

**BONNER COUNTY, IDAHO
SANDPOINT, IDAHO**

SINGLE AUDIT REPORT

YEAR ENDED SEPTEMBER 30, 2010

Bonner County, Idaho

Sandpoint, Idaho

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AUDITORS' SECTION

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

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho (the County) as of and for the year ended September 30, 2010, and have issued our report thereon dated March 8, 2011. 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 *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 a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified 10-01 as a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a *significant deficiency in internal control over financial reporting*. 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.

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*.

Bonner County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Bonner County's response and, accordingly, we express no opinion on it.

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.


LarsonAllen LLP

Boise, Idaho
March 8, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

Compliance

We have audited Bonner County's (the County) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. 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. 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 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 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, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control 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.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Bonner County as of and for the year ended September 30, 2010, and have issued our report thereon dated March 8, 2011. 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

LarsonAllen LLP

LarsonAllen LLP

Boise, Idaho
March 8, 2011

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Findings and Questioned Costs

Year Ended September 30, 2010

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 X yes _____ none reported

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 _____ yes X none reported

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 Findings and Questioned Costs (Continued) **Year Ended September 30, 2010**

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>
10.688	U.S. Department of Agriculture – ARRA Stimulus Fire Grant

Dollar threshold used to distinguish
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Findings and Questioned Costs (Continued) **Year Ended September 30, 2010**

Section II — Financial Statement Findings

**FINDING 10-01 – 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.

Effect:

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

Recommendation:

The 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, 2010

<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	\$ 6,400
Clinical Services Grant	16.540	08-DC71-11	30,000
Child Abuse Investigation Unit	16.579	07BJAG19	110,473
Bullet Proof Vest Grant	16.607	XTX3A-1	725
ARRA Justice Assistance Grant	16.804	2009-SB-B9-0083	26,053
Non-Lethal Energy Equipment Grant	16.738	209-DJ-BX-0721	14,787
Mobile Data Terminals	16.738	2009-DJ-BX-0280	<u>103,003</u>
Total U.S. Department of Justice			<u>291,441</u>
<i>U.S. Department of Transportation:</i>			
Priest River Airport Fence Grant	20.106	3-16-0058-002	<u>31,918</u>
<i>U.S. Department of the Interior:</i>			
EMS Fire Assistance Grant	15.228	DLA020423	<u>943</u>

Bonner County, Idaho
Sandpoint, Idaho

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

Year Ended September 30, 2010

<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 Agriculture:</i>			
Forest Service:			
Supplemental Fire Grant	15.228	09HRES 12	\$ 174,418
Schweitzer/Gold Hill Fire Grant	15.228	07NFA1 07	88,262
ARRA Stimulus Fire Grant	* 10.688	09-DG-11-182B1-001	456,205
ARRA Forest Service Road Project	10.687	10RO110182B1028	<u>127,583</u>
Total U.S. Department of Agriculture			<u>846,468</u>
<i>U.S. Department of Homeland Security:</i>			
2007 State Homeland Security Program	97.067	2007-GE-T7-0014	2,000
2008 State Homeland Security Program	97.067	2008-GE-T8-0044	2,673
2009 Haz Mat Planning	97.067	HMP-0016-09-01-00	45,000
Federal Boater Safety	97.012		<u>129,289</u>
Total U.S. Department of Homeland Security			<u>178,962</u>
Total expenditures of federal awards			<u>\$ 1,349,732</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 Non-Profit Organizations*. Amounts presented in this schedule agree with the amounts presented in, or used in, the preparation of the financial statements.

Bonner County, Idaho
Sandpoint, Idaho

Corrective Action Plan

Year Ended September 30, 2010

**FINDING 10-01 – 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, 2010

**FINDING 09-01 – PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES**

As stated in the 2009 audit, the finding was regarding the County being able to prepare 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* which cannot be performed by the internal staff of Bonner County.

Status:

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.