

100
YEARS


LeMaster Daniels
Certified Public Accountants and Advisors



BONNER COUNTY, IDAHO SANDPOINT, IDAHO

Single Audit Report

September 30, 2007



Powerful insight. Proven results.

Bonner County, Idaho
Sandpoint, Idaho

Contents

Page

SINGLE AUDIT REPORT:

AUDITORS' SECTION:

<i>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</i>	2-3
<i>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</i>	4-6
<i>Schedule of audit findings</i>	7-9

AUDITEE'S SECTION:

<i>Schedule of expenditures of federal awards</i>	11-12
<i>Corrective action plan</i>	13
<i>Summary schedule of prior audit findings</i>	14

AUDITORS' SECTION

Bellevue
Boise
Collax
Grandview
Moses Lake
Omak
Othello
Quincy
Spokane
Tri-Cities
Walla Walla
Wenatchee
Yakima

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, 2007, and have issued our report thereon dated February 8, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency 07-1 described in the accompanying schedule of audit findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The 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, 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.



Yakima, Washington
February 8, 2008

Bellevue
Boise
Colfax
Grandview
Moses Lake
Omak
Othello
Quincy
Spokane
Tri-Cities
Walla Walla
Wenatchee
Yakima

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, 2007. The County's major federal program is 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 its major federal program 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 Bonner County's 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. 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, 2007.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 2007, and have issued our report thereon dated February 8, 2008. 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, 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.

LeMaster & Daniels PLLC

Yakima, Washington

February 8, 2008

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 X no
- Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? X yes _____

Noncompliance material to financial
statements noted?

_____ yes X no

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified
that are not considered to be material
weakness(es)? _____ yes X 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 X no

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (continued)

Year Ended September 30, 2007

Section I — Summary of Auditors' Results (continued)

FEDERAL AWARDS (continued):

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.106

Department of Transportation –
Airport Improvement Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II — Financial Statement Findings

**FINDING 07-1 – PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES**

Criteria:

The County is required to present their financial statements in accordance with accounting principles generally accepted in the United States of America. Best practices dictate that the County should have an individual in the department that has the background and training to draft financial statements in accordance with the financial reporting models the County is required to follow, including the reporting model established by Governmental Accounting Standards Board No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

Condition:

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

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (continued)

Year Ended September 30, 2007

Section II — Financial Statement Findings (continued)

**FINDING 07-1 – PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES (continued)**

Effect:

The preparation of financial statements in accordance with the accounting standards noted above cannot be performed by the internal staff of Bonner County.

Recommendation:

Bonner County should evaluate their ability to prepare financial statements in accordance with the standards noted above, and determine if additional training or hiring would assist with developing the appropriate internal controls over financial reporting.

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, 2007

<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	06-JJ11-01	\$ 3,780
Special Victims Unit	16.579	04-BY-19-CL-7B-00-1	72,203
Drug Task Force	16.579	04-BYRN-64-TF-04	11,600
Domestic Violence	16.589	2006-WR-AX-0039	<u>75,513</u>
Total U.S. Department of Justice			<u>163,096</u>
<i>U.S. Department of Transportation:</i>			
Passed through State of Idaho Department of Parks and Recreation:			
Federal Boater Safety	20.005	27-CG6A	98,256
Federal Aviation Administration:			
Priest River Airport Fence Grant	* 20.106		237,701
Airport Improvement Grant #10 Sandpoint	* 20.106	3-16-0033-10	161,119
Airport Improvement Grant #11 Sandpoint	* 20.106	3-16-0033-11	<u>235,275</u>
Total U.S. Department of Transportation			<u>732,351</u>

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

**Schedule of Expenditures of
Federal Awards (Continued)**

Year Ended September 30, 2007

<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>\$ 44,644</u>
<i>Federal Emergency Management Agency:</i>			
Passed through Idaho Military Division:			
Civil Defense	83.552	EMS-GE-T5-0044	<u>17,191</u>
<i>Housing and Urban Development:</i>			
Blanchard Community Center	14.228	ICDBG-04-I-07-CC	<u>4,217</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 Homeland Security:</i>			
Homeland Grant Administration	97.004	2004-GE-T4-0034	7,343
Assistance to Fire Fighters	97.044	EMW-2006-FG-17245	<u>21,440</u>
Total Department of Homeland Security			<u>28,783</u>
Total expenditures of federal awards			<u>\$ 1,218,551</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, Idaho and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and 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, 2007

**FINDING 07-01 – PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES**

Response:

The County has determined that the costs of adding additional personnel and training far outweighs the benefit of being able to prepare, in-house, an annual financial statement in accordance with generally accepted accounting principles. We do understand that this deficiency will result in a recurring note to our financial statements and are willing to accept that.

Bonner County, Idaho
Sandpoint, Idaho

**Summary Schedule of Prior Audit
Findings**

Year Ended September 30, 2007

FINDING 06-01 – LACK OF SEGREGATION OF DUTIES

As stated in the 2006 audit, the finding was a reportable condition 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 County's Solid Waste Department Head now rotates staff on a regular basis between sites. The manager 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. In addition, the Clerk's office performs analytical reviews of the revenues collected. Current year audit considered this issue resolved.