

Bonner County, Idaho

Financial Report

September 30, 2011

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Report of Independent Auditor

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

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 ("the County"), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 2011 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated April 13, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17 and the budgetary comparison information on pages 66 through 80, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

DeCoria, Maichel & Teague, P.S.

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

April 13, 2012

Bonner County, Idaho
Management's Discussion and Analysis
September 30, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the accompanying *Notes* which are a part of this audit report. Comparative analysis will be done on key elements of governmental funds and enterprise funds in this MD&A.

Overview of the Financial Statements

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

Government-wide Financial Statements: These statements are designed to provide readers with a broad overview of Bonner County's finances in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements contain information relative only to Bonner County itself and none of the 40 plus/minus other taxing districts housed within its boundaries. They are public entities unto themselves.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bonner County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Bonner County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

Overview of the Financial Statements (continued)

Governmental Funds – This category houses the operations for all departments except for Solid Waste. The Solid Waste operations are our only *Proprietary Fund*. The *Fiduciary Funds* are those dollars that we hold in trust for other agencies and taxing districts.

An excellent explanation of these funds can be found in Note 1 of this report.

Notes to Financial Statements: For an overview of Bonner County and its operations, one should refer to the *Notes*, which are an integral part of this report. There, discussion is had concerning the structure of the various offices; how and why our funds are established; when we call for budgets; how changes to a budget can be made once adopted; information concerning our long-term debt, fixed assets, and leases.

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

Governmental-wide Financial Analysis

Bonner County is able to provide a comparative analysis of the government-wide data presented in compliance with the requirements of Governmental Accounting Standards Board No. 34. The comparisons will be 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) may also be shown separately since they are a stand-alone taxing district in their own right, even though governed by the Board of County Commissioners.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

Governmental-wide Financial Analysis (continued)

Table 1 – summarizes the County's net assets for 2011 compared to 2010:

Bonner County's Net Assets							
	Governmental Activities		Business-type Activities		Total		Percentage Change 2010-2011
	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	
Current and other assets	\$ 47,193,504	\$ 45,077,781	\$ 8,721,869	\$ 8,018,814	\$ 55,915,373	\$ 53,096,595	5.3%
Capital assets	118,840,869	138,618,721	2,057,554	1,767,028	120,898,423	140,385,749	-13.9%
Total assets	<u>166,034,373</u>	<u>183,696,502</u>	<u>10,779,423</u>	<u>9,785,842</u>	<u>176,813,796</u>	<u>193,482,344</u>	<u>-8.6%</u>
Long-term liabilities outstanding	4,806,029	4,810,708	32,444	33,448	4,838,473	4,844,156	-0.1%
Other liabilities	26,273,495	22,931,066	846,611	542,303	27,120,106	23,473,369	15.5%
Total liabilities	<u>31,079,524</u>	<u>27,741,774</u>	<u>879,055</u>	<u>575,751</u>	<u>31,958,579</u>	<u>28,317,525</u>	<u>12.9%</u>
Net assets:							
Invested in capital assets, net of related debt	114,728,145	134,423,634	2,057,554	1,767,028	116,785,699	136,190,662	-14.2%
Restricted for							
Debt retirement	235,875	271,888	664	664	236,539	272,552	-13.2%
Capital projects	2,540,274	199,493	1,997,778	1,997,778	4,538,052	2,197,271	106.5%
General government	2,911,397	2,760,948	-	-	2,911,397	2,760,948	5.4%
Public safety	6,382,229	6,874,073	-	-	6,382,229	6,874,073	-7.2%
Emergency medical services	332,355	36,993	-	-	332,355	36,993	798.4%
Culture and recreation	712,739	603,981	-	-	712,739	603,981	18.0%
Health and welfare	280,707	283,061	-	-	280,707	283,061	-0.8%
Sanitation	239,724	178,892	-	-	239,724	178,892	34.0%
Road and bridge	4,472,946	4,290,145	-	-	4,472,946	4,290,145	4.3%
Unrestricted	<u>2,118,458</u>	<u>6,031,620</u>	<u>5,844,372</u>	<u>5,444,621</u>	<u>7,962,831</u>	<u>11,476,241</u>	<u>-30.6%</u>
Total net assets	<u>\$ 134,954,849</u>	<u>\$ 155,954,728</u>	<u>\$ 9,900,368</u>	<u>\$ 9,210,091</u>	<u>\$ 144,855,217</u>	<u>\$ 165,164,819</u>	<u>-12.3%</u>

As noted earlier, Bonner County's net assets, when reviewed over time, may serve as a useful indicator of Bonner County's financial position. In the case of Bonner County, assets exceeded liabilities by \$144,855,217 (\$134,954,849 in governmental activities and \$9,900,368 in business-type activities) as of September 30, 2011. By far, the largest portion of the County's net assets (85 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (13 percent) represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets (\$2,118,458) may be used to meet the County's ongoing obligations to citizens and creditors.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

Governmental-wide Financial Analysis (continued)

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

Table 2 – shows the changes in net assets for 2011 and 2010:

Bonner County's Changes in Net Assets							
	Governmental Activities		Business-type Activities		Total		Percentage Change 2010-2011
	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	
Revenues:							
Program revenues:							
Charges for services	\$ 3,997,766	\$ 2,720,936	\$ 2,156,558	\$ 2,129,228	\$ 6,154,324	\$ 4,850,164	26.9%
Operating grants and contributions	366,298	1,437,895	-	-	366,298	1,437,895	-74.5%
Capital grants and contributions	1,447,210	1,153,467	-	-	1,447,210	1,153,467	25.5%
General revenues:							
Property taxes	22,993,631	23,471,573	-	-	22,993,631	23,471,573	-2.0%
Other taxes	37,001	193,344	2,546,814	2,546,180	2,583,815	2,739,524	-5.7%
Intergovernmental	5,480,632	4,570,127	-	-	5,480,632	4,570,127	19.9%
Other	1,078,560	2,025,060	45,821	905	1,124,381	2,025,965	-44.5%
Total revenues	35,401,098	35,572,402	4,749,193	4,676,313	40,150,291	40,248,715	-0.2%
Expenses:							
General government	8,291,920	8,136,124	-	-	8,291,920	8,136,124	1.9%
Public safety	13,921,329	13,566,376	-	-	13,921,329	13,566,376	2.6%
Emergency medical services	2,626,457	2,485,565	-	-	2,626,457	2,485,565	5.7%
Road and bridge	28,838,511	29,869,428	-	-	28,838,511	29,869,428	-3.5%
Sanitation	152,464	144,594	-	-	152,464	144,594	5.4%
Health	318,897	353,507	-	-	318,897	353,507	-9.8%
Welfare	623,067	659,590	-	-	623,067	659,590	-5.5%
Education	248,584	241,298	-	-	248,584	241,298	3.0%
Culture and recreation	553,542	525,876	-	-	553,542	525,876	5.3%
Interest on long-term debt	192,307	250,699	-	-	192,307	250,699	-23.3%
Solid waste	-	-	4,058,916	3,876,402	4,058,916	3,876,402	4.7%
Total expenses	55,767,078	56,233,057	4,058,916	3,876,402	59,825,994	60,109,459	-0.5%
Change in net assets	\$ (20,365,980)	\$ (20,660,655)	\$ 690,277	\$ 799,911	\$ (19,675,703)	\$ (19,860,744)	0.9%

Governmental Activities

Charges for services were the County's largest program revenue, accounting for \$3,997,766 or 11 percent of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

Governmental Activities (continued)

The County's grant revenues from federal and state sources made up \$2,972,255 or 8 percent of total governmental revenues. The major recipients of intergovernmental program revenues were the Road and Bridge, Justice, Airport, and Grant funds.

Property tax revenues account for \$22,993,631 of the \$35,401,098 total revenues for governmental activities, or 65 percent of total revenues.

Road and Bridge accounted for \$28,838,511 of the \$55,767,078 total expenses for governmental activities, or 52 percent of total expenses. The main component of the expenses (\$24,596,869) for Road and Bridge was the depreciation expense related to the capitalization of the road infrastructure within the County. The next largest program was Public Safety, accounting for \$13,921,329 and representing 25 percent of total governmental expenses.

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

Net Cost of Bonner County's Governmental Activities
Years Ended September 30, 2011 and 2010

	Total Cost of Services		Percentage Change 2010-2011	Net Cost of Services		Percentage Change 2010-2011
	2011	2010		2011	2010	
General government	\$ 8,291,920	\$ 8,136,124	1.9%	\$ 6,785,313	\$ 6,369,700	6.5%
Public safety	13,921,329	13,566,376	2.6%	11,740,730	11,469,309	2.4%
Emergency medical services	2,626,457	2,485,565	5.7%	2,027,046	1,958,664	3.5%
Road and bridge	28,838,511	29,869,428	-3.5%	27,628,672	29,246,978	-5.5%
Sanitation	152,464	144,594	5.4%	152,464	144,594	5.4%
Health	318,897	353,507	-9.8%	318,897	353,507	-9.8%
Welfare	623,067	659,590	-5.5%	623,067	659,590	-5.5%
Education	248,584	241,298	3.0%	248,584	234,898	5.8%
Culture and recreation	553,542	525,876	5.3%	238,724	232,820	2.5%
Interest on long-term debt	192,307	250,699	-23.3%	192,307	250,699	-23.3%
Total cost	<u>\$ 55,767,078</u>	<u>\$ 56,233,057</u>	<u>-0.8%</u>	<u>\$ 49,955,804</u>	<u>\$ 50,920,759</u>	<u>-1.9%</u>

Of the total charges for services revenues of \$3,997,766, \$1,337,527 were received and used to fund the general government expenses of \$8,291,920 of the County. The remaining \$49,955,759 in net governmental activity costs are funded by property taxes, sales taxes, and intergovernmental revenues.

**Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011**

Governmental Activities (continued)

Business-Type Activities

The net assets for business-type activities increased by \$690,277 during 2011 and the major revenue sources were charges for services of \$2,156,558.

Overall Financial Position

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

Enterprise Fund: During fiscal year 2004-2005 we reported a concern wherein our usual operating expenses continued to exceed the revenue generated. This forced us to continually supplant our everyday operations by using funds that had been set aside to pay for major building projects in our Solid Waste operations as our community grows and our needs increase. The Board of County Commissioners resolved this problem by implementing a new fee schedule in FY2004-2005. Our revenues from this source began to be realized in FY2005-2006, and were fully implemented in FY2006-2007. During the current fiscal year 2011 the charges exceeded the expenses by \$690,277.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data presented in the governmental-wide financial statements. These notes to the financial statements can be found at the end of the audit report.

Capital Assets

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

The total net capital assets decreased by \$18,813,139. This amount represents book value of assets less accumulated depreciation. The decrease in capital assets was mainly due to the depreciation provision of \$24,596,869. Capital assets additions amounted to \$5,783,730 and capital asset deletions amounted to \$214,053 for the fiscal year.

Long-Term Debt

Long-term liabilities are the debt incurred by the County. The debt typically has a maturity date that extends beyond a single reporting cycle. Additional information on long-term debt can be found in notes 7 and 8 in the basic financial statements. Long-term liabilities had a net decrease of \$5,683.

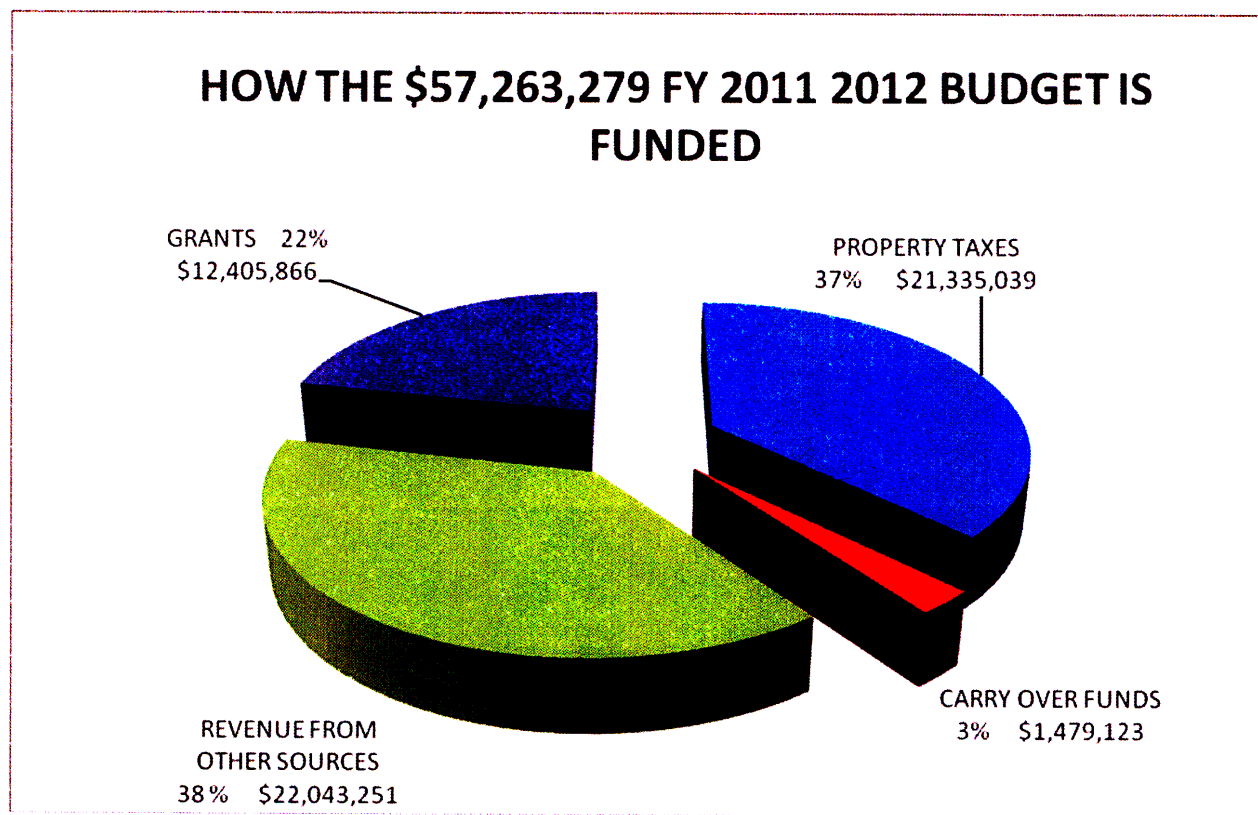
Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

Long-Term Debt, Continued

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

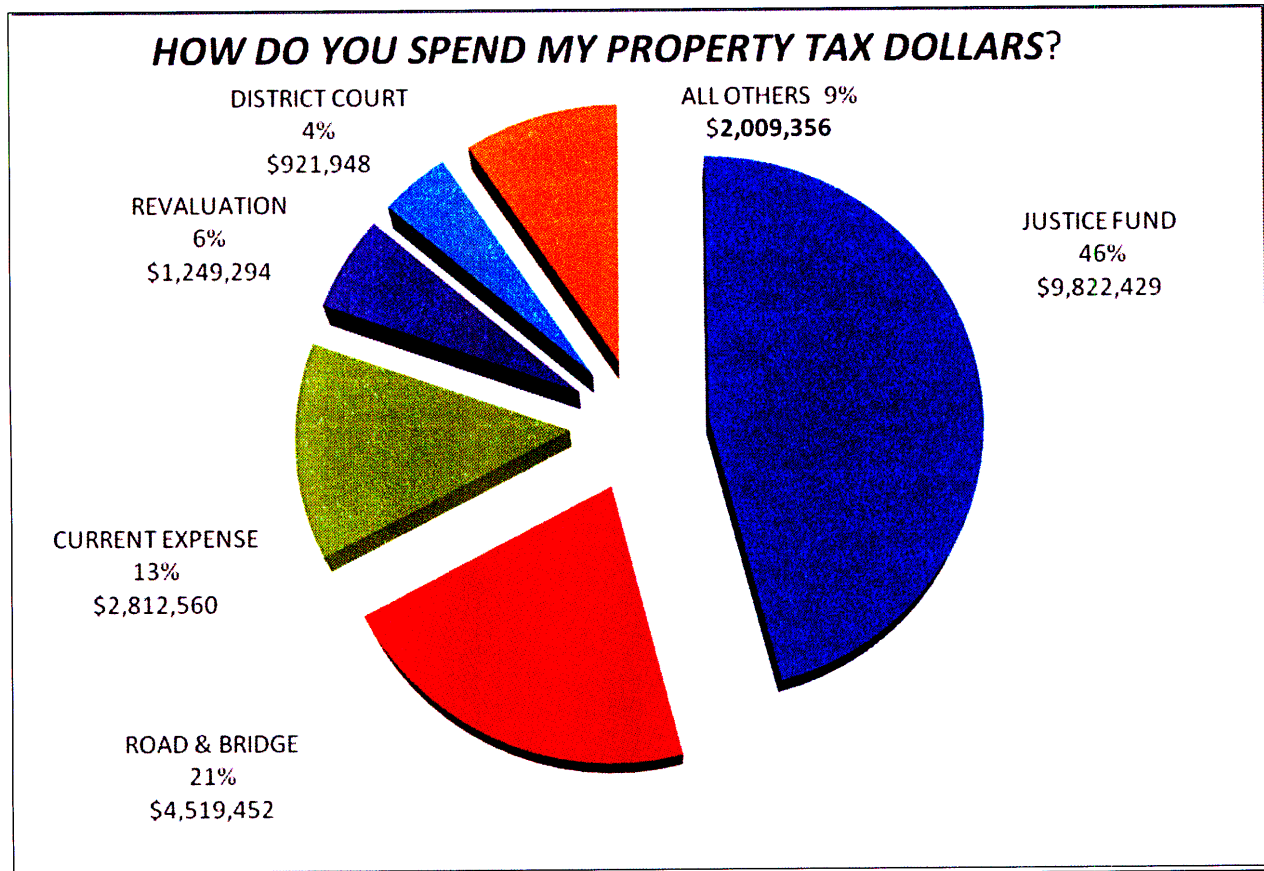
Budget Variations

Developing a budget is not an exact science. It is the best estimate available at the time of projection of the revenues you anticipate receiving and of the expenses you think you might incur during the next fiscal year. For the fiscal year ended September 30, 2011, there were no funds for which expenditures exceeded appropriations. The following charts show how the budget for fiscal year 2011-2012 is funded as well as how taxpayer dollars are spent:



Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

Budget Variations, Continued



Economic and Other Factors Affecting Next Year's Operations

Local Economy:

During the last 10 years, 2000 to 2010, Bonner County's population has increased by 11% while the State of Idaho has seen its population increase by 21.2%. Our median household income for 2010 was \$41,943 with 14.3% of our residents living below the federal poverty level. Our per capita income in 2010 was \$24,745. [Source: U.S. Census Bureau] During this same time period, the median household income for the state was \$43,259 and the per capital income was \$22,262. As a comparison, in 1998 our median family income was \$33,700 while in the State as a whole it was \$41,300. Bonner County is a rural county rather than an urban one.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

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

Local Economy, Continued:

The following table shows the areas of growth in Bonner County for the past 40 years. [Source: Idaho Vital Statistics Annual Report]

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

In addition to the nine incorporated cities noted in the above table, Bonner County is home to 40 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:

The rising costs for insurance, fuel, equipment, services and supplies, pose the greatest challenges to the Board of County Commissioners (BOCC) while trying to balance our current levels of service and property taxes. Like the private and business sector, the County had to make hard choices, some of which included reductions in force (RIF). Eleven positions were eliminated in FY-2011 and seven more positions were eliminated in FY-2012. There was no significant reduction of service in FY-2012; however, any further staff reductions will have a negative impact on future services. Retention is also becoming a problem in some departments, as the employee's insurance copay and monthly contribution continue to increase every year. FY-2012 would have been the fourth year in a row, without any cost of living increase for County employees. Therefore, a 3% base increase was awarded to most staff and employees in FY-2012.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
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Economic and Other Factors Affecting Next Year's Operations (continued)

County Operations, Continued:

The most accelerating costs facing Bonner County are liability and health care insurance premiums. Premiums are a direct reflection of our claims experience. Fortunately, we have had some successes at controlling our claims, and thereby reducing our insurance premium rates.

- Liability insurance premiums rose from \$609,900 to \$671,603 in 2011 creating a \$61,613 increase. The County was able to offset \$33,580 of this increase by participating in on-line training aimed at reducing our claims. Personnel at every level participated in the on-line training in 2011 and again in 2012 to help reduce costs.
- Health care insurance premiums consumed approximately 15% of our property tax revenue in 2010. Economic projections forecasted they would consume 20% of our property tax revenue in 2011. Fortunately, we slowed that trend:
 - In FY-2011, the BOCC bid the contracts for a health care insurance broker and a health care insurance provider. The county had used the prior broker for 12 years and the prior provider for 64 years. The BOCC reviewed 14 proposals and conducted nine interviews before selecting our new health care insurance broker (Wells Fargo Insurance Services) and our new health care insurance provider (Pacific Source). As a result of competition and plan changes, the County will save a minimum of \$115,000, and is on track to save over \$200,000 by the end of FY-2012.
 - An Employee Wellness Program (EWP) along with Health Savings Accounts (HSA) were instituted in FY-2012. These programs help further reduce the premiums for both the County and the employees. The EWP is already credited with saving two lives through the early detection of cancer. Furthermore, the EWP reduced what would have been expensive future claims for cancer treatments. Participation in the EWP and early detection are the keys to saving lives and money.

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

In FY-2011, the BOCC also requested proposals for a CPA firm to conduct the external audit of Bonner County's financial statements. This was prompted by the determination that substantive mistakes and material misstatements had been made in the FY-2010 Audit. The County had used the same CPA firm for the last seven years. A new CPA firm (DeCoria, Maichel & Teague P.S.) was selected from the three contending firms, based on a review of qualifications and interviews. This bidding competition resulted in additional savings of more than \$10,000 per year.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

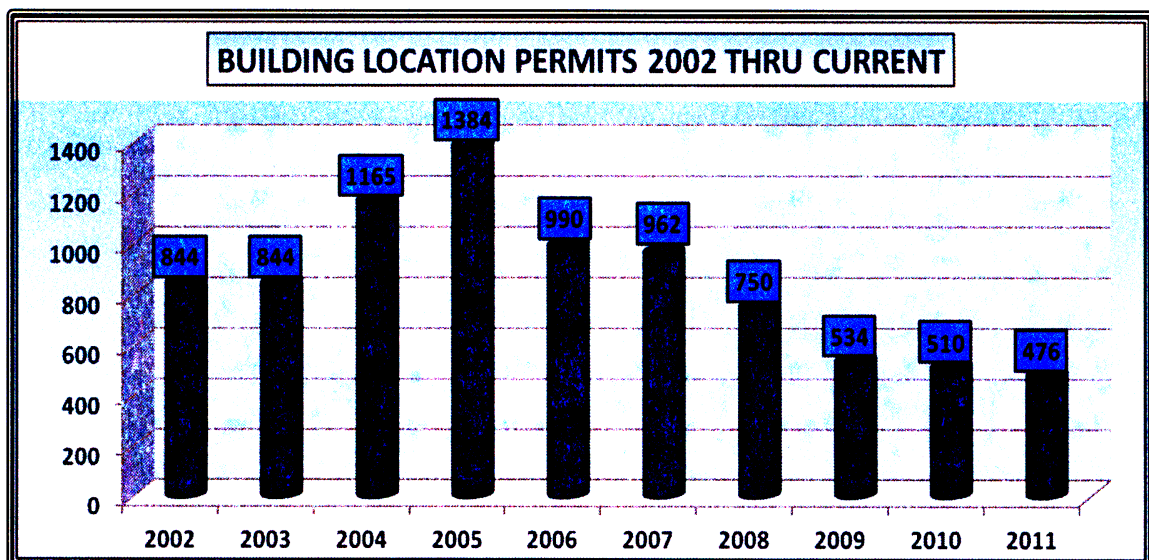
Economic and Other Factors Affecting Next Year's Operations (continued)

County Operations, Continued:

Effective with our FY-2013 Audit, the County is required by Governmental Auditing Standards (GAS) to have our financial statements prepared by someone other than the external CPA firm conducting our annual audits. While this requirement has been known for several years, the Clerk maintains her internal auditors are not able to prepare the necessary financial statements. Therefore, the County must either create a new accountant position, or hire a second external CPA team/firm to prepare the financial statements to be audited by the primary external CPA Firm each year. This requirement will provide another opportunity for the County to increase its financial transparency to the public.

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

- Planning and Zoning (P&Z) "New Location Building Permits" were down approximately 66% from the recent high of 1,384 in 2005 to only 476 in 2011. Consequently, two positions were eliminated. However, P&Z is still in a position to provide the requisite level of service in anticipation of the known developments already in progress. This includes 1,200 units recorded in January 2012 for the Clagstone Meadows project, and 365 units at Priest Lake on IDL lease lots being converted to fee simple in 2012.



Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

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

County Operations, Continued:

- The Property Rights Council (PRC) was instituted in FY-2011 in response to complaints that private property rights were not being adequately safeguarded. The PRC volunteers continue to investigate and review proposed policies, and will work in concert with P&Z to ensure private property rights concerns are addressed.
- The Sandpoint Airport Board and management have been actively working to correct airport deficiencies and attract new businesses. In early 2012, the airport's status was reinstated to good standing with the FAA thereby becoming eligible for FAA airport improvement grants. In addition, a new air-ambulance service has decided to open at the Sandpoint Airport.
- Road and Bridge has one of the largest budgets within County government. The department maintains approximately 700 miles of roads in Bonner County. This includes snow plowing and sanding in the winter, and dust abatement, graveling and paving repairs in the warmer months.
 - In the FY-2011 Budget, three Road & Bridge positions were funded using reserves, rather than current year tax revenue. This was corrected in the FY-2012 Budget, resulting in an increase in operating costs (property taxes) to maintain the current level of service for road repair and snow removal/sanding.
 - Equipment leases were changed in 2012 to use staggered five and seven year terms on the motor graders. The leases cover major maintenance costs and reduce the total annual operating expense to about \$20,000 per year, for each grader. By offsetting the lease dates and duration, the grader program will now have only three of the eleven graders coming up for renewal in any one year in the future. This removed yearly spikes and allows for better budget planning.
 - Road and Bridge receives substantial funding from the Payment in Lieu of Taxes (PILT), and Secure Rural Schools (SRS) programs. These programs are currently projected to decline from over \$500,000 in 2012, to less than \$35,000 by 2014. This will have a direct impact on our road maintenance fund unless the U.S. Congress addresses this issue.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

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

County Operations, Continued:

- The spring of 2011 had one of the highest ground saturation rates on record; Bonner County declared an emergency due to the flooding and road damage. The Road and Bridge Department documented the damage thoroughly, resulting in approximately \$1.6 million in Federal grants for the Flood Fight as well as for extensive on-going road repairs.
- For several years, the Bonner County Sheriff's Office (BCSO) had suffered a major loss of personnel and training. This was due to certified deputies leaving for higher wages at surrounding law enforcement agencies. The situation was mitigated in the FY-2012 Budget which set the starting wage for Deputy Sheriff at \$19/hours, making BCSO competitive. BCSO had become a training ground, losing deputies after one year, when they became trained and certified. This \$400,000 solution has already significantly reduced an estimated \$1,000,000 loss every two years. This program must be re-evaluated annually, to ensure it is continuing to solve the problem.
- Bonner County Emergency Medical Services (BCEMS) became its own taxing district, governed by the Board of County Commissioners (BOCC) in 2011. Several changes were instituted – some saved dollars and others saved lives:
 - By forming a new partnership at a reduced fee with Sagle Fire Department, BCEMS is able to provide Para-Medic services to south Bonner County that had been contracted with Kootenai County in prior years. This resulted in a yearly cost reduction of over \$25,000.
 - The heart attack (STEMI) program has been in effect for one year. This program identifies active heart attacks in the field and provides for direct transport to a catheterization facility. The time from EMS contact to the procedure completed improved from an average of 214 minutes to 104 minutes, a 50% improvement. During this last year, there were no deaths and the average hospital stay was reduced from 4.5 days to 2.7 days, a 40% improvement.
 - Previously, BCEMS did not have the ability to reach and transport injured or ill subjects out of the backcountry. In FY-2011, BCEMS purchased two snowmobiles and a patient sled, allowing them to work with local volunteers to provide this service to all areas of Bonner County.

Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011

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

County Operations, Continued:

- The County had three major construction projects in progress during FY-2011.
 - The County Courthouse (built in 1908) was in phase one of renovation (less than a \$1 million project) when asbestos was suspected of being present in the vermiculite insulation. In order to protect the public and employees from any possible contamination, the Courthouse was closed; employees were moved into the Administrations Building and a nearby rental. Full remediation followed. It readily became apparent the roof would need to be removed to thoroughly eliminate the vermiculite insulation. Consequently, this project moved into phase two at a cost approaching \$4 million, requiring the use of all available construction funds and an internal loan of \$1.5 million from the Solid Waste Capital Improvement Fund at .30% for 15 years. In addition, \$1.5 million was transferred from the Current Expense Fund to support this construction project. The total renovation cost will be less than \$4 million, which is less than half of the estimated cost for building a new facility. Testing was conducted throughout the renovation; neither the County environmental contractor nor the EPA inspector detected any asbestos fibers.
 - Construction on the first floor of the Bonner County Administration Building began and was completed during 2011. This allows consolidation of several departments to the Administration Building, resulting in savings from rental fees for Road and Bridge, Solid Waste, Waterways, Weeds, and Emergency Management. A few items remain to be completed, including HVAC and proper emergency circuits connections to the standby generator for emergency and EOC operations.
 - The new Juvenile Justice Services Building began construction in 2011 and is expected to be operational in April 2012. Overall, this project has been on schedule and on budget, following an early change order for foundation work to stabilize the clay soils. The former Juvenile Services Administration Offices will become available for use by other County offices after April 2012; joint use by BCSO, DMV and Driver Licenses offices is being considered. In order to complete the construction of this facility, the County used \$3 million from the Justice Fund, and approved borrowing up to \$1.6 million from its Solid Waste Capital Improvement Fund at .2066% for 15 years. Total costs are estimated to be approximately \$4.6 million.

**Bonner County, Idaho
Management's Discussion and Analysis, Continued
September 30, 2011**

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

County Operations, Continued:

- All Public Works Offices, including Road and Bridge, Solid Waste, Waterways, Weeds and the Department of Emergency Management Office were consolidated into the First Floor of the Bonner County Administration Building during 2011. This resulted in a monthly savings for rent of \$1,466. The former lease for the BCSO Priest Lake Substation had cost the County more than \$400 per month. That lease was re-negotiated in 2012; the new rate is \$150 per month. This resulted in a savings in excess of \$3,000 per year.

As for the immediate future, one of the most uncertain events facing our economy is the proposed closure of 375,000 acres in Bonner and Boundary Counties for caribou habitat. This action by the U. S. Fish & Wildlife Service poses a serious economic threat to our communities and will adversely impact the social, cultural, and recreational activities of our citizens. The BOCC has invoked Government-to-Government Coordination, for the first time in Bonner County, in order to have a voice in the final decision.

Requests for Information

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

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

Bonner County, Idaho
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	\$ 22,914,118	\$ 4,854,471	\$ 27,768,589
Receivables, net of allowance for uncollectibles:			
Taxes	23,515,456	-	23,515,456
Fees	-	178,881	178,881
Interest	28,685	-	28,685
Accounts	264,521	180,655	445,176
Due from other governments (Note 5)	234,849	8,360	243,209
Interfund receivables (Note 9)	-	1,501,060	1,501,060
Restricted assets			
Cash	235,875	-	235,875
Total current assets	47,193,504	6,723,427	53,916,931
Noncurrent assets:			
Restricted assets			
Cash	-	1,997,778	1,997,778
Cash on deposit with fiscal agent	-	664	664
Capital assets (Note 6):			
Land	2,949,646	322,857	3,272,503
Other capital assets, net of depreciation	115,891,223	1,734,697	117,625,920
Total noncurrent assets	118,840,869	4,055,996	122,896,865
Total assets	166,034,373	10,779,423	176,813,795

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

Bonner County, Idaho
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Warrants payable	\$ 2,599,544	\$ 806,821	\$ 3,406,365
Vouchers payable	124,326	-	124,326
Accounts payable	-	5,200	5,200
Accrued payroll	588,081	28,690	616,771
Accrued retirement payable	110,536	5,900	116,436
Interfund payables (Note 9)	1,500,055	-	1,500,055
Unearned property taxes	21,350,952	-	21,350,952
Compensated absences (Note 8)	560,851	32,444	593,295
Capital leases payable (Note 7)	930,107	-	930,107
Total current liabilities	27,764,453	879,055	28,643,508
Noncurrent liabilities:			
Compensated absences (Note 8)	132,454	-	132,454
Capital leases payable (Note 7)	3,182,617	-	3,182,617
Total noncurrent liabilities	3,315,071	-	3,315,071
Total liabilities	31,079,524	879,055	31,958,579
Commitments and contingencies (Notes 11 and 14)			
NET ASSETS			
Invested in capital assets, net of related debt	114,728,145	2,057,554	116,785,699
Restricted for:			
Debt service	235,875	664	236,539
Capital projects	2,540,274	1,997,778	4,538,052
General government	2,911,397	-	2,911,397
Public safety	6,382,229	-	6,382,229
Emergency medical services	332,355	-	332,355
Culture and recreation	712,739	-	712,739
Health and welfare	280,707	-	280,707
Sanitation	239,724	-	239,724
Road and bridge	4,472,946	-	4,472,946
Unrestricted	2,118,458	5,844,372	7,962,831
Total net assets	\$ 134,954,849	\$ 9,900,368	\$ 144,855,217

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

Bonner County, Idaho
Statement of Activities
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,291,920	\$ 1,337,527	\$ 169,080	\$ -
Public safety	13,921,329	1,806,437	197,218	176,944
Emergency medical services	2,626,457	599,411	-	-
Road and bridge	28,838,511	-	-	1,209,839
Sanitation	152,464	-	-	-
Health	318,897	-	-	-
Welfare	623,067	-	-	-
Education	248,584	-	-	-
Culture and recreation	553,542	254,391	-	60,427
Interest on long-term debt	192,307	-	-	-
Total governmental activities	55,767,078	3,997,766	366,298	1,447,210
Business-type activities:				
Solid waste	3,983,916	2,156,558	-	-
Total business-type activities	3,983,916	2,156,558	-	-
Total primary government	\$ 59,750,994	\$ 6,154,324	\$ 366,298	\$ 1,447,210
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Special assessments				
Intergovernmental revenues				
Miscellaneous				
Interest and investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Total net assets, beginning of year (Note 16)				
Total net assets, end of year				

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

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (6,785,313)	\$ -	\$ (6,785,313)
(11,740,730)	-	(11,740,730)
(2,027,046)	-	(2,027,046)
(27,628,672)	-	(27,628,672)
(152,464)	-	(152,464)
(318,897)	-	(318,897)
(623,067)	-	(623,067)
(248,584)	-	(248,584)
(238,724)	-	(238,724)
<u>(192,307)</u>	<u>-</u>	<u>(192,307)</u>
<u>(49,955,804)</u>	<u>-</u>	<u>(49,955,804)</u>
<u>-</u>	<u>(1,827,358)</u>	<u>(1,827,358)</u>
<u>-</u>	<u>(1,827,358)</u>	<u>(1,827,358)</u>
<u>(49,955,804)</u>	<u>(1,827,358)</u>	<u>(51,783,162)</u>
22,993,631	-	22,993,631
37,001	2,546,814	2,583,815
5,480,632	-	5,480,632
638,499	15,544	654,043
365,061	30,277	395,338
75,000	(75,000)	-
<u>29,589,825</u>	<u>2,517,635</u>	<u>32,107,460</u>
<u>(20,365,980)</u>	<u>690,277</u>	<u>(19,675,703)</u>
<u>155,320,829</u>	<u>9,210,091</u>	<u>164,530,920</u>
<u>\$134,954,849</u>	<u>\$ 9,900,368</u>	<u>\$144,855,217</u>

Bonner County, Idaho
Balance Sheet - Governmental Funds
September 30, 2011

	General	Justice	Road and Bridge	Ambulance District	Nonmajor Governmental	Total Governmental
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,285,638	\$ 4,160,673	\$ 4,711,653	\$ 1,315,891	\$ 10,440,263	\$ 22,914,118
Receivables, net of allowance for uncollectibles:						
Taxes	3,118,219	10,794,378	4,985,330	-	4,617,529	23,515,456
Interest	28,352	-	-	-	333	28,685
Accounts	90,769	35,653	-	27,918	110,181	264,521
Due from other governments	-	80,648	7,874	-	146,327	234,849
Due from other funds	-	743,372	-	-	19,005	762,377
Restricted assets:						
Cash	-	-	-	-	235,875	235,875
Total assets	<u>\$ 5,522,978</u>	<u>\$ 15,814,724</u>	<u>\$ 9,704,857</u>	<u>\$ 1,343,808</u>	<u>\$ 15,569,513</u>	<u>\$ 47,955,881</u>
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Warrants payable	\$ 194,612	\$ 374,508	\$ 646,522	\$ 210,410	\$ 1,173,492	\$ 2,599,544
Vouchers payable	10,721	3,078	-	-	110,527	124,326
Accrued payroll	77,172	259,648	74,468	48,029	128,764	588,081
Accrued retirement payable	12,631	50,411	14,767	9,642	23,085	110,536
Due to other funds	1,501,060	-	-	743,372	18,000	2,262,432
Unearned property taxes	3,103,078	10,745,834	4,962,899	-	4,727,200	23,539,011
Total liabilities	<u>4,899,274</u>	<u>11,433,479</u>	<u>5,698,656</u>	<u>1,011,453</u>	<u>6,181,068</u>	<u>29,223,931</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	235,875	235,875
Assigned for:						
General government	-	-	-	-	2,911,397	2,911,397
Public safety	-	4,381,245	-	-	2,000,985	6,382,229
Emergency medical services	-	-	-	332,355	-	332,355
Culture and recreation	-	-	-	-	712,739	712,739
Health and welfare	-	-	-	-	280,707	280,707
Sanitation	-	-	-	-	239,724	239,724
Road and bridge	-	-	4,006,201	-	466,745	4,472,946
Capital projects	-	-	-	-	2,540,274	2,540,274
Unassigned:	623,704	-	-	-	-	623,704
Total fund balances	<u>623,704</u>	<u>4,381,245</u>	<u>4,006,201</u>	<u>332,355</u>	<u>9,388,445</u>	<u>18,731,950</u>
Total liabilities and fund balances	<u>\$ 5,522,978</u>	<u>\$ 15,814,724</u>	<u>\$ 9,704,857</u>	<u>\$ 1,343,809</u>	<u>\$ 15,569,513</u>	<u>\$ 47,955,881</u>

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

Bonner County, Idaho
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
September 30, 2011

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

Total fund balances as shown on the Balance Sheet - Governmental Funds		\$ 18,731,950
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
The cost of capital assets is	\$ 488,166,914	
Accumulated depreciation is	<u>(369,326,045)</u>	
		118,840,869
Assets that are not available to pay for current period expenditures and, therefore, are not considered earned in the funds:		
Property taxes		2,188,059
Long-term liabilities, including capital leases payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds:		
Capital leases payable	(4,112,724)	
Compensated absences	<u>(693,305)</u>	
		<u>(4,806,029)</u>
Total net assets as shown on the Statement of Net Assets		<u>\$ 134,954,849</u>

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

Bonner County, Idaho
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	General	Justice	Road and Bridge	Ambulance District	Nonmajor Governmental	Total Governmental Funds
Revenues:						
Taxes	\$ 3,001,546	\$ 9,053,895	\$ 4,036,066	\$ 2,445,612	\$ 4,841,037	\$ 23,378,156
Licenses and permits	426,231	293,683	-	-	255,512	975,426
Intergovernmental	558,224	1,453,146	2,281,371	-	3,094,080	7,386,821
Charges for services	428,812	598,671	-	599,411	932,363	2,559,257
Fines	-	-	-	-	215,034	215,034
Special assessments	-	-	-	-	37,001	37,001
Interest income	362,198	-	-	1,109	1,754	365,061
Miscellaneous	12,062	154,713	222,636	-	249,088	638,499
Total revenues	<u>4,789,073</u>	<u>11,554,108</u>	<u>6,540,073</u>	<u>3,046,132</u>	<u>9,625,869</u>	<u>35,555,255</u>
Expenditures:						
Current:						
General government	3,923,824	-	-	-	3,901,514	7,825,338
Public safety	189,915	10,658,773	-	-	2,730,673	13,579,361
Emergency medical services	-	-	-	2,626,461	-	2,626,461
Road and bridge	-	-	4,634,179	-	443,589	5,077,768
Sanitation	-	-	-	-	152,464	152,464
Health	-	-	-	-	235,496	235,496
Welfare	-	-	-	-	623,067	623,067
Education	-	-	-	-	248,584	248,584
Culture and recreation	-	-	-	-	531,681	531,681
Capital outlay	7,483	208,826	1,428,319	86,752	4,052,350	5,783,730
Debt service:						
Principal	88,757	-	289,556	33,056	-	411,370
Interest	138,486	-	49,320	4,501	-	192,307
Total expenditures	<u>4,348,465</u>	<u>10,867,599</u>	<u>6,401,374</u>	<u>2,750,770</u>	<u>12,919,418</u>	<u>37,287,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>440,608</u>	<u>686,509</u>	<u>138,699</u>	<u>295,362</u>	<u>(3,293,549)</u>	<u>(1,732,371)</u>
Other financing sources (uses):						
Operating transfers in (out)	(91,441)	(319,550)	-	-	410,991	-
Grant transfers in (out)	18,589	140,213	(347,643)	-	188,841	-
Equity transfers in (out)	(2,505,000)	(3,000,000)	(75,000)	-	5,655,000	75,000
Total other financing sources (uses)	<u>(2,577,852)</u>	<u>(3,179,337)</u>	<u>(422,643)</u>	<u>-</u>	<u>6,254,832</u>	<u>75,000</u>
Net changes in fund balances	<u>(2,137,244)</u>	<u>(2,492,828)</u>	<u>(283,944)</u>	<u>295,362</u>	<u>2,961,283</u>	<u>(1,657,371)</u>
Total fund balances, beginning of year (Note 16)	<u>2,760,948</u>	<u>6,874,073</u>	<u>4,290,145</u>	<u>36,993</u>	<u>6,427,162</u>	<u>20,389,321</u>
Total fund balances, end of year	<u>\$ 623,704</u>	<u>\$ 4,381,245</u>	<u>\$ 4,006,201</u>	<u>\$ 332,355</u>	<u>\$ 9,388,445</u>	<u>\$ 18,731,950</u>

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

Bonner County, Idaho

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011**

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

Net changes in fund balances - Governmental Funds \$ (1,657,371)

Some governmental funds revenues are deferred because they are not collected within the prescribed time after year end and therefore will not be available to pay liabilities of the current period. Accordingly, they are recorded as unearned tax revenues in the governmental funds. On the accrual basis, however, those revenues would be recognized regardless of when they are collected. Because of the "availability" criterion under the modified accrual basis of accounting, the following has been deferred:

Unearned property taxes (384,525)

Capital outlays to purchase capital assets are reported in the governmental funds as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation, \$24,596,869, exceeds capital outlays, \$5,783,730, during the current fiscal year.

(18,813,139)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

411,368

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.

77,687

Change in net assets, as reflected on the Statement of Activities

\$ (20,365,980)

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

Bonner County, Idaho
Statement of Net Assets - Proprietary Funds
September 30, 2011

	Business-type Activities Enterprise Funds <u>Solid Waste</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 4,854,471
Receivables, net of allowance for uncollectibles:	
Fees	178,881
Accounts	180,655
Due from other funds	1,501,060
Due from other governments	<u>8,360</u>
Total current assets	6,723,427
Noncurrent assets	
Restricted assets:	
Cash	1,997,778
Cash on deposit with fiscal agent	664
Fixed assets, net of depreciation	<u>2,057,554</u>
Total noncurrent assets	4,055,996
Total assets	<u>10,779,423</u>
Liabilities	
Current liabilities	
Warrants payable	\$ 806,821
Accounts payable	5,200
Accrued payroll	28,690
Accrued retirement payable	5,900
Compensated absences payable	<u>32,444</u>
Total liabilities	879,055
Net Assets	
Invested in capital assets, net of related debt	2,057,554
Reserved for:	
Debt retirement	664
Capital improvements	1,997,778
Unrestricted	<u>5,844,372</u>
Total net assets	<u>\$ 9,900,368</u>

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

Bonner County, Idaho
Statement of Revenues, Expenses,
and Changes in Fund Net Assets -
Proprietary Funds
For the Year Ended September 30, 2011

	Business-type Activities Enterprise Funds <u>Solid Waste</u>
Operating revenues:	
Charges for services	\$ 2,156,558
Operating expenses:	
Salaries	618,346
Benefits	291,949
Other services and charges	2,928,424
Depreciation	<u>145,197</u>
Total operating expenses	<u>3,983,916</u>
Operating loss	(1,827,358)
Nonoperating revenues:	
Special assessments	2,546,814
Penalties and interest	30,277
Miscellaneous	<u>15,544</u>
Total nonoperating revenues	<u>2,592,635</u>
Transfers in (out)	
Operating transfers	-
Grant transfers	-
Equity transfers	<u>(75,000)</u>
Total transfers	<u>(75,000)</u>
Change in net assets	690,277
Net assets, beginning of year (Note 16)	<u>9,210,091</u>
Net assets, end of year	<u>\$ 9,900,368</u>

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

Bonner County, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2011

	Business-type Activities Enterprise Funds <u>Solid Waste</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,139,198
Cash payments to suppliers for goods and services	(2,631,418)
Cash payments to or in behalf of employees for services	<u>(903,997)</u>
Net cash used by operating activities	(1,396,217)
Cash flows from noncapital financing activities:	
Special assessments	2,546,814
Miscellaneous receipts	45,822
Cash loaned to other funds (Courthouse)	<u>(1,579,614)</u>
Net cash provided by noncapital financing activities	1,013,022
Cash flows from capital financing and related financing activities:	
Acquisition of capital assets	<u>(435,723)</u>
Net decrease in cash and cash equivalents	(818,918)
Cash and cash equivalents, beginning of year	<u>7,671,831</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,852,913</u></u>
Cash and cash equivalents:	
Cash	\$ 4,854,471
Restricted assets:	
Cash	1,997,778
Cash on deposit with fiscal agent	<u>664</u>
Total cash and cash equivalents	<u><u>\$ 6,852,913</u></u>

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

Bonner County, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2011

	Business-type Activities Enterprise Funds <u>Solid Waste</u>
Reconciliation of Operating Loss to Net	
Cash Used by Operating Activities:	
Operating loss	\$ (1,827,358)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	\$ 145,197
Changes in assets and liabilities:	
Increase (decrease) in receivables:	
Fees	(175,484)
Accounts	158,125
Increase in warrants payable	291,807
Increase in accounts payable	5,200
Increase in accrued payroll	6,747
Increase in accrued retirement payable	553
Decrease in compensated absences payable	<u>(1,004)</u>
Total adjustments	<u>431,141</u>
Net cash used by operating activities	<u>\$ (1,396,217)</u>

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

Bonner County, Idaho
Statement of Net Assets - Fiduciary Funds
September 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,294,013
Receivable, net of allowance for uncollectibles:	
Taxes	2,898,636
Due from other funds	<u>18,000</u>
Total assets	<u><u>\$ 4,210,649</u></u>
Liabilities and Net Assets	
Liabilities	
Warrants payable	\$ 157,810
Accounts payable	1,195,054
Due to other taxing districts	2,838,780
Due to other funds	<u>19,005</u>
Total liabilities	<u><u>\$ 4,210,649</u></u>

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

Bonner County, Idaho
Notes to Financial Statement
September 30, 2011

1. Organization and Summary of Significant Accounting Policies

Organization:

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

Summary of Significant Accounting Policies:

The County's significant accounting policies are described below:

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

For financial reporting purposes, management has considered all potential component units which are controlled 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, and the ability to significantly influence operations, accountability for fiscal matters, and other factors. Based on these criteria, there was one component unit, the Ambulance District, included in the County's report, which is reported within the special revenue funds and is reported as a major fund.

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

Measurement Focus and Basis of Presentation – The basic financial statements of the County are composed of the following:

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Presentation (continued):

Financial reporting is based upon all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and Accounting and Research Bulletins that were issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989, are not allowed in preparation of the accompanying financial statements.

Government-wide Financial Statements – Government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separate from business-type activities, which rely to a significant extent on special assessments and charges for services.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Government-wide Financial Statements (continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The County uses an availability period of 30 days.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Fund Financial Statements (continued):

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (i.e., net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent the net current assets.

Recognition of governmental fund-type revenues represented by noncurrent receivables are unearned until they become current receivables. Noncurrent portions of long-term receivables are offset by fund balance reserve accounts.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund-type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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

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

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Fund Financial Statements (continued):

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

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

The other governmental funds of the County are considered nonmajor and are as follows:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts of major capital projects).

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

- b) ***Proprietary Funds*** – account for ongoing organizations and activities of the government, which are similar to those found in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the County has elected to apply all applicable FASB pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. Proprietary funds include the following fund type:

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Fund Financial Statements (continued):

- c) ***Fiduciary Funds*** – account for assets held by the County in a trustee capacity or as an agent on behalf of others.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the County holds for others in an agency capacity.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are stated at fair value at September 30, 2011, 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 and specific other non-county funds administered by the County. Idaho Code Section 67 (Code), Chapter 12, provides authorization for the investment of funds as well as what constitutes an allowable investment. County policy is consistent with the Code.

The Code limits investments to the following general types:

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

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Deposits and Investments (continued):

For purposes of the statement of cash flows, 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 at gross. The allowance for uncollectible accounts is zero at September 30, 2011.

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. The taxes are due in two installments. All of the personal property taxes and one-half of the real property taxes are due on or before December 20. The remaining one-half of the real property taxes is due on or before June 20 of the following year. The County bills and collects its own property taxes and also collects taxes for all other taxing districts within its boundaries.

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

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Capital Assets (continued)

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

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

Property, plant, and equipment are depreciated in the governmental or business-type activities columns in the government-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	10-20
Equipment	5-10
Infrastructure	20

Unearned Revenues – Unearned revenues in the governmental funds represent amounts due, which are measurable, but not available.

Compensated Absences – It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. GASB codification specifies that a liability should be accrued for leave benefits that meet the following conditions:

1. The employer's obligation relative to employee rights to receive compensation for future absences is attributable to the employee services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the obligation is probable.
4. The amount can be reasonably estimated.

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

Compensated Absences (continued):

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

At September 30, 2011, total compensated absences payable by the County is \$725,749. Of this amount, \$693,305 arises from governmental activity operations and \$32,444 is attributable to business-type activity operations.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type of statement of net assets.

Fund Equity – Reserves represent those portions of fund equity appropriable for expenditure or legally segregated for a specific future use.

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

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

Restricted net assets – This component of net assets consists of net assets subject to constraints imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

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

Interfund Transactions – During the normal course of operations, the County has transactions between funds. The most significant types are operating transfers, reimbursements, and residual equity transfers.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Summary of Significant Accounting Policies (continued):

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

Fund Balances – In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB No. 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54, which became effective for fiscal years beginning after June 15, 2010, requires the fund balance amounts to be properly reported within one of the following fund balance classifications:

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

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

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

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

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

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Activities – The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore not reported in the funds.” Another element of the reconciliation explains that “other assets are not available to pay for current period expenditures and, therefore, are unearned in the funds.” The details of these items are as follows:

Gross capital assets	\$ 488,166,914
Accumulated depreciation	(369,326,045)
Unearned revenue – property taxes	<u>2,188,059</u>
Net adjustment to increase total governmental funds to arrive at net assets – governmental funds	<u>\$ 121,028,928</u>

Another element of that reconciliation explains that “long-term liabilities that are not due and payable in the current period are not reported in the funds.” The details of these items are as follows:

Capital leases payable	\$ (4,112,724)
Compensated absences	<u>(693,305)</u>
Net adjustments to reduce total governmental funds to arrive at net assets-governmental funds	<u>\$ (4,806,029)</u>

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities – The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is capitalized and depreciated over their estimated useful lives and reported as depreciation expense.” Another element of the reconciliation states “some governmental funds revenues are unearned because they are not collected within the prescribed time after year end and therefore will not be available to pay liabilities of the current period. Accordingly, they are recorded as unearned tax revenues in the governmental funds. On the accrual basis, however, those revenues would be recognized regardless of when they are collected. Because of the “availability” criterion under the modified accrual basis of accounting, the following has been unearned.” The details of these items are as follows:

Capital outlay	\$ 5,783,730
Depreciation expense	(24,596,869)
Property taxes	<u>384,525</u>
Net adjustment to decrease the net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (18,428,614)</u>

Another element of that reconciliation states that the issuance of the long-term debt (e.g., capital lease) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Also, “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.” Neither transaction, however, has any effect on net assets. The details of these items are as follows:

Principal repayments:	
Capital lease	<u>\$ 411,369</u>
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 411,369</u>

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

3. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

During the fiscal year, only the Board of County Commissioners may amend the annual appropriated budget by resolution, through the courts or by the budget hearing process. The appropriated budget can be increased by expending unanticipated revenues or utilization of reserves.

The County is required by State law to adopt annual appropriated budgets for the general and special revenue funds. All appropriated budgets for governmental funds are adopted on a basis consistent with GAAP. Budgets for enterprise funds are adopted on a non-GAAP basis. Budgeted amounts are as amended during the fiscal year ended September 30, 2011.

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, 2011, there were no funds for which expenditures exceeded appropriations.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

4. Deposits and Investments

The elected State Treasurer, following Idaho Code, is authorized to sponsor an investment pool that the County voluntarily participates in. The Joint Powers 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 Joint Powers Investment Pool is conducted by the State Legislative Auditor's Office. The Legislative Auditor of the State of Idaho has full access to the records of the State Pool.

Through a "Cash Management Sweep Account and Automatic Daily Repurchase Agreement" dated in September 2011 with Panhandle State Bank, the County invests idle cash in uninsured repurchase agreements. The repurchase agreements are fully collateralized with an undivided, fractional interest in obligations of, or obligations that are fully guaranteed by the United States government, its agencies, or instrumentalities. Title to the securities is vested in the bank. The bank repurchases the undivided, fractional interest from the County on the next banking day.

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

Concentration of Credit Risk – The County's investment policy currently does not limit the balance of investments with a single issuer; however, one issuer holds more than 50% of the County's total portfolio at September 30, 2011. As of September 30, 2011, the following issuers hold more than 5% of the County's total portfolio: State of Idaho – 52% (Investment Pool, 24%, Diversified Bond Fund, 28%), Panhandle State Bank – 43%.

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, 2011, the County's deposits over and above the FDIC insurance limits at Panhandle State Bank were covered under the federal government's Transaction Account Guarantee (TAG) program. All non-interest bearing transaction accounts at institutions participating in the TAG program are fully guaranteed by the FDIC for the entire amount in the account.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

4. Deposits and Investments, Continued

Custodial Credit Risk – Investments – This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The County is exposed to custodial credit risk because it has repurchase agreement investments of \$13,173,759 that are uninsured, unregistered, and held by Panhandle State Bank which is also the counterparty for the repurchase agreements. The repurchase agreements are fully collateralized by U.S. government securities, with the collateral held in trust by the Federal Home Loan Bank in Panhandle State Bank's name with market values of \$13,173,759 as of September 30, 2011.

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.

Investment Type	Under 30 Days	31-180 Days	181-365 Days	1 to 4 Years	Market Value	Cost	Percentage of total
Panhandle State Bank							
Repurchase Agreement							
Treasurer's Account	\$12,064,937	\$ -	\$ -	\$ -	\$12,064,937	\$12,064,937	39.34%
Ambulance Account	1,108,822	-	-	-	1,108,822	1,108,822	3.62%
Certificates of Deposit	107,713	-	140,000	-	247,713	247,713	0.80%
Mountain West Bank							
Certificate of Deposit	-	-	105,985	-	105,985	100,000	0.33%
U.S. Bank							
Certificate of Deposit	-	100,000	-	-	100,000	100,000	0.33%
State of Idaho							
Local Government							
Investment Pool	7,251,570	-	-	-	7,251,570	7,251,570	23.64%
Diversified Bond Fund	-	-	-	8,556,749	8,556,749	8,556,749	27.90%
Multi-Bank Securities	-	-	-	1,240,000	1,238,518	1,240,000	4.04%
Total investments	<u>\$20,533,042</u>	<u>\$ 100,000</u>	<u>\$ 245,985</u>	<u>\$ 9,796,749</u>	<u>\$30,674,294</u>	<u>\$30,669,791</u>	<u>100.00%</u>

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

Cash on hand	\$ 9,030
Bank deposits	612,178
Carrying value of investments	<u>30,675,711</u>
Total cash and investments	<u>\$ 31,296,919</u>

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

5. Due From Other Governmental Units

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.

6. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	October 1, 2010 <u>(Note 16)</u>	<u>Increases</u>	<u>Decreases</u>	September 30, 2011
Governmental Activities				
Capital assets, not being depreciated:				
Land (Note 16)	\$ 2,649,593	\$ 300,053	\$ -	\$ 2,949,646
Total capital assets, not depreciated	<u>2,649,593</u>	<u>300,053</u>	<u>-</u>	<u>2,949,646</u>
Capital assets, being depreciated:				
Infrastructure (Note 16)	452,597,852	1,075,283	-	453,673,135
Buildings (Note 16)	7,285,113	3,720,789	-	11,005,902
Machinery and equipment	20,064,679	687,605	(214,053)	20,538,231
Less accumulated depreciation	<u>(344,943,229)</u>	<u>(24,596,869)</u>	<u>214,053</u>	<u>(369,326,045)</u>
Total capital assets, being depreciated, net	<u>135,004,415</u>	<u>(19,113,192)</u>	<u>-</u>	<u>115,891,223</u>
Governmental activities capital assets, net	<u>\$ 137,654,008</u>	<u>\$(18,813,139)</u>	<u>\$ -</u>	<u>\$ 118,840,869</u>

Depreciation expense was charged to functions as follows:

General governmental services	\$ 388,896
Road and bridge	23,760,743
Culture and recreation	21,861
Public safety	341,968
Health	<u>83,401</u>

Total governmental activities depreciation expense \$ 24,596,869

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

6. Capital Assets, Continued

	October 1, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	September 30, <u>2011</u>
Business-type Activities				
Capital assets, not depreciated:				
Land	\$ 322,857	\$ -	\$ -	\$ 322,857
Total capital assets, not being depreciated	<u>322,857</u>	<u>-</u>	<u>-</u>	<u>322,857</u>
Capital assets, being depreciated:				
Buildings	912,520			912,520
Improvements other than buildings	829,355	353,494		1,182,849
Machinery and equipment	<u>1,634,619</u>	<u>82,229</u>	<u>(19,413)</u>	<u>1,697,435</u>
Total capital assets, being depreciated	<u>3,376,494</u>	<u>435,723</u>	<u>(19,413)</u>	<u>3,792,804</u>
Less accumulated depreciation for:				
Buildings	(318,193)	(22,813)	-	(341,006)
Improvements other than buildings	(345,895)	(44,886)	-	(390,781)
Machinery and equipment	<u>(1,268,235)</u>	<u>(77,498)</u>	<u>19,413</u>	<u>(1,326,320)</u>
Total accumulated depreciation	<u>(1,932,323)</u>	<u>(145,197)</u>	<u>19,413</u>	<u>(2,058,107)</u>
Total capital assets, being depreciated, net	<u>1,444,171</u>	<u>290,526</u>	<u>-</u>	<u>1,734,697</u>
Business-type activities capital assets, net	<u>\$1,767,028</u>	<u>\$ 290,526</u>	<u>\$ -</u>	<u>\$2,057,554</u>

Depreciation expense was charged to functions as follows:

Solid Waste	<u>\$ 145,197</u>
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Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

7. Leases

Operating Leases

Public Defender – On September 10, 2002, the County entered into an agreement to lease a portion of a building for office space. Total payments made for the year ended September 30, 2011, were \$21,000. The County is on a month-to-month lease.

Public Works – On December 16, 2003, the County entered into an agreement to lease a portion of a building for office space. The County is on a month-to-month lease.

Ambulance District – On July 20, 2010, the County entered into an agreement to lease a building for office space. Monthly payments of \$4,500 began April 2011 and increased to \$4,635 per month as of October 2011. The lease expires September 30, 2012, at which time the County can renew the lease for another year.

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. Total payments made for the year ended September 30, 2011, were \$4,818. The County re-negotiated the lease in January 2012 in the amount of \$150 per month with the term of the lease being month-to-month.

Capital Leases

The County has entered into various leases to purchase equipment. 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 \$4,756,493. The leases are collateralized by the assets.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

7. Leases, Continued

Future minimum annual capital lease payments under capital leases at September 30, 2011, are:

<u>Years Ending September 30,</u>	<u>Assessor / Clerk</u>	<u>Road and Bridge</u>	<u>Bonner County Administration</u>	<u>Calvary Building</u>	<u>EMS / Ambulance</u>	<u>Total</u>
2012	\$ 16,092	\$ 818,221	\$ 158,061	\$ 39,429	\$ 76,879	\$ 1,108,682
2013	13,116	257,837	158,061	39,429	76,879	545,322
2014	10,140	69,363	158,061	39,429	76,879	353,872
2015	10,140	-	158,061	39,429	76,879	284,509
2016	6,750	-	158,061	39,429	50,333	254,573
2017-2021	840	-	790,305	128,130	93,580	1,012,855
2022-2023	-	-	1,775,928	-	35,864	1,811,792
Total minimum lease payments	57,078	1,145,421	3,356,538	325,275	487,293	5,371,605
Less amount representing interest	-	(57,080)	(1,062,796)	(59,036)	(79,969)	(1,258,881)
Capital lease obligations	<u>\$ 57,078</u>	<u>\$ 1,088,341</u>	<u>\$ 2,293,742</u>	<u>\$ 266,239</u>	<u>\$ 407,324</u>	<u>\$ 4,112,724</u>

8. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2011 was as follows:

	<u>October 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 615,621	\$ 77,684	\$ -	\$ 693,305	\$ 560,851
Capital leases payable	<u>4,195,087</u>	<u>329,006</u>	<u>(411,369)</u>	<u>4,112,724</u>	<u>930,107</u>
Governmental activities long-term liabilities	<u>\$ 4,810,708</u>	<u>\$ 406,690</u>	<u>\$ (411,369)</u>	<u>\$ 4,806,029</u>	<u>\$ 1,490,958</u>
Business-type activities:					
Compensated absences	<u>\$ 33,448</u>	<u>\$ -</u>	<u>\$ (1,004)</u>	<u>\$ 32,444</u>	<u>\$ 32,444</u>
Business-type activities long-term liabilities	<u>\$ 33,448</u>	<u>\$ -</u>	<u>\$ (1,004)</u>	<u>\$ 32,444</u>	<u>\$ 32,444</u>

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

9. Interfund Receivables, Payables and Transfers

The composition of interfund receivables and payables as of September 30, 2011, were:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Justice	\$ 743,372	\$ -
Ambulance	-	743,372
	<u>\$ 743,372</u>	<u>\$ 743,372</u>
	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ -	\$ 1,501,060
Solid Waste	1,501,060	-
Parks and Recreation	19,005	-
911 Dispatch	-	18,000
Fiduciary funds	18,000	19,005
	<u>\$ 1,538,065</u>	<u>\$ 1,538,065</u>

The interfund receivable and payable from the Solid Waste fund to the General fund arose from a resolution passed by the Bonner County Board of Commissioners to transfer money from Solid Waste to the Justice fund in order to cover unforeseen costs relating to asbestos abatement with the remodel of the Bonner County Courthouse. The funds will be repaid at 0.30% interest over a five, seven or ten year period of time, yet to be determined by the Board of Commissioners.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

9. Interfund Receivables, Payables and Transfers, Continued

Individual fund transfers in and out balances at September 30, 2011, were:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Governmental Services	\$ 2,577,851	\$ -
Road and Bridge	422,643	-
District Court	-	5,524
911 Dispatch	-	319,552
Indigent and Charity	10,000	-
Junior College	268,554	-
Revaluation	5,000	-
Solid Waste	75,000	-
Weeds	2,000	-
Parks	2,000	-
Justice	3,119,338	-
WaterWays	2,000	-
Building Construction	-	6,076,000
Grants	-	183,317
LID Admin Fund	40,000	-
Judgments	7	-
Auditors Trust	60,000	-
	<u>\$ 6,584,393</u>	<u>\$ 6,584,393</u>

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

10. 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

Bonner County is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

11. 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.

12. Defined Benefit Pension Plan

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 in the County's financial statements.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

13. Defined Benefit Pension Plan, Continued

On July 1, 2003, the County joined the Public Employee Retirement System of Idaho (System). The System administers the Public Employee Retirement Fund Base Plan (PERSI). PERSI is a cost-sharing, multiple-employer public retirement system, and was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2% (2.3% law enforcement) of the average monthly salary for the highest consecutive 42 months of employment.

The contribution requirements of the County and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2011, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.69% for law enforcement. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for law enforcement members. Bonner County's contributions required and paid were \$1,349,809, \$1,415,673 and \$1,456,040 for the years ended September 30, 2011, 2010 and 2009, respectively.

14. 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, 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.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

14. Risk Management, Continued

Insurance is maintained through the Idaho Counties Risk Management Program (ICRMP). ICRMP is an insurance pool serving all public entities in Idaho through provisions of property, general liability, auto liability, physical damage, and public officials' insurance. The County pays an annual premium to ICRMP for insurance coverage.

The ICRMP 2010-2011 County insurance policy provides coverage up to a limit of \$500,000 for any single claim (brought pursuant to Title 6, Chap. 9 Idaho Code). This is the statutory limit of the Idaho tort claims act. For any other type of liability claim, the policy limit is \$2,000,000. The aggregate amount or total combined amount of all liability claims added up in a single policy year is \$3,000,000.

ICRMP provides property insurance coverage structured so that ICRMP retains the first \$100,000 of damage to any County property. Allianz, an A++ reinsurer, provides coverage for the remainder of the damage. The limits of the property coverage are tied to the County's statement of values. If the buildings, vehicles, and other property are listed on the County's statement of values, the County has coverage for the replacement cost of the damaged property.

Excluded from the maximum total deductible per policy period are deductibles paid for flood and/or earthquake, and boiler and machinery losses. The deductibles for these occurrences are \$2,500 per incident with no annual limit.

At September 30, 2011, 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, 2011 were below the limits of the insurance coverage.

15. 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, 2011, was \$1,206,927.

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

16. Prior Period Adjustment

The County's financial statements for the year ended September 30, 2010 did not reflect the accrual of commercial disposal fees revenues of \$167,875 in the Solid Waste Disposal Fund.

The effects of the restatements on the proprietary fund financial statements as of and for the year ended September 30, 2010 are as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
Statement of Net Assets – Proprietary Fund:		
Receivables:		
Fees	\$ 3,397	\$ 174,302
Accounts	170,905	167,875
Unrestricted net assets	5,276,746	5,444,621
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund:		
Operating Revenues:		
Charges for services	1,961,353	2,129,228
Total net assets, end of year – Proprietary Fund	9,042,216	9,210,091

The County's Government-Wide Statement of Net Assets for the year ended September 30, 2010 reported other capital assets, net of depreciation that were overstated by \$655,545, which related to the cost of the Schlosky Building of \$358,229, unsubstantiated airport improvements of \$595,229, and the addition of unrecorded airport improvements of \$297,913.

The effects of the restatement on the financial statements as of and for the year ended September 30, 2010 are as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
Statement of Net Assets – Government-Wide:		
Other capital assets, net of depreciation	\$ 134,863,191	\$ 134,207,646
Net assets, invested in capital assets, net of related debt	134,423,634	133,768,089
Statement of Activities – Government-Wide:		
Total net assets, end of year – Governmental Activities	154,151,194	153,495,649

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

16. Prior Period Adjustment, Continued

The County's financial statements for the year ended September 30, 2010 reported unearned property taxes of \$1,824,531, which was overstated on the prior year Government-Wide Statement of Net Assets by \$1,803,531. The correct amount of unearned property taxes as of September 30, 2010 was \$0, and the remaining \$21,000 of unearned revenue pertained to airport hangar leases. The effects of the restatement of the September 30, 2010 unearned property taxes had a \$1,803,531 increase on the prior net asset balance.

The effects of the restatement on the financial statements as of and for the year ended September 30, 2010 are as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
Statement of Net Assets – Government-Wide:		
Unearned property taxes/revenue	\$ 1,824,531	\$ 21,000
Unrestricted net assets	19,455,672	21,259,203
Statement of Activities – Government-Wide:		
General Revenues:		
Taxes:		
Property taxes, levied for general purposes	23,102,183	21,298,652
Total net assets, end of year – Governmental Activities as restated above (page 55)	153,495,649	155,299,180

The County's financial statements for the year ended September 30, 2010 did not report two Nonmajor Special Revenue fund balances, the Drainage and Translator districts, which had fund balances of \$19,734 and \$1,915 respectively. Instead, these amounts had been included as liabilities on the Statement of Net Assets – Fiduciary Funds.

The effects of the restatement on the financial statements as of and for the year ended September 30, 2010 are as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds:		
Nonmajor Governmental Funds:		
Fund Balance, End of Year	\$ 6,405,513	\$ 6,427,162
Total net assets, end of year – Governmental Activities as restated above (page 56)	155,299,180	155,320,829
Statement of Net Assets – Fiduciary Funds		
Total liabilities	3,907,022	3,885,373

Bonner County, Idaho
Notes to Financial Statement, Continued
September 30, 2011

17. Subsequent Events

On January 31, 2012, the Board of County Commissioners signed a resolution, approving an interdepartmental loan from the Solid Waste Capital Improvement Fund in the amount of \$1,600,000 to the Building Construction Fund, for the purpose of funding the Juvenile Detention Facility construction project. The loan will be repaid over a term of fifteen years at 0.2066% interest.

On February 28, 2012, the Board of County Commissioners authorized the Director of the Road and Bridge department to proceed with Mountain West Bank on the purchasing of three motor graders with Western States Equipment in the amount of \$809,064 with an optional buyback of \$187,000 per motor grader at five years.

On February 28, 2012, the Board of County Commissioners authorized the Director of the Road and Bridge department to proceed with Panhandle State Bank on the purchasing of three motor graders with Rowand Machinery Company in the amount of \$782,528 with an optional buyback of \$160,000 per motor grader at seven years.

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Supplementary Information

Bonner County, Idaho
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,199,852	\$ 3,240,411	\$ -	\$ 10,440,263
Restricted cash	-	-	235,875	235,875
Receivables, net of allowance for uncollectibles:				
Taxes	4,616,845	684	-	4,617,529
Interest	333	-	-	333
Accounts	110,181	-	-	110,181
Due from other governments	146,327	-	-	146,327
Due from other funds	19,005	-	-	19,005
Total assets	<u>\$ 12,092,543</u>	<u>\$ 3,241,095</u>	<u>\$ 235,875</u>	<u>\$ 15,569,513</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Warrants payable	\$ 537,287	\$ 636,205	\$ -	\$ 1,173,492
Vouchers payable	46,582	63,945	-	110,527
Accrued payroll	128,764	-	-	128,764
Accrued retirement payable	23,085	-	-	23,085
Due to other funds	18,000	-	-	18,000
Unearned property taxes	4,726,529	671	-	4,727,200
Total liabilities	<u>5,480,247</u>	<u>700,821</u>	<u>-</u>	<u>6,181,068</u>
Fund balances:				
Restricted for:				
Debt service	-	-	235,875	235,875
Assigned for:				
General government	2,911,397	-	-	2,911,397
Public safety	2,000,985	-	-	2,000,985
Culture and recreation	712,739	-	-	712,739
Health and welfare	280,707	-	-	280,707
Sanitation	239,724	-	-	239,724
Road and bridge	466,745	-	-	466,745
Capital projects	-	2,540,274	-	2,540,274
Total fund balances	<u>6,612,296</u>	<u>2,540,274</u>	<u>235,875</u>	<u>9,388,445</u>
Total liabilities and fund balances	<u>\$ 12,092,543</u>	<u>\$ 3,241,095</u>	<u>\$ 235,875</u>	<u>\$ 15,569,513</u>

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Bonner County, Idaho

ASSETS

LIABILITIES AND FUND BALANCES

Fund balances

Assigned for:

Total fund balance

Total liabilities and fund balances

Continued on page 60

Bonner County, Idaho
Combining Balance Sheet — Nonmajor Special Revenue Funds
September 30, 2011

	911	Indigent and Charity	Weeds	Tort	Health District	Snowmobile- Priest Lake	Snowmobile- Sandpoint
ASSETS							
Cash and cash equivalents	\$ 1,011,863	\$ 256,724	\$ 247,051	\$ 684,703	\$ 61,599	\$ 60,466	\$ 84,450
Receivables, net of allowance for uncollectibles:							
Taxes	-	592,755	175,082	874,093	242,720	-	-
Interest	273	-	-	-	-	-	-
Accounts	46,780	10,414	22,394	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 1,058,916	\$ 859,893	\$ 444,527	\$ 1,558,796	\$ 304,319	\$ 60,466	\$ 84,450
LIABILITIES AND FUND BALANCES							
Liabilities							
Warrants payable	\$ 123,320	\$ 48,373	\$ 27,253	\$ 6,819	\$ -	\$ 1,073	\$ 39
Vouchers payable	-	-	-	-	-	-	-
Accrued payroll	37,203	2,939	2,678	-	-	-	-
Accrued retirement payable	5,722	483	584	-	-	-	-
Due to other funds	18,000	-	-	-	-	-	-
Unearned property taxes	-	590,138	174,288	870,091	241,573	-	-
Total liabilities	184,245	641,933	204,803	876,910	241,573	1,073	39
Fund balances							
Assigned for:							
General government	-	-	-	681,886	-	-	-
Public safety	874,671	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	59,393	84,411
Health and welfare	-	217,960	-	-	62,746	-	-
Sanitation	-	-	239,724	-	-	-	-
Road and bridge	-	-	-	-	-	-	-
Total fund balance	874,671	217,960	239,724	681,886	62,746	59,393	84,411
Total liabilities and fund balances	\$ 1,058,916	\$ 859,893	\$ 444,527	\$ 1,558,796	\$ 304,319	\$ 60,466	\$ 84,450

See report of Independent Auditor.

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Bonner County, Idaho

ASSETS

Liabilities

Total liabilities

Assigned for:

And fund balances

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Bonner County, Idaho
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Total Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 4,841,037	\$ -	\$ -	\$ 4,841,037
Licenses and permits	255,512	-	-	255,512
Intergovernmental	3,094,080	-	-	3,094,080
Charges for services	932,363	-	-	932,363
Fines	215,034	-	-	215,034
Special assessments	33,014	-	3,987	37,001
Interest income	1,754	-	-	1,754
Rental income	-	-	-	-
Miscellaneous	249,088	-	-	249,088
Total revenues	<u>9,621,882</u>	<u>-</u>	<u>3,987</u>	<u>9,625,869</u>
Expenditures:				
Current:				
General government	3,837,569	63,945	-	3,901,514
Public safety	2,730,673	-	-	2,730,673
Road and bridge	443,589	-	-	443,589
Sanitation	152,464	-	-	152,464
Health	235,496	-	-	235,496
Welfare	623,067	-	-	623,067
Education	248,584	-	-	248,584
Culture and recreation	531,681	-	-	531,681
Capital outlay	381,076	3,671,274	-	4,052,350
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>9,184,199</u>	<u>3,735,219</u>	<u>-</u>	<u>12,919,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>437,683</u>	<u>(3,735,219)</u>	<u>3,987</u>	<u>(3,293,549)</u>
Other financing sources (uses):				
Operating transfers in (out)	50,991	400,000	(40,000)	410,991
Grant transfers in (out)	188,841	-	-	188,841
Equity transfers in (out)	(21,000)	5,676,000	-	5,655,000
Total other financing sources (uses)	<u>218,832</u>	<u>6,076,000</u>	<u>(40,000)</u>	<u>6,254,832</u>
Net change in fund balance	656,515	2,340,781	(36,013)	2,961,283
Fund balances, beginning of year (Note 16)	<u>5,955,781</u>	<u>199,493</u>	<u>271,888</u>	<u>6,427,162</u>
Fund balances, end of year	<u>\$ 6,612,296</u>	<u>\$ 2,540,274</u>	<u>\$ 235,875</u>	<u>\$ 9,388,445</u>

See report of Independent Auditor.

Bonner County, Idaho
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances — Nonmajor Special Revenue Funds
For the Year Ended September 30, 2011

	Airport	Elections	Junior College	Revaluation	Historical Society	District Court	Special Highway	Judgments	Drainage District
Revenues:									
Taxes	\$ 47,495	\$ -	\$ 43	\$ 1,198,392	\$ 18,704	\$ 920,148	\$ -	\$ 7	\$ -
Licenses and permits	-	-	-	1,121	-	-	-	-	-
Intergovernmental	259,735	217,862	518,392	75,892	-	299,213	450,000	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	202,482	-	-	-
Special assessments	-	-	-	-	-	-	-	-	2,260
Interest income	-	-	-	-	-	-	-	-	-
Miscellaneous	52,655	39	1,123	-	-	165,420	-	-	4
Total revenues	359,885	217,901	519,558	1,275,405	18,704	1,587,263	450,000	7	2,264
Expenditures:									
Current:									
General government	88,817	133,708	-	1,269,137	-	1,534,882	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Road and bridge	-	-	-	-	-	-	443,589	-	-
Sanitation	-	-	-	-	-	-	-	-	3,905
Health	-	-	-	-	-	-	-	-	-
Welfare	-	-	-	-	-	-	-	-	-
Education	-	-	248,584	-	-	-	-	-	-
Culture and recreation	-	-	-	-	18,590	-	-	-	-
Capital outlay	300,053	9,434	-	-	-	60,491	-	-	-
Total expenditures	388,870	143,142	248,584	1,269,137	18,590	1,595,373	443,589	-	3,905
Excess (deficiency) of revenues over (under) expenditures	(28,985)	74,759	270,974	6,268	114	(8,110)	6,411	7	(1,641)
Other financing sources (uses):									
Operating transfers in (out)	-	-	(268,554)	-	-	-	-	(7)	-
Grant transfers in (out)	-	-	-	-	-	5,524	-	-	-
Equity transfers in (out)	-	-	-	(5,000)	-	-	-	-	-
Total other financing sources (uses)	-	-	(268,554)	(5,000)	-	5,524	-	(7)	-
Net change in fund balance	(28,985)	74,759	2,420	1,268	114	(2,586)	6,411	(0)	(1,641)
Fund balances, beginning of year (Note 16)	310,372	-	649,055	601,600	916	1,023,696	460,334	(0)	19,734
Fund balances, end of year	\$ 281,387	\$ 74,759	\$ 651,476	\$ 602,868	\$ 1,030	\$ 1,021,110	\$ 466,745	\$ 0	\$ 18,093

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Bonner County, Idaho
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances — Nonmajor Special Revenue Fund:
For the Year Ended September 30, 2011

	Translator District	911	Indigent and Charity	Weeds	Tort	Health District	Snowmobile- Priest Lake	Snowmobile- Sandpoint
Revenues:								
Taxes	\$ -	\$ 576,855	\$ 629,517	\$ 162,032	\$ 801,283	\$ 224,691	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	47,252	23,182
Intergovernmental	-	-	-	48,000	-	-	2,812	3,000
Charges for services	-	914,083	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-
Special assessments	30,754	-	-	-	-	-	-	-
Interest income	-	1,754	-	-	-	-	-	-
Miscellaneous	-	1,838	-	-	-	-	-	-
				1,359	5,000	12,000	3,000	-
Total revenues	30,754	1,494,530	629,517	211,391	806,283	236,691	53,064	26,182
Expenditures:								
Current:								
General government	-	-	-	-	769,705	-	-	-
Public safety	-	1,479,715	-	-	-	-	-	-
Road and bridge	-	-	-	-	-	-	-	-
Sanitation	-	-	-	148,559	-	-	-	-
Health	-	-	-	-	-	235,496	-	-
Welfare	-	-	623,067	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Culture and recreation	30,735	-	-	-	-	-	56,419	18,019
Capital outlay	-	11,098	-	-	-	-	-	-
Total expenditures	30,735	1,490,813	623,067	148,559	769,705	235,496	56,419	18,019
Excess (deficiency) of revenues over (under) expenditures	19	3,717	6,450	62,832	36,578	1,195	(3,355)	8,163
Other financing sources (uses):								
Operating transfers in (out)	-	319,552	-	-	-	-	-	-
Grant transfers in (out)	-	-	-	-	-	-	-	-
Equity transfers in (out)	-	-	(10,000)	(2,000)	-	-	-	-
Total other financing sources (uses)	-	319,552	(10,000)	(2,000)	-	-	-	-
Net change in fund balance	19	323,269	(3,550)	60,832	36,578	1,195	(3,355)	8,163
Fund balances, beginning of year (Note 16)	1,915	551,402	221,510	178,892	645,308	61,551	62,748	76,248
Fund balances, end of year	\$ 1,934	\$ 874,671	\$ 217,960	\$ 239,724	\$ 681,886	\$ 62,746	\$ 59,393	\$ 84,411

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Bonner County, Idaho
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances — Nonmajor Special Revenue Fund:
For the Year Ended September 30, 2011

	Waterways	Parks and Recreation	Court Facilities	Court Interlock	County Fair	Grants	Drug Court	Total
Revenues:								
Taxes	\$ -	\$ 93,115	\$ -	\$ -	\$ 168,755	\$ -	\$ -	\$ 4,841,037
Licenses and permits	183,957	-	-	-	-	-	-	255,512
Intergovernmental	-	-	-	-	-	1,219,174	-	3,094,080
Charges for services	-	-	18,280	-	-	-	-	932,363
Fines	-	-	-	5,102	-	-	7,450	215,034
Special assessments	-	-	-	-	-	-	-	33,014
Interest income	-	-	-	-	-	-	-	1,754
Miscellaneous	26	6,624	-	-	-	-	-	249,088
Total revenues	183,983	99,739	18,280	5,102	168,755	1,219,174	7,450	9,621,882
Expenditures:								
Current:								
General government	-	-	-	-	-	26,306	15,014	3,837,569
Public safety	-	-	175,660	8,520	-	1,066,778	-	2,730,673
Road and bridge	-	-	-	-	-	-	-	443,589
Sanitation	-	-	-	-	-	-	-	152,464
Health	-	-	-	-	-	-	-	235,496
Welfare	-	-	-	-	-	-	-	623,067
Education	-	-	-	-	-	-	-	248,584
Culture and recreation	111,847	74,713	-	-	160,931	60,427	-	531,681
Capital outlay	-	-	-	-	-	-	-	381,076
Total expenditures	111,847	74,713	175,660	8,520	160,931	1,153,511	15,014	9,184,199
Excess (deficiency) of revenues over (under) expenditures	72,136	25,026	(157,380)	(3,418)	7,824	65,663	(7,564)	437,683
Other financing sources (uses):								
Operating transfers in (out)	-	-	-	-	-	-	-	50,991
Grant transfers in (out)	-	-	-	-	-	183,317	-	188,841
Equity transfers in (out)	(2,000)	(2,000)	-	-	-	-	-	(21,000)
Total other financing sources (uses)	(2,000)	(2,000)	-	-	-	183,317	-	218,832
Net change in fund balance	70,136	23,026	(157,380)	(3,418)	7,824	248,980	(7,564)	656,515
Fund balances, beginning of year (Note 16)	251,800	191,759	215,655	23,600	21,426	351,948	34,311	5,955,781
Fund balances, end of year	\$ 321,936	\$ 214,785	\$ 58,275	\$ 20,182	\$ 29,250	\$ 600,928	\$ 26,747	\$ 6,612,296

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 3,007,799	\$ 3,007,799	\$ 3,001,546	\$ (6,253)
Licenses and permits	465,270	465,270	426,231	(39,039)
Intergovernmental	533,559	533,559	558,224	24,665
Charges for services	505,709	505,709	428,812	(76,897)
Interest income	280,000	280,000	362,198	82,198
Miscellaneous	29,972	29,972	12,062	(17,910)
Total revenues	<u>4,822,309</u>	<u>4,822,309</u>	<u>4,789,073</u>	<u>(33,236)</u>
Expenditures:				
Current:				
General government	4,852,367	4,869,967	3,923,824	946,143
Public safety	204,344	219,344	189,915	29,429
Capital outlay	-	-	7,483	(7,483)
Debt service:				
Principal	-	-	88,757	(88,757)
Interest	-	-	138,486	(138,486)
Total expenditures	<u>5,056,711</u>	<u>5,089,311</u>	<u>4,348,465</u>	<u>740,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(234,402)</u>	<u>(267,002)</u>	<u>440,608</u>	<u>707,610</u>
Other financing sources (uses):				
Operating transfers	-	-	(91,441)	(91,441)
Grant transfers	-	-	18,589	18,589
Equity transfers	-	-	(2,505,000)	(2,505,000)
Capital lease financing	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,577,852)</u>	<u>(2,577,852)</u>
Net change in fund balance	<u>(234,402)</u>	<u>(267,002)</u>	<u>(2,137,244)</u>	<u>(1,870,242)</u>
Fund balance, beginning of year	<u>2,760,948</u>	<u>2,760,948</u>	<u>2,760,948</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,526,546</u>	<u>\$ 2,493,946</u>	<u>\$ 623,704</u>	<u>\$ (1,870,242)</u>

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues - Budget
and Actual - General Fund
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Taxes:				
Current	\$ 2,988,334	\$ 2,988,334	\$ 2,946,483	\$ (41,851)
Penalties and interest	-	-	34,390	34,390
REA tax	19,465	19,465	20,673	1,208
Total taxes	3,007,799	3,007,799	3,001,546	(6,253)
Licenses and permits:				
Motor vehicle licenses	267,200	267,200	285,205	18,005
Trailer house licenses	3,200	3,200	3,554	354
Recreation vehicle licenses	5,400	5,400	5,818	418
Boat licenses	7,500	7,500	10,418	2,918
Conditional use permit	12,000	12,000	7,584	(4,416)
Building licenses and permits	169,970	169,970	113,652	(56,318)
Total licenses and permits	465,270	465,270	426,231	(39,039)
Intergovernmental:				
Inventory phase-out	400,000	400,000	415,024	15,024
Category 58 replacement revenue	24,197	24,197	24,197	-
Revenue sharing	100,000	100,000	108,178	8,178
Extension office	9,362	9,362	10,825	1,463
Total intergovernmental	533,559	533,559	558,224	24,665
Charges for services:				
Recorder's fees	357,450	357,450	285,453	(71,997)
Planning fees	101,643	101,643	60,260	(41,383)
Treasurer fees	18,080	18,080	50,689	32,609
Assessor's fees	18,900	18,900	24,910	6,010
Title company billings and access fees	9,636	9,636	7,500	(2,136)
Total charges for services	505,709	505,709	428,812	(76,897)
Interest:				
Interest income	280,000	280,000	362,198	82,198
Miscellaneous:				
Refunds and reimbursements	28,472	28,472	4,702	(23,770)
Miscellaneous	1,500	1,500	7,360	5,860
Total miscellaneous	29,972	29,972	12,062	(17,910)
Total general fund revenues	\$ 4,822,309	\$ 4,822,309	\$ 4,789,073	\$ (33,236)

See report of Independent Auditor.

Bonner County, Idaho
Statement of Expenditures - Budget and Actual -
General Fund
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Clerk – Auditor:				
General government:				
Salaries	\$ 253,843	\$ 253,843	\$ 228,667	\$ 25,176
Other services and charges	150,872	150,872	149,505	1,367
Total clerk - auditor	404,715	404,715	378,172	26,543
Treasurer:				
General government:				
Salaries	187,279	187,279	183,613	3,666
Other services and charges	54,845	94,845	82,899	11,946
Total treasurer	242,124	282,124	266,512	15,612
Emergency management:				
Public safety:				
Salaries	95,073	95,073	77,322	17,751
Other services and charges	16,780	16,780	12,257	4,523
Total emergency management	111,853	111,853	89,579	22,274
Commissioners:				
General government:				
Salaries	269,938	269,938	267,677	2,261
Other services and charges	20,096	20,096	17,788	2,308
Total commissioners	290,034	290,034	285,465	4,569
Coroner:				
Public safety:				
Salaries	44,931	44,931	44,280	651
Other services and charges	47,560	62,560	56,056	6,504
Total coroner	92,491	107,491	100,336	7,155
Buildings and grounds:				
General government:				
Salaries	68,843	70,843	70,538	305
Other services and charges	164,006	183,906	177,495	6,411
Total buildings and grounds	232,849	254,749	248,033	6,716

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Bonner County, Idaho
Statement of Expenditures - Budget and Actual -
General Fund (Continued)
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
General:				
General government:				
Salaries	\$ -	\$ 12,000	\$ 11,038	\$ 962
Benefits	815,842	815,842	712,849	102,993
Other services and charges	1,330,608	1,330,608	790,492	540,116
Total general	2,146,450	2,158,450	1,514,379	644,071
Extension office:				
General government:				
Salaries	55,960	55,610	55,569	41
Other services and charges	35,815	36,165	28,659	7,506
Capital outlay	-	-	7,483	(7,483)
Total extension office	91,775	91,775	91,711	64
Data processing:				
General government:				
Other services and charges	65,505	65,505	64,088	1,417
Assessor – motor vehicles:				
General government:				
Salaries	213,793	213,793	210,828	2,965
Other services and charges	15,876	15,876	14,939	937
Total assessor – motor vehicles	229,669	229,669	225,767	3,902
Planning:				
General government:				
Salaries	433,808	433,808	391,545	42,263
Other services and charges	92,760	92,760	46,425	46,335
Total planning	526,568	526,568	437,970	88,598

See report of Independent Auditor.

Bonner County, Idaho
Statement of Expenditures - Budget and Actual -
General Fund (Continued)
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Information services:				
General government:				
Other services and charges	\$ 239,704	\$ 239,704	\$ 238,313	\$ 1,391
Personnel:				
General government:				
Salaries	54,020	55,920	55,856	64
Other services and charges	20,582	18,682	13,869	4,813
Total personnel	74,602	74,602	69,725	4,877
Geographic information systems:				
General government:				
Salaries	82,255	85,955	85,076	879
Other services and charges	26,117	26,117	26,096	21
Total geographic information systems	108,372	112,072	111,172	900
Contingency:				
General government:				
Other services and charges	200,000	140,000	-	140,000
Debt Service				
Principal	-	-	88,757	(88,757)
Interest and fiscal charges	-	-	138,486	(138,486)
Total debt service	-	-	227,243	(227,243)
Total general fund:				
General government	4,852,367	4,869,967	3,923,824	946,143
Public safety	204,344	219,344	189,915	29,429
Debt service	-	-	227,243	(227,243)
Capital outlay	-	-	7,483	(7,483)
Total general fund	\$ 5,056,711	\$ 5,089,311	\$ 4,348,465	\$ 740,846

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Budget and Actual - Justice Fund
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 9,008,026	\$ 9,008,026	\$ 9,053,895	\$ 45,869
Licenses and permits	263,600	263,600	293,683	30,083
Intergovernmental	1,404,460	1,404,460	1,453,146	48,686
Charges for services	588,300	588,300	598,671	10,371
Miscellaneous	140,000	140,000	154,713	14,713
Total revenues	<u>11,404,386</u>	<u>11,404,386</u>	<u>11,554,108</u>	<u>149,722</u>
Expenditures:				
Current:				
Public safety	11,776,268	11,918,454	10,658,773	1,259,681
Capital outlay	200,000	210,139	208,826	1,313
Total expenditures	<u>11,976,268</u>	<u>12,128,593</u>	<u>10,867,599</u>	<u>1,260,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(571,882)</u>	<u>(724,207)</u>	<u>686,509</u>	<u>1,410,716</u>
Other financing sources (uses):				
Operating transfers	-	-	(319,550)	(319,550)
Grant transfers	-	-	140,213	140,213
Equity transfers	-	-	(3,000,000)	(3,000,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,179,337)</u>	<u>(3,179,337)</u>
Net change in fund balance	<u>(571,882)</u>	<u>(724,207)</u>	<u>(2,492,828)</u>	<u>(1,768,621)</u>
Fund balance, beginning of year	<u>6,874,073</u>	<u>6,874,073</u>	<u>6,874,073</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,302,191</u>	<u>\$ 6,149,866</u>	<u>\$ 4,381,245</u>	<u>\$ (1,768,621)</u>

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues - Budget and Actual -
Justice Fund
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Justice:				
Taxes:				
Current	\$ 8,945,239	\$ 8,945,239	\$ 8,873,837	\$ (71,402)
Penalties and interest	-	-	118,117	118,117
REA tax	62,787	62,787	61,942	(845)
Total taxes	9,008,026	9,008,026	9,053,895	45,869
Licenses and permits:				
Drivers licenses	60,000	60,000	79,964	19,964
Boat licenses	175,000	175,000	183,957	8,957
Beer and liquor licenses	22,000	22,000	24,355	2,355
Other licenses and permits	6,600	6,600	5,407	(1,193)
Total licenses and permits	263,600	263,600	293,683	30,083
Intergovernmental:				
State revenue sharing	800,000	800,000	865,422	65,422
Payment in lieu of taxes	365,000	365,000	477,771	112,771
Kootenai	1,200	1,200	1,000	(200)
Oldtown services	6,300	6,300	4,800	(1,500)
Army Corps of Engineers	75,000	75,000	80,940	5,940
FILT-I F&G	8,500	8,500	5,154	(3,346)
Contributions and donations	-	-	-	-
Park Corp of Engineers	18,000	18,000	6,480	(11,520)
Ambulance District note repayment	130,460	130,460	11,579	(118,881)
Total intergovernmental	1,404,460	1,404,460	1,453,146	48,686
Charges for services:				
Prisoner board	448,000	448,000	438,084	(9,916)
Processing and servicing fees	1,600	1,600	3,851	2,251
Fingerprinting and bonding fees	11,500	11,500	12,270	770
Work release and inmate labor	37,000	37,000	33,296	(3,704)
Sheriff's sale proceeds	-	-	790	790
Other	90,200	90,200	110,380	20,180
Total charges for services	588,300	588,300	598,671	10,371

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues - Budget and Actual -
Justice Fund (Continued)
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Justice (continued):				
Miscellaneous:				
ITD reinstatements	\$ 25,000	\$ 25,000	\$ 24,520	\$ (480)
Pay phone commissions	18,000	18,000	17,619	(381)
Prisoner reimbursements	30,000	30,000	26,287	(3,713)
Court surcharge	40,000	40,000	42,221	2,221
Public defender costs	25,000	25,000	16,043	(8,957)
Miscellaneous	2,000	2,000	28,023	26,023
Total miscellaneous	<u>140,000</u>	<u>140,000</u>	<u>154,713</u>	<u>14,713</u>
Total justice	<u>\$ 11,404,386</u>	<u>\$ 11,404,386</u>	<u>\$ 11,554,108</u>	<u>\$ 149,722</u>
Total all justice funds:				
Taxes	\$ 9,008,026	\$ 9,008,026	\$ 9,053,895	\$ 45,869
Licenses and permits	263,600	263,600	293,683	30,083
Intergovernmental	1,404,460	1,404,460	1,453,146	48,686
Charges for services	588,300	588,300	598,671	10,371
Miscellaneous	140,000	140,000	154,713	14,713
Total justice fund	<u>\$ 11,404,386</u>	<u>\$ 11,404,386</u>	<u>\$ 11,554,108</u>	<u>\$ 149,722</u>

See report of Independent Auditor.

Bonner County, Idaho
Statement of Expenditures - Budget and Actual -
Justice Fund
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Justice:				
Public safety:				
Clerk:				
Salaries	\$ 638,555	\$ 638,555	\$ 633,552	\$ 5,003
Other services and charges	1,470	1,470	500	970
Total clerk	640,025	640,025	634,052	5,973
Sheriff:				
Salaries	2,269,791	2,229,791	2,104,561	125,230
Other services and charges	445,415	485,415	463,062	22,353
Capital outlay	200,000	210,139	190,000	20,139
Total sheriff	2,915,206	2,925,345	2,757,623	167,722
Prosecuting attorney:				
Salaries	853,405	853,405	844,171	9,234
Other services and charges	161,658	168,470	80,014	88,456
Capital outlay	-	-	5,283	(5,283)
Total prosecuting attorney	1,015,063	1,021,875	929,468	92,407
Public defender:				
Salaries	316,320	383,657	349,416	34,241
Other services and charges	196,542	207,216	188,807	18,409
Total public defender	512,862	590,873	538,223	52,650
Juvenile detention:				
Salaries	469,396	469,396	464,717	4,679
Other services and charges	107,432	107,432	88,564	18,868
Total juvenile detention	576,828	576,828	553,281	23,547
General:				
Salaries	-	-	-	-
Benefits	2,564,147	2,608,510	2,294,197	314,313
Other services and charges	1,391,435	1,391,435	998,692	392,743
Total general	3,955,582	3,999,945	3,292,889	707,056

See report of Independent Auditor.

Bonner County, Idaho
Statement of Expenditures - Budget and Actual -
Justice Fund (Continued)
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Justice (continued):				
Public safety (continued):				
Jail:				
Salaries	\$ 1,489,844	\$ 1,454,844	\$ 1,424,133	\$ 30,711
Other services and charges	402,594	456,594	453,013	3,581
Total jail	1,892,438	1,911,438	1,877,146	34,292
Marine patrol:				
Salaries	135,317	135,317	124,425	10,892
Other services and charges	99,683	99,683	85,626	14,057
Capital outlay	-	-	13,543	(13,543)
Total marine patrol	235,000	235,000	223,594	11,406
Building and grounds:				
Other services and charges	33,264	38,264	33,916	4,348
Civil litigation				
Salaries	-	34,000	10,046	23,954
Other services and charges	-	20,000	17,360	2,640
Total civil litigation	-	54,000	27,406	26,594
5% statutory reserve:				
Other services and charges	200,000	135,000	-	135,000
Total for all justice funds				
Public safety	11,776,268	11,918,454	10,658,773	1,259,681
Capital outlay	200,000	210,139	208,826	1,313
Total justice	\$ 11,976,268	\$ 12,128,593	\$ 10,867,599	\$ 1,260,994

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 4,004,528	\$ 4,004,528	\$ 4,036,066	\$ 31,538
Intergovernmental	2,232,026	2,232,026	2,281,371	49,345
Miscellaneous	43,000	43,000	222,636	179,636
Total revenues	6,279,554	6,279,554	6,540,073	260,519
Expenditures:				
Current:				
Road and bridge	5,277,699	5,423,379	4,634,179	789,200
Capital outlay	1,209,000	1,758,558	1,428,319	330,239
Debt service:				
Principal	-	-	289,556	(289,556)
Interest	-	-	49,320	(49,320)
Total expenditures	6,486,699	7,181,937	6,401,374	780,563
Excess (deficiency) of revenues over (under) expenditures	(207,145)	(902,383)	138,699	1,041,082
Other financing sources (uses):				
Operating transfers	-	-	-	-
Grant transfers	-	-	(347,643)	(347,643)
Equity transfers	-	-	(75,000)	(75,000)
Total other financing sources (uses)	-	-	(422,643)	(422,643)
Net change in fund balance	(207,145)	(902,383)	(283,944)	618,439
Fund balance, beginning of year	4,290,145	4,290,145	4,290,145	-
Fund balance, end of year	\$ 4,083,000	\$ 3,387,762	\$ 4,006,201	\$ 618,439

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues and Expenditures -
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Taxes:				
Current	\$ 3,968,664	\$ 3,968,664	\$ 3,943,856	\$ (24,808)
Penalties and interest	-	-	56,355	56,355
REA tax	35,864	35,864	35,855	(9)
Total taxes	4,004,528	4,004,528	4,036,066	31,538
Intergovernmental:				
Highway user revenue	1,535,000	1,535,000	1,559,873	24,873
Sales tax base and excess	100,000	100,000	116,138	16,138
Category 58 replacement revenue	11,026	11,026	11,026	-
State cost sharing				
Forest apportionment	586,000	586,000	594,334	8,334
Total intergovernmental	2,232,026	2,232,026	2,281,371	49,345
Miscellaneous:				
Miscellaneous	28,000	28,000	30,641	2,641
Refunds and reimbursements	15,000	15,000	191,995	176,995
Total miscellaneous	43,000	43,000	222,636	179,636
Total revenues	6,279,554	6,279,554	6,540,073	260,519
Expenditures				
Current:				
Road and bridge				
Salaries	1,777,906	1,777,906	1,581,289	196,617
Benefits	801,150	801,150	716,209	84,941
Other services and charges	2,698,643	2,844,323	2,336,681	507,642
Total current	5,277,699	5,423,379	4,634,179	789,200
Capital outlay	1,209,000	1,758,558	1,428,319	330,239
Debt service:				
Principal	-	-	289,556	(289,556)
Interest	-	-	49,320	(49,320)
Total debt service	-	-	338,876	(338,876)
Total expenditures	6,486,699	7,181,937	6,401,374	780,563
Excess (deficiency) of revenues over (under) expenditures	(207,145)	(902,383)	138,699	1,041,082
Other financing sources (uses):				
Operating transfers	-	-	-	-
Grant transfers	-	-	(347,643)	(347,643)
Equity transfers	-	-	(75,000)	(75,000)
Total other financing sources (uses)	-	-	(422,643)	(422,643)
Net change in fund balance	\$ (207,145)	\$ (902,383)	\$ (283,944)	\$ 618,439

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Budget and Actual - Ambulance District
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 2,399,277	\$ 2,399,277	\$ 2,445,612	\$ 46,335
Charges for services	587,935	587,935	599,411	11,476
Interest income	-	-	1,109	1,109
Total revenues	<u>2,987,212</u>	<u>2,987,212</u>	<u>3,046,132</u>	<u>58,920</u>
Expenditures:				
Current:				
Public safety	2,922,348	2,963,094	2,626,461	336,633
Capital outlay	20,000	27,700	86,752	(59,052)
Debt service:				
Principal	-	-	33,056	(33,056)
Interest	-	-	4,501	(4,501)
Total expenditures	<u>2,942,348</u>	<u>2,990,794</u>	<u>2,750,770</u>	<u>240,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,864</u>	<u>(3,582)</u>	<u>295,362</u>	<u>298,944</u>
Other financing sources (uses):				
Capital lease financing	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>44,864</u>	<u>(3,582)</u>	<u>295,362</u>	<u>(298,944)</u>
Fund balance, beginning of year	<u>36,993</u>	<u>36,993</u>	<u>36,993</u>	<u>-</u>
Fund balance, end of year	<u>\$ 81,857</u>	<u>\$ 33,411</u>	<u>\$ 332,355</u>	<u>\$ 298,944</u>

See report of Independent Auditor.

Bonner County, Idaho
Statement of Revenues and Expenditures -
(Non-GAAP Budgetary Basis) - Budget and Actual -
Solid Waste Enterprise Fund
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Charges for services:				
Commercial disposal	\$ 1,875,000	\$ 1,875,000	\$ 1,915,842	\$ 40,842
Gate	204,110	204,110	240,716	36,606
Total charges for services	2,079,110	2,079,110	2,156,558	77,448
Non-operating revenues:				
Special assessments	2,501,483	2,501,483	2,546,814	45,331
Penalties and interest	-	-	30,277	30,277
Miscellaneous	18,195	18,195	15,544	(2,651)
Total revenues	4,598,788	4,598,788	4,749,193	150,405
Expenses:				
Salaries	679,856	679,856	618,346	61,510
Benefits	413,311	413,311	291,949	121,362
Other services and charges	3,539,621	3,539,621	2,928,424	611,197
Depreciation	-	-	145,197	(145,197)
Total expenses	4,632,788	4,632,788	3,983,916	648,872
Transfers in (out)	-	-	(75,000)	(75,000)
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (34,000)</u>	<u>\$ (34,000)</u>	<u>\$ 690,277</u>	<u>\$ 724,277</u>

See report of Independent Auditor.

Bonner County, Idaho
Notes to Budgetary Comparison Schedules
September 30, 2011

1. Basis of Presentation

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

2. Expenditures in Excess of Budgeted Amounts

As disclosed in Note 1 above, the budgetary comparison schedules have been prepared in conformance with the presentation used in the preparation of the governmental funds financial statements. This presentation differs from the account groupings required by Idaho Statutes for Board of County Commissioners budgetary control at the functional level, as described in Note 3 to the Financial Statements. As a result, the budgetary comparison schedules at pages 65 through 78 disclose no instances in which actual expenditures exceeded budgeted expenditures.

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

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho ("the County"), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 13, 2012. 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.

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 11-1 and 11-3 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 11-2 to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the County in a separate letter dated April 13, 2012.

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

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

DeCoria Maichel & Teague, P.S.

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

April 13, 2012



Report of Independent Auditor 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, Idaho's ("the County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. 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 Non-Profit 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 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, Bonner County, Idaho 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, 2011.

Internal Control over Compliance

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

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

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

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



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

April 13, 2012

Bonner County Idaho
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2011

<u>Federal Grantor / Pass-</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
U.S.Department of Justice			
Clinical Services Grant	16.540	11-DC-1101	\$ 30,000
Bullet Proof Vest Grant	16.607	XTX3A-1	4,770
Mobile Data Terminals	16.738	09BJAGMD	15,626
Mobile Data Terminals Continuation	16.738	10BJAGMD	56,960
Radar Trailer and Video Cameras	16.738	2010-DJ-BX-0527	13,189
Total U.S. Department of Justice			<u>120,545</u>
U.S. Department of Homeland Security			
2008 State Homeland Security Program	97.067	2008-GE-T8-0044	4,768
Federal Boater Safety	97.012	97.012	105,733
FEMA Public Assistance PW 12			1,159
Total U.S. Department of Homeland Security			<u>111,660</u>
U.S. Department of Transportation			
Passed Through Idaho Transportation Department:			
Priest River Property Purchase Grant	20.106	3-16-0058-002	71,271
Priest River Lot G Purchase Grant	20.106	3-16-0058-003	180,192
Total U.S. Department of Transportation			<u>251,463</u>
U.S. Department of the Interior			
Bureau of Land Management:			
EMS Fire Assistance Grant	15.228	DLA020423	200
Total U.S. Department of the Interior			<u>200</u>
U.S. Department of Agriculture			
Forest Service:			
Supplemental Fire Grant	15.228	09HRES 12	35,583
Schweitzer/Gold Hill Fire Grant	15.228	07NFA1 07	7,069
ARRA Stimulus Fire Grant	10.688	09-DG-11-182B1-001	4,506
ARRA Forest Service Road Project	10.687	10RO110182B1028	572,122
Total U.S. Department of Agriculture			<u>619,280</u>
Total Federal Assistance			<u>\$ 1,103,148</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

Bonner County, Idaho
Note to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

1. Basis of Presentation

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

Bonner County, Idaho
Schedule of Findings and Questioned Costs
Year Ended September 30, 2011

Section I – Summary of Auditor’s Results:

Financial Statements

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

The audit of the financial statements of Bonner County, Idaho disclosed one significant deficiency as well as two material weaknesses in internal control.

Federal Awards

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

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

The audit disclosed no compliance findings that are required to be reported in accordance with Section 510(a) of Circular A-133.

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.687	Forest Service: ARRA Forest Service Road Project

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

The auditee qualified as a low-risk auditee.

Bonner County, Idaho
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Section II – Financial Statement Findings:

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 11-1

Condition	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 Audit department that has the background, training and knowledge 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, <i>Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASB 34)</i> .
Criteria	The implementation of GASB 34 several years ago resulted in significantly expanded reporting requirements. Although the County continues to utilize and report with the fund accounting model, the County has not internally prepared the year-end statements that are under the reporting model noted above.
Effect	The preparation of financial statements in accordance with the accounting standards noted above was not performed by the internal staff of the County.
Cause	The County does not have the staff capable to prepare the financial statements.
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.
Management’s Response	Basic Governmental Fund Accounting Training will be provided by the external auditors and offered to the Board of County Commissioners, Auditor, Treasurer and appropriate staff from each office. The County recognizes the challenges posed by GASB rules and will strive to comply with them. This training is necessary in order to blend the internal auditor’s cash system with the accrual system as required by GASB in order to prevent similar errors in the future.

Bonner County, Idaho
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding 11-1, Continued

Management's
Response,
Continued

The Board of County Commissioners will oversee implementation of a Corrective Action Plan (CAP) for all Findings and Recommendations provided since the 2010 audit. This CAP assigns responsibility to a specific County Office to develop and implement that Office's CAP for resolving each assigned Finding and Recommendation.

The Board of County Commissioners will consider hiring a well trained accountant/CPA with Governmental Fund Accounting experience to oversee the County's preparation of future Financial Statements, starting with the 2012 audit year. This position will also be responsible for developing a limited Comprehensive Annual Financial Report. In the alternative, the Board of County Commissioners may consider hiring a second CPA firm to assist with these duties.

We will review our financial records and software with our Information Technology department and the external auditor to develop a computer generated report that captures the information necessary to prepare the financial reports as required by Governmental Auditing Standards, in order to allow our external auditor to audit them.

Bonner County, Idaho
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding 11-2

Condition	The County's September 30, 2010 Government-wide Statement of Net Assets which relied upon improperly correlated accounting methods, incorrectly reported unearned property tax revenues of \$1,824,534, which was overstated by \$1,803,534. The correct amount of unearned revenues as of September 30, 2010 was \$21,000 for hangar leases.
Criteria	An effective system of internal control includes ensuring that all amounts reported in the financial statements are reported at the correct amounts.
Effect	In connection with performing our audit testing, we noted that as of September 30, 2010 the Government-wide Statement of Net Assets did not properly report the correct amount of unearned revenues. We adjusted the beginning total net assets balance on the September 30, 2011 Government-wide Statement of Activities by \$1,803,534 to correct the overstatement of unearned revenues at September 30, 2010. Statement on Auditing Standards No. 115, <i>Communicating Internal Control Related Matters Identified in an Audit</i> (SAS No. 115), indicates that restatement of previously issued financial statements to reflect the correction of a material misstatement due to error or fraud should at least be regarded as a significant deficiency.
Cause	Due to improperly correlated accounting methods, the financial statements did not present the correct amount of unearned revenues of the County as of September 30, 2010. The County's management did not recognize this error and did not present the correct amount of unearned revenues of the County as of September 30, 2010.
Recommendation	We recommend that additional procedures for the review of the amounts reported by management in the financial statements be developed, documented and implemented. The implementation of such procedures should reduce or eliminate the need for audit adjustments.

Bonner County, Idaho
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding 11-2, Continued

**Management's
Response**

Basic Governmental Fund Accounting Training will be provided by the external auditors and offered to the Board of County Commissioners, Auditor, Treasurer and appropriate staff from each office. The County recognizes the challenges posed by GASB rules and will strive to comply with them. This training is necessary in order to blend the internal auditor's cash system with the accrual system as required by GASB in order to prevent similar errors in the future.

The Board of County Commissioners will oversee implementation of a Corrective Action Plan (CAP) for all Findings and Recommendations provided since the 2010 audit. This CAP assigns responsibility to a specific County Office to develop and implement that Office's CAP for resolving each assigned Finding and Recommendation.

The Board of County Commissioners will consider hiring a well trained accountant/CPA with Governmental Fund Accounting experience to oversee the County's preparation of future Financial Statements, starting with the 2012 audit year. This position will also be responsible for developing a limited Comprehensive Annual Financial Report. In the alternative, the Board of County Commissioners may consider hiring a second CPA firm to assist with these duties.

We will review our financial records and software with our Information Technology department and the external auditor to develop a computer generated report that captures the information necessary to prepare the financial reports as required by Governmental Auditing Standards, in order to allow our external auditor to audit them.

Bonner County, Idaho
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding 11-3

Condition	Month-end and year-end closing procedures are not fully formalized and documented for certain accounts in order to provide accurate information that is reported in the County's financial statements.
Criteria	An effective system of internal controls includes periodically reconciling each general ledger account, and adjusting the recorded balances, if necessary, in order to ensure that all amounts reported in the financial statements are reported at the correct amounts.
Effect	<p>In connection with performing our audit testing, we noted that the amounts reported on the prior year's financial statement for capital assets for the Governmental and Solid Waste funds did not reconcile with the asset summaries provided by the County. The prior years' financial statements overstated capital assets by a net amount of \$655,545, the details of which can be found in footnote 16, Notes to Financial Statement. The County previously implemented the capital asset software, One Squared-Asset Manager, which is separate from the County's accounting software, Computer Arts. It was noted that the County does not have a documented system for reconciling capital asset additions and deletions in the general ledger to the amounts reported in the financial statement.</p> <p>As a result, capital assets that were not assigned asset numbers prior to the implementation of the capital asset software were not included in the asset summary for both the Governmental and Solid Waste asset listings provided by the County.</p>
Cause	The internal auditing section of the County does not have fully formalized, documented procedures for periodically reviewing and reconciling each general ledger account.
Recommendation	We recommend that additional procedures for the review of the amounts reported by management in the financial statements be developed, documented and implemented. The implementation of such procedures should reduce or eliminate the need for audit adjustments.

Bonner County, Idaho
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding 11-3, Continued

**Management's
Response**

Basic Governmental Fund Accounting Training will be provided by the external auditors and offered to the Board of County Commissioners, Auditor, Treasurer and appropriate staff from each office. The County recognizes the challenges posed by GASB rules and will strive to comply with them. This training is necessary in order to blend the internal auditor's cash system with the accrual system as required by GASB in order to prevent similar errors in the future.

The Board of County Commissioners will oversee implementation of a Corrective Action Plan (CAP) for all Findings and Recommendations provided since the 2010 audit. This CAP assigns responsibility to a specific County Office to develop and implement that Office's CAP for resolving each assigned Finding and Recommendation.

The Board of County Commissioners will consider hiring a well trained accountant/CPA with Governmental Fund Accounting experience to oversee the County's preparation of future Financial Statements, starting with the 2012 audit year. This position will also be responsible for developing a limited Comprehensive Annual Financial Report. In the alternative, the Board of County Commissioners may consider hiring a second CPA firm to assist with these duties.

We will review our financial records and software with our Information Technology department and the external auditor to develop a computer generated report that captures the information necessary to prepare the financial reports as required by Governmental Auditing Standards, in order to allow our external auditor to audit them.

Bonner County, Idaho
Status of Prior Year Findings and Questioned Costs
Year Ended September 30, 2011

Finding 10-01

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

Status Finding 10-01 still exists and is reported as finding 11-1.