<u>\$ -</u>

Interest expense recorded associated with capital leases payable totaled \$134,398 for the year ended September 30, 2016.

NOTE 9 Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of September 30, 2016 was as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	106,694	-
Justice Fund	22,436	-
Road and Bridge Fund	9,900	-
Parks and Recreation Fund	44,448	-
Grants Fund	-	183,478
	<u>\$ 183,478</u>	<u>\$ 183,478</u>

NOTE 9 Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers for the year ended September 30, 2016 are summarized as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	112,638	-
Judgments	4	-
Airport Fund	-	112,642
Total	<u>\$ 112,642</u>	<u>\$ 112,642</u>

NOTE 10 Deferred Compensation Plan

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

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

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

NOTE 11 Defined Benefit Pension Plan

In accordance with GASB 68, *Accounting and Financial Reporting for Pensions*, which became effective for the year ended September 30, 2014, the financial reporting and note disclosures are based off the most recent audited financial statements of PERSI, which was completed for the period ended June 30, 2016. All amounts are as of June 30, 2016 unless otherwise noted.

Plan Description

The County contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various

NOTE 11 Defined Benefit Pension Plan (Continued)

participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of September 30, 2016 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. Bonner County's employer contributions required and paid were \$1,971,023, \$1,804,734, and \$1,691,890, for the years ended September 30, 2016, 2015 and 2014, respectively.

NOTE 11 Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the County reported a liability for its proportionate share of the net pension liability as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the County's proportion was 0.5813633 percent.

The County's pension expense (revenue) is calculated and made available as part of PERSI's annual audit. The pension expense (revenue) for the year ending June 30, 2016 was calculated at \$2,068,997.

At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	1,174,301
Changes in assumptions or other inputs	261,975	-
Net difference between projected and actual earning on pension plan investments	5,736,061	2,680,156
Employer contributions subsequent to the measurement date	<u>536,161</u>	<u>-</u>
Total	<u>\$6,534,197</u>	<u>\$3,854,457</u>

\$536,161 reported as deferred outflow of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

NOTE 11 Defined Benefit Pension Plan (Continued)

<u>For the Year Ending June 30:</u>	<u>Amount to be Recognized</u>
2017	11,977
2018	11,977
2019	1,367,273
2020	752,352

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases including inflation	3.75%
Investment rate of return	7.10% net of investment expenses

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

NOTE 11 Defined Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
	Barclays		
Core Fixed Income	Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.35%
Developed Foreign	MSCI ACWI ex		
Equities *Arithmetic return	USA	15.00%	7.30%
Assumed Inflation Mean			3.25%
Assumed Inflation Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.08%
Portfolio Standard Deviation			12.59
Portfolio Long-Term Expected Geometric Rate of Return			7.50%
Assumed Investment Expenses Long-Term Expected Rate of Return, Net Investment Expenses			.40%
			7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's proportionate share of the net pension liability (asset)	\$23,118,237	\$11,785,127	\$2,360,395

NOTE 11 Defined Benefit Pension Plan (Continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At June 30, 2016, the County reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 12 Contingent Liabilities and Commitments

Grants

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

Lawsuits

There are two types of lawsuits which the county is presently defending. The first type involves insured claims against the County that are both defended and indemnified by the County's insurance carrier. Details involving this type of lawsuit can be obtained by contacting the County risk manager. The second type of lawsuit facing the County involves uninsured claims. Presently the County is defending itself in one uninsured lawsuit as follows: The County is the defendant in a lawsuit in which the plaintiff is seeking compensation from the County for opposing its access on a private residential housing-hangar development. On November 21, 2015 the Federal District Court dismissed three of the four claims in the County's favor and subsequently remanded the fourth claim to the State Court for trial. In November 2016 a jury in the State District Court matter found in favor of Silverwing and awarded \$250,000 in favor of Silvering. The judgement is being appealed by Bonner County. As of the date of the auditor's report, County Legal Counsel has estimated an additional \$100,000 in legal costs to defend the County in this lawsuit on appeal.

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

NOTE 13 Risk Management

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

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

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

Insurance is maintained through Travelers Companies Public Sector Services. Travelers is an insurance group serving private and public entities throughout the United States through provisions of property, general liability, auto liability, physical damage, and public officials' insurance. The County pays an annual premium to Travelers for insurance coverage.

The Travelers 2015-2016 County insurance policy provides the following coverage:

General liability limits of \$1,000,000 each occurrence and aggregate is \$2,000,000; Automobile Liability limits of \$1,000,000 each occurrence;

Law Enforcement liability limits of \$1,000,000 each wrongful act and \$1,000,000 aggregate limit subject to a \$5,000 deductible;

Public Entity Management Liability limits are \$1,000,000 each wrongful act and \$1,000,000 aggregate limit subject to \$10,000 deductible;

Employment Related Practices Liability limits are \$1,000,000 each wrongful act and \$1,000,000 aggregate limit subject to a \$15,000 deductible;

Cyberfirst Liability limits are \$1,000,000 each wrongful act and \$1,000,000 aggregate limit subject to a \$10,000 deductible applies to each;

The Umbrella Liability limits are \$9,000,000 each occurrence and \$9,000,000 aggregate limit subject to a \$10,000 deductible;

Coverage extends over General liability, automobile, Law Enforcement Liability, Public Entity Management Liability, Employment Related Practices Liability, Cyberfirst Liability, and Employers Liability.

At September 30, 2016, 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, 2016 were below the limits of the insurance coverage.

NOTE 14 Conduit Debt Obligations

During the fiscal year ended September 30, 2001, the County issued Industrial Revenue Bonds to provide financial assistance to a private sector entity for the acquisition and construction of an industrial development facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received from the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility transfers to the private sector entity served by the bond issuance. Neither the County, state, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance of the bonds as of September 30, 2016, was \$291,403.

NOTE 15 Prior Period Adjustment

An adjustment to increase the beginning net position of governmental activities in the amount of \$708,096 is necessary to recognize capital assets originally expensed in the prior period.

NOTE 16 Performance Bonds

The County is currently seeking redemption of over \$4.9 million of performance bonds pledged in relation to a golf course development within the County. The insurance company, which pledged the performance bonds, is in liquidation and the County has submitted the proof of claims for the performance bonds. The County estimates receiving a net recovery of 1%-5%.

NOTE 17 Turnbull Trust

Harp S. Turnbull has created a testamentary trust in favor of the Bonner County Road and Bridge Department. This trust is administered by the Idaho Community Foundation which has the sole authority to distribute interest amounts it deems appropriate annually for important County road projects. The County received distributions in prior years, however none in 2016. The estate is not yet closed and more contributions from the trust are expected. The Board of County Commissioners is grateful for Mr. Turnbull's philanthropic kindness to the traveling public of Bonner County. The County Commissioners will utilize future revenues for important County road projects, consistent with the intent of Mr. Turnbull.

NOTE 18 Subsequent Events

The County has evaluated subsequent events through the date of the audit report. This is the date the financial statements were available to be issued. With the exception of the matter disclosed in Note 12, the County has concluded that no material subsequent events have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

BONNER COUNTY, IDAHO
Sandpoint, Idaho

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the County's Share of Net Pension Liability*

PERSI - Base Plan

As of June 30,

	2016	2015
Employer's portion of the net pension liability	0.5813633%	0.5581300%
Employer's proportionate share of the net pension liability	11,785,127	7,349,664
Employer's covered employee payroll	16,282,235	15,491,016
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	72.38%	47.44%
Plan fiduciary net position as a percentage of the total	87.26%	91.38%

Schedule of the County's Contributions*

PERSI - Base Plan

As of June 30,

	2016	2015
Statutorily required contribution - Class 1 Employees	1,254,436	1,194,040
Statutorily required contribution - Class 2 Employees	606,045	576,348
Total Statutorily required contribution - All employees	1,860,481	1,770,388
Contributions in relation to the statutorily required contribution	(1,860,481)	(1,770,388)
Contribution (deficiency) excess	-	-
Employer's covered employee payroll - Class 1	11,081,594	10,548,063
Employer's covered employee payroll - Class 2	5,200,641	4,942,953
Contributions as a percentage of covered employee payroll - Class 1	11.32%	11.32%
Contributions as a percentage of covered employee payroll - Class 2	11.65%	11.66%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those use for which information is available.

Data is reported is measured as of June 30, 2016.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

As of June 30, 2016 and 2015

Change of Assumptions. Amounts reported as of June 30, 2014 reflect an adjustment of the investment rate of return to 7.10 percent, net of pension plan investment expense.

SUPPLEMENTARY INFORMATION

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	6,108,581	80	6,108,661
Receivables, net of allowance for uncollectibles:			
Taxes	184,432	-	184,432
Unbilled taxes	3,904,388	-	3,904,388
Interest	254	-	254
Fees	468	-	468
Accounts	58,009	-	58,009
Prepaid expenses	56,488	-	56,488
Due from other governments	412,176	-	412,176
Interfund receivable	44,448	-	44,448
Total assets	10,769,244	80	10,769,324
Deferred outflows of resources	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,769,244	\$ 80	\$ 10,769,324
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Warrants payable	538,592	-	538,592
Vouchers payable	125,771	-	125,771
Accrued payroll	85,104	-	85,104
Retirement payable	6,556	-	6,556
Interfund payable	183,478	-	183,478
Total liabilities	939,501	-	939,501
Deferred inflows of resources			
Deferred revenue	146,666	-	146,666
Unavailable tax revenue	3,904,388	-	3,904,388
Total deferred inflows of resources	4,051,054	-	4,051,054
Fund balance			
Nonspendable	56,488	-	56,488
Restricted for:			
General governmental	1,735,797	-	1,735,797
Public safety	2,006,536	-	2,006,536
Historical society and recreation	594,866	-	594,866
Health and welfare	960,413	-	960,413
Weeds	98,894	-	98,894
Road construction	325,695	-	325,695
Capital projects	-	80	80
Total fund balance	5,778,689	80	5,778,769
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 10,769,244	\$ 80	\$ 10,769,324

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2016

	<u>Elections</u>	<u>Drug Court</u>	<u>District Court</u>	<u>County Fair</u>	<u>911</u>	<u>Court Facilities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	321,426	17,551	1,142,345	117,006	1,003,010	66,350
Receivables, net of allowance for uncollectibles:						
Taxes	-	-	59,938	10,588	-	-
Unbilled taxes	-	-	1,233,276	255,694	-	-
Interest	-	-	-	-	67	-
Fees	-	-	-	-	-	-
Accounts	-	-	1,916	-	46,108	-
Prepaid expenses	-	-	-	-	-	-
Due from other governments	-	-	33,902	-	11,724	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>321,426</u>	<u>17,551</u>	<u>2,471,377</u>	<u>383,288</u>	<u>1,060,909</u>	<u>66,350</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>321,426</u>	\$ <u>17,551</u>	\$ <u>2,471,377</u>	\$ <u>383,288</u>	\$ <u>1,060,909</u>	\$ <u>66,350</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	34,299	4,495	77,773	4,796	232,093	-
Vouchers payable	1,131	64	5,726	-	893	-
Accrued payroll	2,907	-	20,049	2,815	12,713	-
Retirement payable	306	-	2,108	296	1,337	-
Interfund payable	-	-	-	-	-	-
Total liabilities	<u>38,643</u>	<u>4,559</u>	<u>105,656</u>	<u>7,907</u>	<u>247,036</u>	<u>-</u>
Deferred inflows of resources						
Deferred revenue	-	-	47,925	8,475	-	-
Unavailable tax revenue	-	-	1,233,276	255,694	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,281,201</u>	<u>264,169</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable	-	-	-	-	-	-
Restricted for:						
General governmental	282,783	-	-	-	-	-
Public safety	-	12,992	1,084,520	-	813,873	66,350
Historical society and recreation	-	-	-	111,212	-	-
Health and welfare	-	-	-	-	-	-
Weeds	-	-	-	-	-	-
Road construction	-	-	-	-	-	-
Total fund balances	<u>282,783</u>	<u>12,992</u>	<u>1,084,520</u>	<u>111,212</u>	<u>813,873</u>	<u>66,350</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>321,426</u>	\$ <u>17,551</u>	\$ <u>2,471,377</u>	\$ <u>383,288</u>	\$ <u>1,060,909</u>	\$ <u>66,350</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
September 30, 2016

	<u>Court Interlock</u>	<u>Health District</u>	<u>Historical Society</u>	<u>Indigent and Charity</u>	<u>Junior College</u>	<u>Revaluation</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	29,911	90,319	3,267	862,392	200,187	725,987
Receivables, net of allowance for uncollectibles:						
Taxes	-	11,159	868	9,865	-	56,142
Unbilled taxes	-	212,598	18,767	-	-	1,177,546
Interest	-	-	-	-	-	-
Fees	-	-	-	-	-	-
Accounts	-	-	-	7,470	-	188
Prepaid expenses	-	-	-	-	-	-
Due from other governments	-	-	-	-	59,238	28,812
Due from other funds	-	-	-	-	-	-
Total assets	<u>29,911</u>	<u>314,076</u>	<u>22,902</u>	<u>879,727</u>	<u>259,425</u>	<u>1,988,675</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,911</u>	<u>\$ 314,076</u>	<u>\$ 22,902</u>	<u>\$ 879,727</u>	<u>\$ 259,425</u>	<u>\$ 1,988,675</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	985	-	-	2,832	900	54,467
Vouchers payable	125	-	-	-	114,526	-
Accrued payroll	-	-	-	1,139	-	16,794
Retirement payable	-	-	-	120	-	1,766
Interfund payable	-	-	-	-	-	-
Total liabilities	<u>1,110</u>	<u>-</u>	<u>-</u>	<u>4,091</u>	<u>115,426</u>	<u>73,027</u>
Deferred inflows of resources						
Deferred revenue	-	8,920	694	7,781	-	44,818
Unavailable tax revenue	-	212,598	18,767	-	-	1,177,546
Total deferred inflows of resources	<u>-</u>	<u>221,518</u>	<u>19,461</u>	<u>7,781</u>	<u>-</u>	<u>1,222,364</u>
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted for:						
General government	-	-	-	-	143,999	693,284
Public safety	28,801	-	-	-	-	-
Historical society and recreation	-	-	3,441	-	-	-
Health and welfare	-	92,558	-	867,855	-	-
Weeds	-	-	-	-	-	-
Road construction	-	-	-	-	-	-
Total fund balance	<u>28,801</u>	<u>92,558</u>	<u>3,441</u>	<u>867,855</u>	<u>143,999</u>	<u>693,284</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 29,911</u>	<u>\$ 314,076</u>	<u>\$ 22,902</u>	<u>\$ 879,727</u>	<u>\$ 259,425</u>	<u>\$ 1,988,675</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
September 30, 2016

	Tort	Weeds	Parks and Recreation	Special Highway	Snowmobile - Priest Lake	Snowmobile- Sandpoint
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	646,013	116,550	32,180	216,007	58,260	128,913
Receivables, net of allowance for uncollectibles:						
Taxes	23,269	6,330	5,569	-	-	-
Unbilled taxes	689,896	186,941	129,670	-	-	-
Interest	-	-	-	-	-	-
Fees	-	-	-	-	-	-
Accounts	-	-	(46)	-	-	-
Prepaid expenses	55,838	-	-	-	-	-
Due from other governments	-	4,908	-	112,500	-	-
Due from other funds	-	-	44,448	-	-	-
Total assets	<u>1,415,016</u>	<u>314,729</u>	<u>211,821</u>	<u>328,507</u>	<u>58,260</u>	<u>128,913</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,415,016	\$ 314,729	\$ 211,821	\$ 328,507	\$ 58,260	\$ 128,913
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	39,459	22,159	7,758	1,308	-	138
Vouchers payable	179	-	48	-	-	-
Accrued payroll	21,013	1,561	2,672	1,504	-	-
Retirement payable	-	164	281	-	-	-
Interfund payable	-	-	-	-	-	-
Total liabilities	<u>60,651</u>	<u>23,884</u>	<u>10,759</u>	<u>2,812</u>	<u>-</u>	<u>138</u>
Deferred inflows of resources						
Deferred revenue	18,596	5,010	4,447	-	-	-
Unavailable tax revenue	689,896	186,941	129,670	-	-	-
Total deferred inflows of resources	<u>708,492</u>	<u>191,951</u>	<u>134,117</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance						
Nonspendable	55,838	-	-	-	-	-
Restricted for:						
General governmental	590,035	-	-	-	-	-
Public safety	-	-	-	-	-	-
Historical society and recreation	-	-	66,945	-	58,260	128,775
Health and welfare	-	-	-	-	-	-
Weeds	-	98,894	-	-	-	-
Road construction	-	-	-	325,695	-	-
Total fund balance	<u>645,873</u>	<u>98,894</u>	<u>66,945</u>	<u>325,695</u>	<u>58,260</u>	<u>128,775</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,415,016	\$ 314,729	\$ 211,821	\$ 328,507	\$ 58,260	\$ 128,913

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
September 30, 2016**

	<u>Waterways</u>	<u>Grants</u>	<u>Drainage District</u>	<u>Judgments</u>	<u>Translator District</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	244,537	75,346	10,324	-	700	6,108,581
Receivables, net of allowance for uncollectibles:						
Taxes	-	-	202	-	502	184,432
Unbilled taxes	-	-	-	-	-	3,904,388
Interest	-	187	-	-	-	254
Fees	-	-	137	-	331	468
Accounts	-	2,373	-	-	-	58,009
Prepaid expenses	650	-	-	-	-	56,488
Due from other governments	10,768	150,324	-	-	-	412,176
Due from other funds	-	-	-	-	-	44,448
Total assets	<u>255,955</u>	<u>228,230</u>	<u>10,663</u>	<u>-</u>	<u>1,533</u>	<u>10,769,244</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 255,955</u>	<u>\$ 228,230</u>	<u>\$ 10,663</u>	<u>\$ -</u>	<u>\$ 1,533</u>	<u>\$ 10,769,244</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	30,532	24,598	-	-	-	538,592
Vouchers payable	73	3,006	-	-	-	125,771
Accrued payroll	-	1,937	-	-	-	85,104
Retirement payable	-	178	-	-	-	6,556
Interfund payable	-	183,478	-	-	-	183,478
Total liabilities	<u>30,605</u>	<u>213,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>939,501</u>
Deferred inflows of resources						
Deferred revenue	-	-	-	-	-	146,666
Unavailable tax revenue	-	-	-	-	-	3,904,388
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,051,054</u>
Fund balance						
Nonspendable	650	-	-	-	-	56,488
Restricted for:						
General governmental	-	15,033	10,663	-	-	1,735,797
Public safety	-	-	-	-	-	2,006,536
Historical society and recreation	224,700	-	-	-	1,533	594,866
Health and welfare	-	-	-	-	-	960,413
Weeds	-	-	-	-	-	98,894
Road construction	-	-	-	-	-	325,695
Total fund balance	<u>225,350</u>	<u>15,033</u>	<u>10,663</u>	<u>-</u>	<u>1,533</u>	<u>5,778,689</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 255,955</u>	<u>\$ 228,230</u>	<u>\$ 10,663</u>	<u>\$ -</u>	<u>\$ 1,533</u>	<u>\$ 10,769,244</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2016

	Total Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	4,014,717	(13)	4,014,704
Licenses and permits	196,624	-	196,624
Intergovernmental	1,964,104	-	1,964,104
Charges for services	1,717,276	-	1,717,276
Fines	169,206	-	169,206
Interest income	752	-	752
Miscellaneous	184,651	-	184,651
Total revenues	<u>8,247,330</u>	<u>(13)</u>	<u>8,247,317</u>
Expenditures			
General governmental	2,365,668	-	2,365,668
Public safety	3,305,459	-	3,305,459
Road and bridge	534,664	-	534,664
Weeds	152,748	-	152,748
Health	251,401	-	251,401
Welfare	159,459	-	159,459
Junior college	240,119	-	240,119
Historical society and recreation	561,276	-	561,276
Capital outlay	584,920	-	584,920
Debt service:			
Principal	3,360	-	3,360
Total expenditures	<u>8,159,074</u>	<u>-</u>	<u>8,159,074</u>
Excess (deficiency) of revenues over/under expenditures	88,256	(13)	88,243
Other financing uses:			
Operating transfers out	(4)	-	(4)
Total other financing sources (uses)	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Net change in fund balance	88,252	(13)	88,239
Fund balances, beginning of year	<u>5,690,437</u>	<u>93</u>	<u>5,690,530</u>
Fund balances, end of year	<u>\$ 5,778,689</u>	<u>\$ 80</u>	<u>\$ 5,778,769</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2016

	<u>Elections</u>	<u>Drug Court</u>	<u>District Court</u>	<u>County Fair</u>	<u>911</u>	<u>Court Facilities</u>
Revenues						
Taxes	-	-	1,376,759	237,253	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	324,071	-	153,191	2,262	-	-
Charges for services	-	24,669	79,258	-	1,581,524	13,340
Fines	-	-	169,206	-	-	-
Interest income	-	-	-	-	752	-
Miscellaneous	120	-	92,872	-	298	-
Total revenues	<u>324,191</u>	<u>24,669</u>	<u>1,871,286</u>	<u>239,515</u>	<u>1,582,574</u>	<u>13,340</u>
Expenditures						
General governmental	336,834	-	-	-	-	-
Public safety	-	23,493	1,664,912	-	1,287,310	-
Road and bridge	-	-	-	-	-	-
Weeds	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Junior college	-	-	-	-	-	-
Historical society and recreation	-	-	-	221,693	-	-
Capital outlay	21,333	-	64,771	-	194,280	-
Debt service:						
Principal	-	-	-	-	-	-
Total expenditures	<u>358,167</u>	<u>23,493</u>	<u>1,729,683</u>	<u>221,693</u>	<u>1,481,590</u>	<u>-</u>
Excess (deficiency) of revenues over/under expenditures	(33,976)	1,176	141,603	17,822	100,984	13,340
Other financing uses:						
Operating transfers out	-	-	-	-	-	-
Net change in fund balance	(33,976)	1,176	141,603	17,822	100,984	13,340
Fund balances, beginning of year	<u>316,759</u>	<u>11,816</u>	<u>942,917</u>	<u>93,390</u>	<u>712,889</u>	<u>53,010</u>
Fund balances, end of year	<u>\$ 282,783</u>	<u>\$ 12,992</u>	<u>\$ 1,084,520</u>	<u>\$ 111,212</u>	<u>\$ 813,873</u>	<u>\$ 66,350</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended September 30, 2016

	<u>Court Interlock</u>	<u>Health District</u>	<u>Historical Society</u>	<u>Indigent & Charity</u>	<u>Junior College</u>	<u>Revaluation</u>
Revenues						
Taxes	-	243,164	18,839	213,935	18	1,236,913
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	179	1,984	313,646	115,721
Charges for services	4,154	-	-	-	-	771
Fines	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous	1,361	12,003	-	74,575	1	2
Total revenues	<u>5,515</u>	<u>255,167</u>	<u>19,018</u>	<u>290,494</u>	<u>313,665</u>	<u>1,353,407</u>
Expenditures						
General governmental	-	-	-	-	-	1,279,395
Public safety	3,497	-	-	-	-	-
Road and bridge	-	-	-	-	-	-
Weeds	-	-	-	-	-	-
Health	-	251,401	-	-	-	-
Welfare	-	-	-	159,459	-	-
Junior college	-	-	-	-	240,119	-
Historical society and recreation	-	-	18,602	-	-	-
Capital outlay	-	-	-	3,486	-	42,957
Debt service:						
Principal	-	-	-	-	-	3,360
Total expenditures	<u>3,497</u>	<u>251,401</u>	<u>18,602</u>	<u>162,945</u>	<u>240,119</u>	<u>1,325,712</u>
Excess (deficiency) of revenues over/under expenditures	2,018	3,766	416	127,549	73,546	27,695
Other financing uses:						
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,018	3,766	416	127,549	73,546	27,695
Fund balances, beginning of year	<u>26,783</u>	<u>88,792</u>	<u>3,025</u>	<u>740,306</u>	<u>70,453</u>	<u>665,589</u>
Fund balances, end of year	<u>\$ 28,801</u>	<u>\$ 92,558</u>	<u>\$ 3,441</u>	<u>\$ 867,855</u>	<u>\$ 143,999</u>	<u>\$ 693,284</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended September 30, 2016

	<u>Tort</u>	<u>Weeds</u>	<u>Parks and Recreation</u>	<u>Special Highway</u>	<u>Snowmobile - Priest Lake</u>	<u>Snowmobile- Sandpoint</u>
Revenues						
Taxes	340,712	169,073	142,282	-	-	-
Licenses and permits	-	-	-	-	34,099	17,048
Intergovernmental	3,014	1,624	1,378	450,000	-	6,000
Charges for services	-	-	13,560	-	-	-
Fines	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous	981	854	4	-	1,580	-
Total revenues	<u>344,707</u>	<u>171,551</u>	<u>157,224</u>	<u>450,000</u>	<u>35,679</u>	<u>23,048</u>
Expenditures						
General governmental	744,798	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	-	-	-	534,664	-	-
Weeds	-	152,748	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Junior college	-	-	-	-	-	-
Historical society and recreation	-	-	140,030	-	30,592	8,326
Capital outlay	-	-	40,535	-	-	3,000
Debt service:						
Principal	-	-	-	-	-	-
Total expenditures	<u>744,798</u>	<u>152,748</u>	<u>180,565</u>	<u>534,664</u>	<u>30,592</u>	<u>11,326</u>
Excess (deficiency) of revenues over/under expenditures	(400,091)	18,803	(23,341)	(84,664)	5,087	11,722
Other financing uses:						
Operating transfers out	-	-	-	-	-	-
Net change in fund balance	(400,091)	18,803	(23,341)	(84,664)	5,087	11,722
Fund balances, beginning of year	<u>1,045,964</u>	<u>80,091</u>	<u>90,286</u>	<u>410,359</u>	<u>53,173</u>	<u>117,053</u>
Fund balances, end of year	<u>\$ 645,873</u>	<u>\$ 98,894</u>	<u>\$ 66,945</u>	<u>\$ 325,695</u>	<u>\$ 58,260</u>	<u>\$ 128,775</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended September 30, 2016

	Waterways	Grants	Drainage District	Judgments	Translator District	Total
Revenues						
Taxes	-	-	3,629	4	32,136	4,014,717
Licenses and permits	145,477	-	-	-	-	196,624
Intergovernmental	-	591,034	-	-	-	1,964,104
Charges for services	-	-	-	-	-	1,717,276
Fines	-	-	-	-	-	169,206
Interest income	-	-	-	-	-	752
Miscellaneous	-	-	-	-	-	184,651
Total revenues	<u>145,477</u>	<u>591,034</u>	<u>3,629</u>	<u>4</u>	<u>32,136</u>	<u>8,247,330</u>
Expenditures						
General governmental	-	-	4,641	-	-	2,365,668
Public safety	-	326,247	-	-	-	3,305,459
Road and bridge	-	-	-	-	-	534,664
Weeds	-	-	-	-	-	152,748
Health	-	-	-	-	-	251,401
Welfare	-	-	-	-	-	159,459
Junior college	-	-	-	-	-	240,119
Historical society and recreation	110,003	-	-	-	32,030	561,276
Capital outlay	27,705	186,853	-	-	-	584,920
Debt service:						
Principal	-	-	-	-	-	3,360
Total expenditures	<u>137,708</u>	<u>513,100</u>	<u>4,641</u>	<u>-</u>	<u>32,030</u>	<u>8,159,074</u>
Excess (deficiency) of revenues over/under expenditures	7,769	77,934	(1,012)	4	106	88,256
Other financing uses:						
Operating transfers out	-	-	-	(4)	-	(4)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Net change in fund balance	7,769	77,934	(1,012)	-	106	88,252
Fund balances, beginning of year	<u>217,581</u>	<u>(62,901)</u>	<u>11,675</u>	<u>-</u>	<u>1,427</u>	<u>5,690,437</u>
Fund balances (deficit), end of year	<u>\$ 225,350</u>	<u>\$ 15,033</u>	<u>\$ 10,663</u>	<u>\$ -</u>	<u>\$ 1,533</u>	<u>\$ 5,778,689</u>

COMPLIANCE REPORTS

BONNER COUNTY, IDAHO

Sandpoint, Idaho

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2016

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed through State Department of Education			
Child Nutrition Cluster-Cluster:			
National School Lunch Program	10.553	2015IN109947	356
National School Lunch Program	10.553	201616N109947	4,105
School Breakfast Program	10.555	2015IN109947	586
School Breakfast Program	10.555	201616N109947	6,679
Total Child Nutrition Cluster			<u>11,726</u>
Passed through State Department of Lands			
Cooperative Forestry Assistance			
Granite Reeder NFL	10.664	13CPP-R1	4,301
Lake View Reeder Phase 2	10.664	14HFR1	52,207
2015 Lakeview Reeder	10.664	15NFA1-02	10,681
Total Cooperative Forestry Assistance			<u>67,189</u>
Direct through U.S. Department of Agriculture			
Forest Service Schools and Roads Cluster			
Schools and Road - Grants to States	10.665		<u>617,042</u>
Total Forest Service Schools and Roads			<u>617,042</u>
Total U.S. Department of Agriculture			<u>695,957</u>
U.S. Department of Interior - Direct			
Partners for Fish and Wildlife	15.631		<u>9,085</u>
Total U.S. Department of Interior			<u>9,085</u>
U.S. Department of Justice - Direct			
Juvenile Justice and Delinquency	16.540	11-DC-1101	30,000
Bullet Proof Vest Grant	16.607		<u>4,901</u>
Total U.S. Department of Justice			<u>34,901</u>
U.S. Department of Health and Human Services -			
Voting Access for Individuals with			
Grants for Protection and Advocacy	93.618	G - 1003IDVOTE	<u>178,386</u>
Total U.S. Department of Health and Human			<u>178,386</u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended September 30, 2016

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Direct through U.S. Department of Transportation			
Airport Improvement Program			
Priest River Master Plan	20.106	3-16-0058-005-2014	2,845
Sandpoint Land Purchase	20.106		9,410
Obstruction Removal	20.106		504
Sandpoint Environmental Assessment	20.106	3-16-0033-015-2015	94,231
Total Airport Improvement Plan			<u>106,990</u>
Passed through State Military Division			
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	HMMP0445140100	23,175
Passed through State Office of Attorney General			
Missing Children	16.543		<u>1,499</u>
Total U.S. Department of Transportation			<u>131,664</u>
U.S. Department of Homeland Security			
Passed through State Military Division			
Homeland Security Grant Program			
2015 Homeland Security Grant Program	97.067	EMW2014SS00091	24,149
2014 Homeland Security Grant Program	97.067	EMW2014SS00084	26,159
Total Homeland Security Grant Program			<u>50,308</u>
Federal Boater Safety	97.012	14.01.16	<u>86,099</u>
Emergency Management Performance			
2014 EMPG Grant	97.042	EMW2014EP00058	8,823
2015 EMPG Grant	97.042	EMW2015EP00058	29,200
Total Emergency Management Performance			<u>38,023</u>
Direct through U.S. Department of Homeland Security			
Pre-Disaster Mitigation	97.047	EMS-2014-PC-0010	<u>50,894</u>
Total U.S. Department of Homeland Security			<u>225,324</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,275,317</u></u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

NOTE 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bonner County, Idaho, under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bonner County, Idaho, it is not intended to and does not present the financial position, changes in net position, or cash flows of Bonner County, Idaho.

NOTE 2 Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.
3. Bonner County, Idaho, has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise Bonner County, Idaho's, basic financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bonner County, Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bonner County, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bonner County, Idaho's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and

questioned costs that we consider to be a material weakness, (Finding 2016-001).

Compliance and Other Matters

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

Bonner County, Idaho's Response to Findings

Bonner County, Idaho's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bonner County, Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hayden Ross, PLLC

Moscow, Idaho
January 9, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Bonner County, Idaho's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bonner County, Idaho's, major federal programs for the year ended September 30, 2016. Bonner County, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bonner County, Idaho's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bonner County, Idaho, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Bonner County, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Hayden Ross, PLLC

Moscow, Idaho
January 9, 2017

BONNER COUNTY, IDAHO
Sandpoint, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
- material weakness(es) identified?	<u> x </u> yes	<u> </u> no
- significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> x </u> yes	<u> </u> no

Federal Awards

Internal control over major programs:		
- material weakness(es) identified?	<u> </u> yes	<u> x </u> no
- significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR section 200.516(a)	<u> </u> yes	<u> x </u> no

Identification of major programs:
Reporting Requirements and Communication Considerations

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Forest Service Schools and Roads Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> x </u> no

BONNER COUNTY, IDAHO
Sandpoint, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended September 30, 2016

Section II – Financial Statement Findings

Finding 2016-001 Internal Control over Compliance

Criteria: In accordance with *Uniform Guidance*, the county must prepare a schedule of expenditures of federal awards for the periods covered by the financial statements. The schedule must include total federal awards expended, list individual federal programs by federal agency, and provide total federal awards expended for each individual federal program.

Condition: The County internal controls over compliance are inadequate to insure the Schedule of Expenditures of Federal Awards is accurately prepared, placing the County at risk of incomplete and inaccurate reporting to the federal government.

Effect: The County's schedule of federal expenditures did not include all federal expenditures.

Recommendation: We recommend that management develop a process of internal control for ensuring that all federal expenditures are identified and are reported on the Schedule of Federal Expenditures.

Management's Response: Management concurs that internal controls related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA) need to be strengthened. The county will assign staff to the oversight of identifying federal expenditures and reconciling federal expenditures to the SEFA.

Name of contact person: Dan Shea, Internal Auditor

Discussion date: January 6, 2017

Section III – Federal Award Findings

None.

BONNER COUNTY, IDAHO
Sandpoint, Idaho

STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
For the Year Ended September 30, 2016

Finding 2015-01 Internal Control over Compliance

Condition: The County internal controls over compliance are inadequate to insure the Schedule of Expenditures of Federal Awards is accurately prepared, placing the County at risk of incomplete and inaccurate reporting to the federal government.

Questioned Costs: None

Status: This finding still exists and is reported as Finding 2016-001.