





LE MASTER &
DANIELS PLLC

BONNER COUNTY, IDAHO
SANDPOINT, IDAHO

Single Audit Report

September 30, 2006

Bonner County, Idaho

Sandpoint, Idaho

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AUDITORS' SECTION



LEMASTER &
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GRANDVIEW
MOSES LAKE
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

We have audited the financial statements of Bonner County, Idaho (the County) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as Finding 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance

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

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

A handwritten signature in black ink, reading "LeMaster & Daniels PLLC". The signature is written in a cursive, flowing style.

Spokane, Washington
December 8, 2006

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

Compliance

We have audited the compliance of Bonner County, Idaho (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses or a reportable condition.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the County as of and for the year ended September 30, 2006, and have issued our report thereon dated December 8, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

A handwritten signature in cursive script, appearing to read "L. M. & J. Daniels".

Spokane, Washington
December 8, 2006

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings

Year Ended September 30, 2006

Section I — Summary of Auditors' Results

FINANCIAL STATEMENTS:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified
that are not considered to be
material weakness(es)? ☒ yes ☐ no

Noncompliance material to financial
statements noted?

☐ yes ☒ no

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified
that are not considered to be material
weakness(es)? ☐ yes ☒ no

Type of auditors' report issued on
compliance for major programs:

Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with Section .510(a) of Circular A-133?

☐ yes ☒ no

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2006

Section I — Summary of Auditors' Results (continued)

FEDERAL AWARDS (continued):

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.106	Department of Transportation – Airport Improvement Program
15.228	Department of Agriculture – Forest Service Program

Dollar threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 yes X no

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2006

Section II — Financial Statement Findings

FINDING 06-1 – LACK OF SEGREGATION OF DUTIES

Criteria:

Cash collection not being segregated from the measurement and receipting function should be mitigated by compensating controls.

Condition:

Reportable Condition

The County's Solid Waste Department has four attended refuse locations to which one individual is in charge of measuring waste, collecting fees, and receipting at each location.

Effect:

Without proper segregation of duties or compensating controls the County is not maintaining control over the custody of the asset and the ability to misuse or misappropriate funds is unnecessarily high.

Recommendation:

A Solid Waste Department supervisor should perform periodic spot checks on-site, project revenue, and analyze variances between actual and expected revenues.

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2006

Section III — Federal Award Findings

No matters were reported.

AUDITEE'S SECTION

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Expenditures of Federal Awards **Year Ended
September 30, 2006**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Justice:</i>			
Detention Summer School	16.540	05-JJ11-01	\$ 5,040
Special Victims Unit	16.579	04-BY-19-CL-7B-00-1	12,203
Drug Task Force	16.579	04-BYRN-64-TF-04	13,375
Drug Court	16.579	03-BYRN-01-DC-1	10,235
Bullet Proof Vest Grant	16.607	XTX3A-1	<u>13,602</u>
Total U.S. Department of Justice			<u>54,455</u>
<i>U.S. Department of Transportation:</i>			
Passed through State of Idaho Department of Parks and Recreation:			
Federal Boater Safety	20.005	GBS-41-091-01	90,413
Passed through Idaho Transportation Department:			
Probation DUI	20.600	SAL0614	10,986
Federal Aviation Administration:			
Airport Improvement Grant #9 Sandpoint	* 20.106	3-16-0033-09	1,538
Airport Improvement Grant #10 Sandpoint	* 20.106	3-16-0033-10	<u>301,748</u>
Total U.S. Department of Transportation			<u>404,685</u>

Bonner County, Idaho
Sandpoint, Idaho

Year Ended
September 30, 2006

Schedule of Expenditures of Federal Awards (Continued)

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
<i>Department of the Interior:</i>			
EMS Fire Assistance Grant	* 15.228	DLA020423	<u>\$ 13,322</u>
<i>Federal Emergency Management Agency:</i>			
Passed through Idaho Military Division:			
Civil Defense	83.552	EMS-2002-GR-3091	<u>16,566</u>
<i>Housing and Urban Development:</i>			
Blanchard Community Center	14.228	ICDBG-04-I-07-CC	<u>44,267</u>
<i>Department of Agriculture:</i>			
Forest Service:			
Stevens Fire Grant	* 15.228	03-DG-11010000-049	193,819
National Fire Plan	* 15.228	04SFA 11	<u>34,450</u>
Total Department of Agriculture			<u>228,269</u>
<i>Department of Health and Human Services:</i>			
HAVA Grant	93.617	N/A	<u>3,814</u>
<i>Department of Homeland Security:</i>			
Homeland Grant Administration	97.004	2004-GE-T4-0034	<u>31,959</u>
Total expenditures of federal awards			<u><u>\$ 797,337</u></u>

* Major federal program.

Note 1 — Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bonner County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Amounts presented in this schedule agree with the amounts presented in, or used in, the preparation of the financial statements.

See accompanying independent auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

Bonner County, Idaho
Sandpoint, Idaho

Corrective Action Plan

Year Ended September 30, 2006

Finding 06-01 – LACK OF SEGREGATION OF DUTIES

As stated in the 2005 audit, the finding was a material weakness that the County's Solid Waste Department did not have proper segregation of duties to maintain control over measuring waste, collecting fees, and receipting at all attended collection sites.

Status:

The Bonner County Solid Waste Department Head now rotates staff on a regular basis between sites. She also requires the submission of the receipt books and deposit slips directly to her. Additionally, she uses the receipt books to maintain a spread sheet to easily determine, by employee, any areas of concern that show up during this weekly audit. She also ensures that the bank deposits are reconciled by her or another member of the main office staff.

Response submitted by: Marie Scott with concurrence from Leslie Marshall, Solid Waste Department Head.

Bonner County, Idaho

Sandpoint, Idaho

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2006

Findings From Year Ended September 30, 2005:

Finding 05-1: Lack of Segregation of Duties

The finding was a material weakness that the County's Solid Waste Department did not have proper segregation of duties to maintain control over measuring waste, collecting fees, and receipting at all attended collection sites.

Status:

After further analysis of the condition and information, the auditors have deemed the outstanding weakness to be a reportable condition as opposed to a material weakness.

Finding 05-2: Inadequate Method for Measuring Refuse

The finding was a reportable condition that the County does not have an adequate method for measuring the amount of commercial or residential refuse in order to collect the appropriate amount of fees from users.

Status:

After further analysis of the condition and information, the auditors are able to satisfy themselves that the methods of measurement are sufficient to ensure the appropriate collection amount of user fees.

Finding 05-3: Improper Fee Structure for Collection of Solid Waste Fees

The finding was a material weakness that the County lacks the appropriate controls to determine whether refuse disposals are commercial or residential.

Status:

After further analysis of the condition and information, the auditors are able to satisfy themselves that the procedures in place are deemed adequate to differentiate between commercial and residential loads.

Finding 05-4: Improper Maintenance of Documentation

The finding was a reportable condition that the County was not retaining all of the supporting documentation for the collection of fees for solid waste refuse disposal.

Status:

The County has implemented policies and procedures to ensure all daily receipts and sales logs are being retained.

Bonner County, Idaho
Sandpoint, Idaho

Summary Schedule of Prior Audit Findings
(Continued)

Year Ended September 30, 2006

Findings From Year Ended September 30, 2005 (continued):

Finding 05-5: Lack of Controls Regarding Restrictive Endorsements

The finding was a reportable condition that the County was not placing restrictive endorsements on customer checks when collected.

Status:

The County has implemented procedures to ensure all checks are being restrictively endorsed as collected.