

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**Audited Financial Statements
For the Year Ended September 30, 2014**



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Sandpoint, Idaho

**Audited Financial Statements
For the Year Ended September 30, 2014**

INTRODUCTORY SECTION



BONNER COUNTY

COUNTY AUDITOR'S CERTIFICATE

For the Fiscal Year Ended September 30, 2014

COUNTY OF BONNER
STATE OF IDAHO

Michael Rosedale, being first duly sworn, deposes and says that he is the County Clerk of Bonner County, Idaho, that to the best of his knowledge the following is a full, true, and correct and complete statement of the financial condition of said county for the year ended September 30, 2014.

Michael Rosedale
County Clerk

Subscribed and sworn to before me this _____ day of _____, 20_____.

Notary Public

Approved by the Board of Commissioners of Bonner County, Idaho in regular session this _____ day of _____, 20_____.

Cary Kelly, Commissioner

Todd Sudick, Commissioner

Glen Bailey, Commissioner

BONNER COUNTY, IDAHO
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of September 30, 2014, and the respective changes in financial position and where applicable, cash flows, and the respective budgetary comparison for the General Fund, Justice Fund, Road and Bridge Fund, Airport Fund, and Ambulance District, thereof and for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bonner County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015 on our consideration of Bonner County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bonner County's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
February 5, 2015

BONNER COUNTY, IDAHO
Management's Discussion and Analysis
For the Year Ended September 30, 2014

As management of Bonner County (the 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, 2014. We encourage readers to consider the information presented herein in conjunction with additional information that has been furnished in the accompanying *Notes to Financial Statements* which are a part of this audit report. Comparative analysis will be done on key elements of governmental funds and proprietary funds in this MD&A.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

Table 1 – summarizes the County's net position for 2014 compared to 2013:

Condensed Statements of Net Position							
	Governmental Activities		Business-type Activities		Total County		Total Percent Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 54,141,627	\$ 51,813,193	\$ 9,226,309	\$ 6,287,735	\$ 63,367,936	\$ 58,100,928	9.1%
Capital assets	62,626,281	84,538,041	2,066,098	2,183,993	64,692,379	86,722,034	-25.4%
Deferred Outflows of Resources	--	4,526	--	--	--	4,526	N/A
Total Assets and Deferred Outflows of Resources	116,767,908	136,355,760	11,292,407	8,471,728	128,060,315	144,827,488	-11.6%
Current and other liabilities	3,825,528	29,475,979	606,632	665,888	4,432,160	30,141,867	-85.3%
Noncurrent liabilities	5,300,501	4,994,335	13,601	9,187	5,314,102	5,003,522	6.2%
Deferred Inflows of Resources	26,104,699	--	2,514,191	--	28,618,890	--	N/A
Total Liabilities and Deferred Inflows of Resources	35,230,728	34,470,314	3,134,424	675,075	38,365,152	35,145,389	9.2%

Net Investment in capital assets	57,098,454	79,829,322	2,066,098	2,183,993	59,164,552	82,013,315	-27.9%
Restricted for:							
General governmental	2,589,355	2,814,939	--	--	2,589,355	2,814,939	-8.0%
Public safety	8,841,441	7,508,186	--	--	8,841,441	7,508,186	17.8%
Road and bridge	6,387,584	5,622,561	--	--	6,387,584	5,622,561	13.6%
Emergency medical services	1,266,562	928,576	--	--	1,266,562	928,576	36.4%
Debt service	--	88,399	664	664	664	89,063	-99.3%
Historical society and recreation	631,951	776,125	--	--	631,951	776,125	-18.6%
Health and welfare	846,875	747,589	--	--	846,875	747,589	13.3%
Weeds	175,606	160,376	--	--	175,606	160,376	9.5%
Capital projects	684	247,685	506,115	506,115	506,799	753,800	-32.8%
Unrestricted	3,698,668	3,161,688	5,585,106	5,105,881	9,283,774	8,267,569	12.3%
Total Net Position	\$ 81,537,180	\$ 101,885,446	\$ 8,157,983	\$ 7,796,653	\$ 89,695,163	\$ 109,682,099	-18.2%

As noted earlier, Bonner County's net position, when reviewed over time, may serve as a useful indicator of Bonner County's financial position. In the case of Bonner County, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$89,695,163 (\$81,537,180 in governmental activities and \$8,157,983 in business-type activities) as of September 30, 2014. By far, the largest portion of the County's net position (66.0%) reflects its net investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (23.7%) represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets (\$9,283,774) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, both for the governmental as a whole, as well as for its separate governmental and business-type activities.

Table 2 – shows the changes in net position for 2014 and 2013:

Condensed Statement of Activities							
	Governmental Activities		Business-type Activities		Total County		Total Percent Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues							
Program revenues:							
Charges for services	\$ 3,658,294	\$ 3,769,455	\$ 2,097,938	\$ 1,794,676	\$ 5,756,232	\$ 5,564,131	3.5%
Operating grants and contributions	293,235	385,392	--	--	293,235	385,392	-23.9%
Capital grants and contributions	1,296,036	2,072,608	--	--	1,296,036	2,072,608	-37.5%

General revenues:							
Property taxes	25,268,721	24,765,413	--	--	25,268,721	24,765,413	2.0%
Other taxes	35,808	33,653	2,509,368	2,608,770	2,545,176	2,642,423	-3.7%
Intergovernmental	6,269,898	6,133,610	--	--	6,269,898	6,133,610	2.2%
Other	2,814,683	5,819,954	67,258	(2,583,256)	2,881,941	3,236,698	-11.0%
Total revenues	39,636,675	42,980,085	4,674,564	1,820,190	44,311,239	44,800,275	-1.1%
Expenses							
General governmental	8,396,870	7,863,691	--	--	8,396,870	7,863,691	6.8%
Public safety	16,842,013	16,684,422	--	--	16,842,013	16,684,422	0.9%
Emergency medical Services	3,045,754	2,748,935	--	--	3,045,754	2,748,935	10.8%
Road and bridge	29,300,328	28,417,418	--	--	29,300,328	28,417,418	3.1%
Weeds	163,436	156,716	--	--	163,436	156,716	4.3%
Health	246,413	179,611	--	--	246,413	179,611	37.2%
Welfare	405,022	457,312	--	--	405,022	457,312	-11.4%
Junior college	268,184	242,016	--	--	268,184	242,016	10.8%
Historical society and recreation	512,013	97,388	--	--	512,013	97,388	425.7%
Capital outlay	718,624	241,263	--	--	718,624	241,263	197.9%
Loss on disposal of asset	278,292	8	--	--	278,292	8	N/A
Interest on long-term debt	194,853	182,506	--	--	194,853	182,506	6.8%
Solid waste	--	--	4,313,234	4,310,944	4,313,234	4,310,944	0.1%
Total expenses	60,371,802	57,271,286	4,313,234	4,310,944	64,685,036	61,582,230	5.0%
Change in net position	\$(20,735,127)	\$(14,291,201)	\$ 361,330	\$(2,490,754)	\$(20,373,797)	\$(16,781,955)	-21.4%

Governmental Activities

Charges for services were the County's largest program revenue, accounting for \$3,658,294 or 9.2% of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

The County's grant revenues from federal, state and local sources made up \$1,589,271 or 4.0% of total governmental revenues. The major recipient of intergovernmental program revenues was the Airport fund.

Property tax revenues account for \$25,268,721 of the \$39,636,675 total revenues for governmental activities or 63.8% of total revenues.

Road and Bridge accounted for \$29,300,328 of the \$60,371,802 total expenses for governmental activities, or 48.5% of total expenses. The main component of the expenses for Road and Bridge (\$23,667,834) was the depreciation expense related to the capitalization of the road infrastructure within the County. The next largest program was Public Safety, accounting for \$16,842,013 and representing 27.9% 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.

Expenses and Net Cost of Governmental Activities						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2013	2013-2014	2014	2013	2013-2014
General government	\$ 8,396,870	\$ 7,863,691	6.8%	\$ 6,819,762	\$ 5,715,377	19.3%
Public safety	16,842,013	16,684,422	0.9%	14,059,232	13,300,168	5.7%
Emergency medical services	3,045,754	2,748,935	10.8%	2,452,311	2,060,644	19.0%
Road and bridge	29,300,328	28,417,418	3.1%	29,062,069	28,417,418	2.3%
Weeds	163,436	156,716	4.3%	163,436	156,716	4.3%
Health	246,413	179,611	37.2%	246,413	179,611	37.2%
Welfare	405,022	457,312	-11.4%	405,022	457,312	-11.4%
Junior college	268,184	242,016	10.8%	268,184	242,016	10.8%
Historical society and recreation	512,013	97,388	425.7%	456,039	90,792	402.3%
Capital outlay	718,624	241,263	197.9%	718,624	241,263	197.9%
Loss of disposal of asset	278,292	8	N/A	278,292	8	N/A
Interest on long-term debt	194,853	182,506	6.8%	194,853	182,506	6.8%
Total cost	\$ 60,371,802	\$ 57,271,286	5.4%	\$ 55,124,237	\$ 51,043,831	8.0%

Of the total charges for services revenues of \$3,658,294, \$712,580 was received and used to fund the general government expenses of \$8,396,870 of the County. The remaining \$56,713,508 in governmental activity costs are funded by property taxes, sales taxes, and intergovernmental revenues.

Business-Type Activities

The net position for business-type activities increased by \$361,330 during the year and the major revenue sources were charges for services of \$2,097,938.

Fund Financial Statement Analysis

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

Proprietary Fund: During fiscal year 2014, revenues exceeded actual expenses by \$361,330 for the Solid Waste fund.

Notes to Financial Statements

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

Capital Assets

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

Net capital assets decreased by \$22,029,655 across all funds, including Solid Waste. This amount represents book value of assets less accumulated depreciation. The decrease in capital assets was mainly due to the depreciation provision of \$26,081,466. Capital assets additions amounted to

\$4,330,103 and losses on the disposal of capital assets, net of accumulated depreciation, amounted to \$278,292 for the fiscal year.

A County building that was used as a temporary location for court personnel was renovated to house Public Defenders offices at a cost of \$283,415.

Road & Bridge facility in District 1: In FY2014 \$126,543 was spent for the design, permits, utility fees, etc. for the construction of a new Road & Bridge District 1 Facility. \$700,000 was carried over from FY2014 into the FY2015 at budget workshop. In FY2015 an anticipated amount of \$1,300,540 will be spent on construction for the Road & Bridge District 1 Facility plus an additional amount of \$75,000 for inspections, etc. for a total of \$1,375,540.

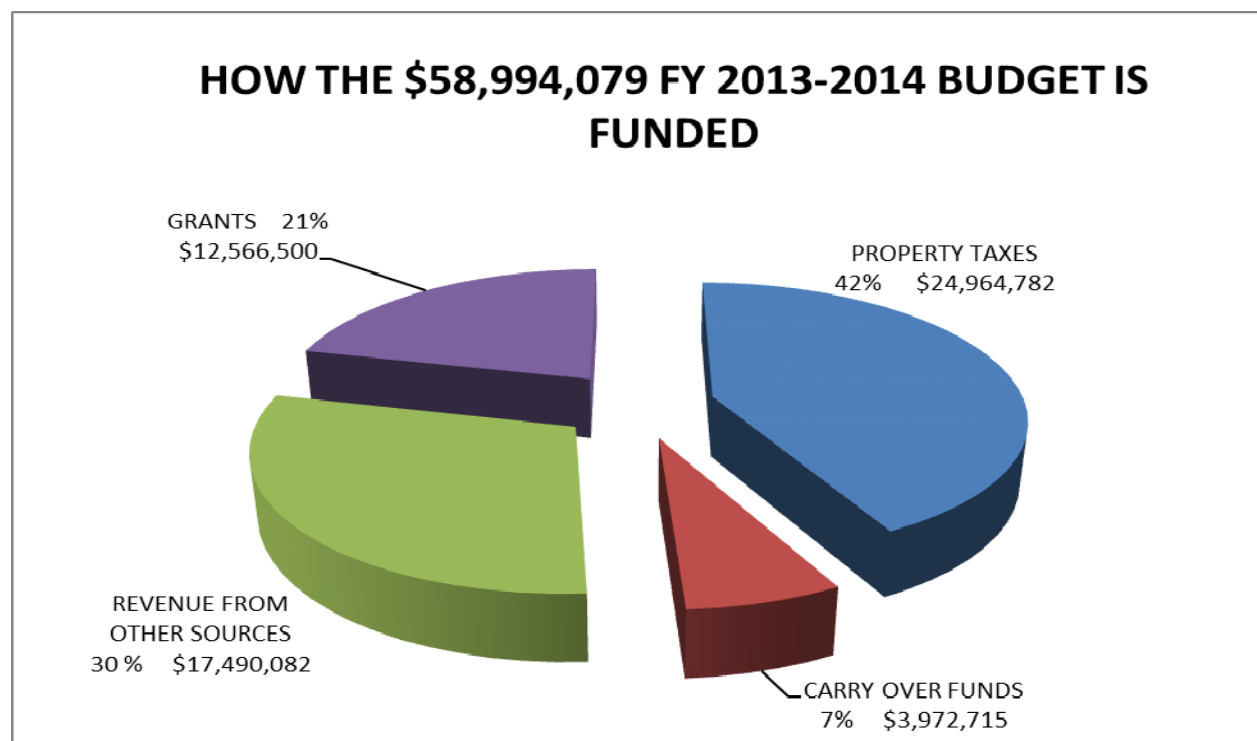
Long-Term Debt

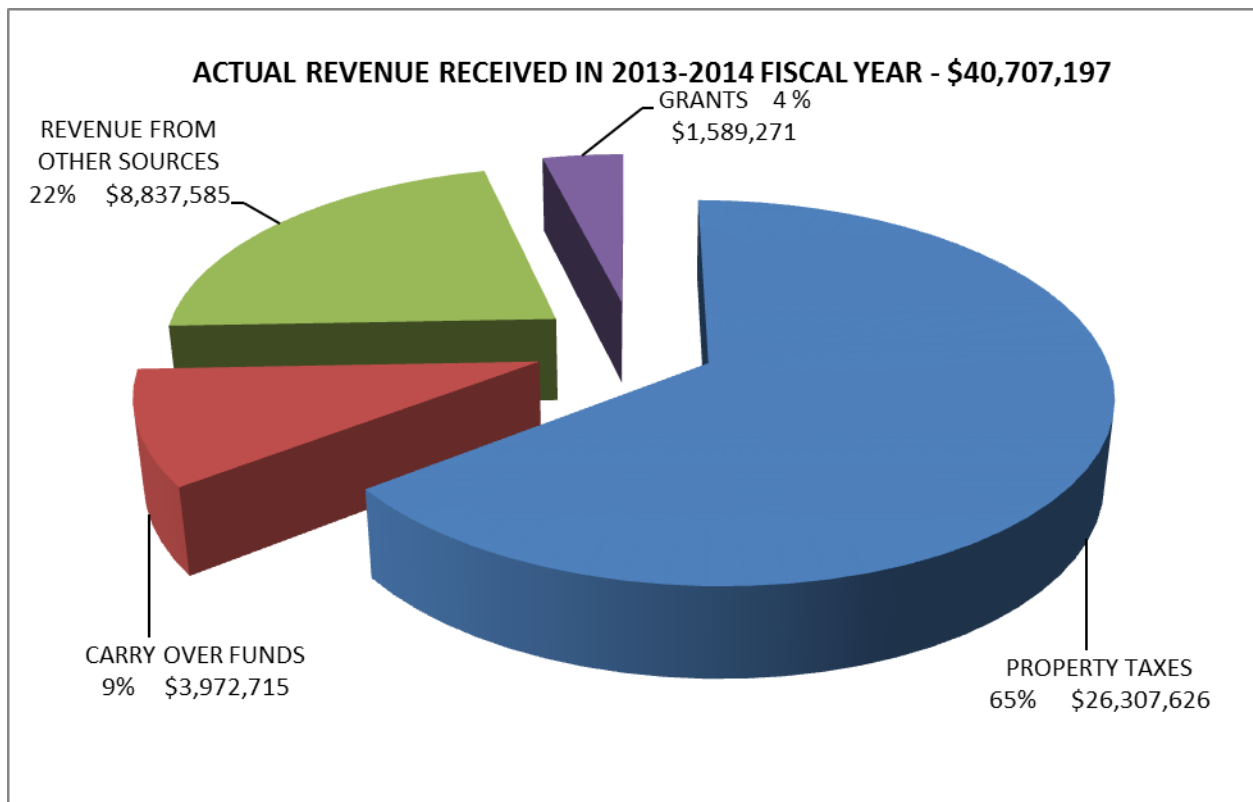
Long-term liabilities are the debt incurred by the County. The debt typically has a maturity date that extends beyond a single annual reporting cycle. Additional information on long-term debt can be found in notes 7 and 8 in the basic financial statements.

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

Budget Variations

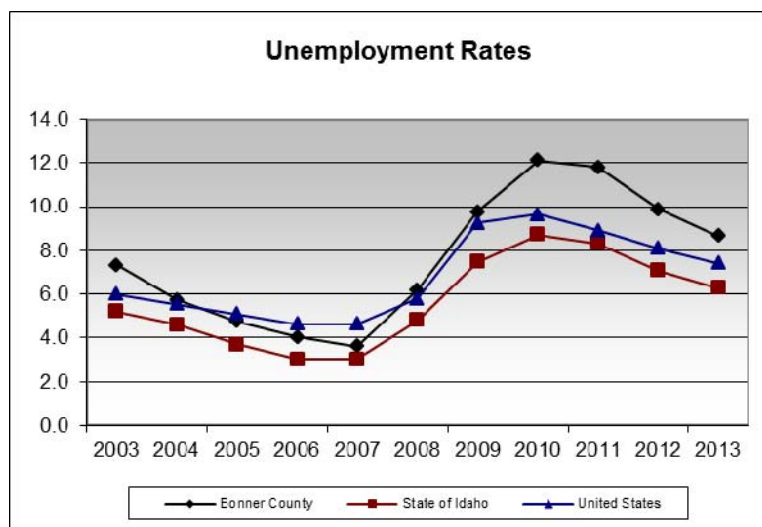
Developing a budget is not an exact science. It is the best estimate available at the time of projection of the revenues you anticipate receiving and of the expenses you estimate will be incurred during the next fiscal year. For the fiscal year ended September 30, 2014, there were no funds for which expenditures exceeded appropriations. The following charts show the FY 2014 budget as well as how FYE 2014 taxpayer dollars were spent:





Economic and Other Factors Affecting Next Year's Operations

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

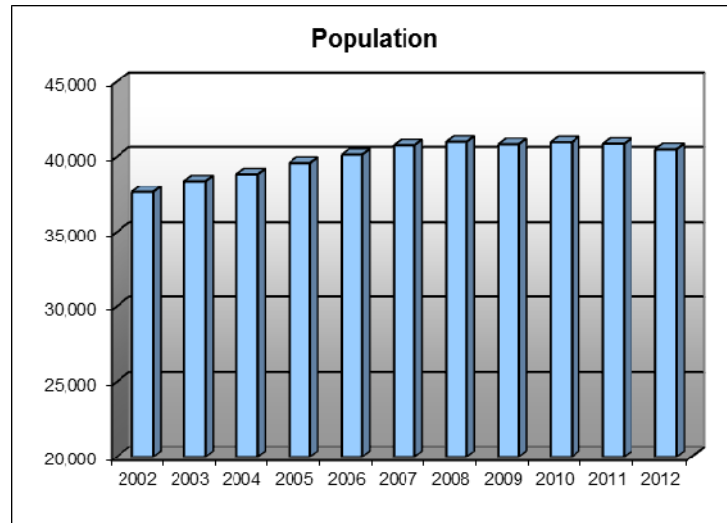


Population

Bonner County has experienced rapid population growth. Its beauty, recreational opportunities and quality of life attracted thousands of new residents. From 2003 to 2013, however, the County's

population grew 6 percent from 38,382 to 40,699 while Idaho's population grew 18 percent and the U.S. population grew 9 percent. The County also has hundreds of summer residents.

Sandpoint, the County seat has a population of 7,577 in 2013. Surrounding populations include 1,111 in Ponderay, 736 in Kootenai and 553 in Dover. The largest city west of Sandpoint, Priest River, has 1,720 residents. Clark Fork with 527 residents is the largest town to the east.



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

County Operations

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

Health Care and Liability Insurance:

Liability insurance costs were maintained with minimal increase through Wells Fargo/Travelers Insurance Company. The premium for FY 2014 was \$515,171. The County will have a slight increase to \$516,000 in FY2015. For FY2014 the County incurred \$183,453 in claims with expenses being \$23,063. There were 39 claims for the year.

Medical insurance costs for FY2014 paid claims totaling \$2,289,792 and paid premiums of \$3,766,584. The County experienced a decrease in paid claims from the prior year by 28.4%. The County rebid the vendor contract for medical in 2014, and made a decision to move to Regence Blue Shield that would provide a 15.2% renewal savings totaling \$672,359. There were no changes in carriers for other plan benefits.

Human Resources (HR)/Risk Management:

While concerted efforts are being made to manage medical premium and claim costs for benefits, the County continues to incorporate a culture of wellness into the workforce. The County has continued to expand the Wellness Program, offering premium reductions for employees who participate in the

program and complete biometric screenings. All employees participating in the health plan were able to reduce their costs by 20% by participating in the Wellness Program which required employees to complete a health screening, an on-line health assessment, and an exercise program.

Opportunities exist for better managing safety in the workplace and safe work habits. In FY2014 the County incurred \$177,073 between total compensation paid and total medical paid. Working closer with case managers through Idaho State Insurance Fund may assist in getting employees back to productive work in some capacity, thereby reducing our costs.

Risk Management incurred 39 claims for both tort and accident incidents with employed staff. Claims expenses for FY2014 were \$23,063. However, several of those claims remain open.

Statistically, FY2014 was a busy year for HR. There were 100+ job openings, with 90 separations. Open enrollment was held in August, with a move from Pacific Source to Regence Blue Shield. HR managed 36 workers compensation claims.

FY2015 operations will be affected by increase in labor costs. An across the board wage increase was implemented for all employees to keep pace with market wages and competition. Most employees had wages increase by \$.50 per hour, while some who were running significantly behind market wages received a \$1.00 per hour raise.

Road & Bridge:

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

Equipment leases are staggered in five and seven year terms on the motor graders. The leases cover major maintenance costs and reduce the total annual operating expense 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 under \$400,000 in 2014, to less than \$35,000 by 2016 without re-authorization. This will have a direct impact on our road maintenance fund unless the U.S. Congress addresses this issue.

Planning:

Through FY2014, the Planning Department continued to see an uptick in the number of building location permits (BLP's) and zoning permits, as the area experienced a modest recovery from the recession. The department is expected to close out the 2014 calendar year with more than 700 BLP's, which is a five year high. The numbers reached a low of 472 in 2012 and rose to 637 at the end of calendar year 2013. In 2014 the board authorized the exemption of certain structures from building location permit fees, but the action was offset by fee adjustments to provide equity for varying structure sizes and uses. Permit

totals include these exempt structures. Total revenue for FY 2014 exceeded revenue projections for the second year in a row, coming in at \$278,799. The continued sale of state cabin lease sites at Priest Lake to the private sector will positively impact permitting numbers as these 350 lots come under County jurisdiction.

SilverWing Development Litigation:

After the end of FY 2014 financial period, outside legal counsel for Bonner County disclosed the potential need for an additional one half million dollars for legal costs to defend itself in the SilverWing litigation. See Note 12 for details.

**Pend Oreille Bonner Development, LLC, GNP IC LLC, and Eagle Pointe Construction
Property Taxes Redemptions/Tax Sales – for the Idaho Club:**

On May 21, 2014 Bonner County took tax deed to 200 properties located at the Idaho Club Golf Course due to delinquent 2008 through 2010 property taxes. 176 parcels were owned by Pend Oreille Bonner Development LLC, 23 parcels were owned by GNP-IC LLC and one parcel was owned by Eagle Pointe Construction and Management Inc.

A tax sale was scheduled for July 9, 2014. By July 7, 2014 all but 37 properties were redeemed by “recorded parties of interest”. The other properties were auctioned off on July 9, 2014. This resulted in the collection and payment of over 2 million dollars in taxes, late fees, interest and costs. Many taxing districts benefited from the receipts of these taxes, but Bonner County received the greatest share. The County, Road and Bridge, and Ambulance District’s portions were nearly 1.2 million dollars.

Requests for Information

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

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

FINANCIAL STATEMENTS

BONNER COUNTY, IDAHO
Sandpoint, Idaho

STATEMENT OF NET POSITION
September 30, 2014

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and investments	24,951,715	5,818,500	30,770,215
Receivables, net of allowance for uncollectibles:			
Taxes	1,503,265	-	1,503,265
Unbilled taxes	25,710,020	-	25,710,020
Unbilled special assessments	-	2,514,191	2,514,191
Fees	-	179,330	179,330
Interest	16,750	-	16,750
Accounts	307,770	198,974	506,744
Prepaid expenses	77,176	-	77,176
Due from other governments	1,574,931	8,535	1,583,466
Restricted assets:			
Cash	-	506,115	506,115
Cash on deposit with fiscal agent	-	664	664
Total current assets	<u>54,141,627</u>	<u>9,226,309</u>	<u>63,367,936</u>
Noncurrent assets:			
Land	3,007,145	289,355	3,296,500
Other capital assets, net of depreciation	<u>59,619,136</u>	<u>1,776,743</u>	<u>61,395,879</u>
Total noncurrent assets	<u>62,626,281</u>	<u>2,066,098</u>	<u>64,692,379</u>
Total assets	<u>116,767,908</u>	<u>11,292,407</u>	<u>128,060,315</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Warrants payable	1,570,962	494,926	2,065,888
Vouchers payable	279,062	5,882	284,944
Accrued payroll	724,729	68,987	793,716
Accrued retirement payable	75,938	7,017	82,955
Note payable, due within one year	54,293	-	54,293
Compensated absences, due within one year	748,185	29,820	778,005
Capital leases payable, due within one year	<u>372,359</u>	<u>-</u>	<u>372,359</u>
Total current liabilities	<u>3,825,528</u>	<u>606,632</u>	<u>4,432,160</u>
Noncurrent liabilities:			
Note payable, due after one year	426,556	-	426,556
Compensated absences, due after one year	199,326	13,601	212,927
Capital leases payable, due after one year	<u>4,674,619</u>	<u>-</u>	<u>4,674,619</u>
Total noncurrent liabilities	<u>5,300,501</u>	<u>13,601</u>	<u>5,314,102</u>
Total liabilities	<u>9,126,029</u>	<u>620,233</u>	<u>9,746,262</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	394,679	-	394,679
Unavailable tax revenue	<u>25,710,020</u>	<u>2,514,191</u>	<u>28,224,211</u>
Total deferred inflows of resources	<u>26,104,699</u>	<u>2,514,191</u>	<u>28,618,890</u>
NET POSITION			
Net investment in capital assets	57,098,454	2,066,098	59,164,552
Restricted for:			
General governmental	2,589,355	-	2,589,355
Public safety	8,841,441	-	8,841,441
Road and bridge	5,767,927	-	5,767,927
Emergency medical services	1,266,562	-	1,266,562
Debt service	-	664	664
Historical society and recreation	631,951	-	631,951
Health and welfare	846,875	-	846,875
Weeds	175,606	-	175,606
Road construction	619,657	-	619,657
Capital projects	684	506,115	506,799
Unrestricted	<u>3,698,668</u>	<u>5,585,106</u>	<u>9,283,774</u>
Total net position	<u>\$ 81,537,180</u>	<u>\$ 8,157,983</u>	<u>\$ 89,695,163</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Operating	Capital				
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities:							
General governmental	8,396,870	712,580	-	864,528	(6,819,762)	-	(6,819,762)
Public safety	16,842,013	2,346,297	293,235	143,249	(14,059,232)	-	(14,059,232)
Emergency medical services	3,045,754	593,443	-	-	(2,452,311)	-	(2,452,311)
Road and bridge	29,300,328	-	-	238,259	(29,062,069)	-	(29,062,069)
Weeds	163,436	-	-	-	(163,436)	-	(163,436)
Health	246,413	-	-	-	(246,413)	-	(246,413)
Welfare	405,022	-	-	-	(405,022)	-	(405,022)
Junior college	268,184	-	-	-	(268,184)	-	(268,184)
Historical society and recreation	512,013	5,974	-	50,000	(456,039)	-	(456,039)
Capital outlay	718,624	-	-	-	(718,624)	-	(718,624)
Loss on disposal of asset	278,292	-	-	-	(278,292)	-	(278,292)
Interest on long-term debt	194,853	-	-	-	(194,853)	-	(194,853)
					-		
Total governmental activities	60,371,802	3,658,294	293,235	1,296,036	(55,124,237)	-	(55,124,237)
Business-type activities:							
Solid waste	4,313,234	2,097,938	-	-	-	(2,215,296)	(2,215,296)
Total business-type activities	4,313,234	2,097,938	-	-	-	(2,215,296)	(2,215,296)
Total primary government	\$ 64,685,036	\$ 5,756,232	\$ 293,235	\$ 1,296,036	(55,124,237)	(2,215,296)	(57,339,533)
General Revenues							
Taxes							
Property taxes, levied for general purposes					25,268,721	-	25,268,721
Special assessments					35,808	2,509,368	2,545,176
Intergovernmental revenues					6,269,898	-	6,269,898
Licenses and permits					841,785	-	841,785
Fines					199,102	-	199,102
Miscellaneous					1,536,122	34,936	1,571,058
Interest and investment earnings					237,674	32,322	269,996
Total general revenue and transfers					34,389,110	2,576,626	36,965,736
Change in net position					(20,735,127)	361,330	(20,373,797)
Net position - beginning of year					101,885,446	7,796,653	109,682,099
Prior-period adjustment					386,861	-	386,861
Total net position - end of year					\$ 81,537,180	\$ 8,157,983	\$ 89,695,163

BONNER COUNTY, IDAHO
Sandpoint, Idaho

**GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2014**

	General	Justice	Road and Bridge	Airport	Ambulance District	Nonmajor Governmental	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Assets							
Cash and investments	3,707,037	7,006,361	5,365,536	219,337	1,201,592	7,451,852	24,951,715
Receivables, net of allowance for uncollectibles:							
Taxes	203,947	619,403	275,667	8,734	138,458	257,056	1,503,265
Unbilled taxes	4,113,565	10,597,562	4,543,625	297,860	2,350,336	3,807,072	25,710,020
Interest	16,605	-	-	-	-	145	16,750
Accounts	13,515	8,331	5,520	23,201	182,544	74,659	307,770
Prepaid expenses	20,000	57,176	-	-	-	-	77,176
Due from other governments	151,279	353,972	449,812	86,373	-	533,495	1,574,931
Interfund receivable	116,742	34,539	139,271	-	-	50,000	340,552
Total assets	<u>8,342,690</u>	<u>18,677,344</u>	<u>10,779,431</u>	<u>635,505</u>	<u>3,872,930</u>	<u>12,174,279</u>	<u>54,482,179</u>
Deferred outflows of resources	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,342,690</u>	<u>\$ 18,677,344</u>	<u>\$ 10,779,431</u>	<u>\$ 635,505</u>	<u>\$ 3,872,930</u>	<u>\$ 12,174,279</u>	<u>\$ 54,482,179</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Warrants payable	300,680	457,271	264,675	59,135	96,200	393,001	1,570,962
Vouchers payable	4,285	28,010	719	92,980	1,162	151,906	279,062
Accrued payroll	101,157	323,881	82,220	1,743	69,460	146,268	724,729
Retirement payable	10,829	34,058	8,646	183	7,304	14,918	75,938
Interfund payable	-	-	-	-	-	340,552	340,552
Total liabilities	<u>416,951</u>	<u>843,220</u>	<u>356,260</u>	<u>154,041</u>	<u>174,126</u>	<u>1,046,645</u>	<u>2,991,243</u>
Deferred inflows of resources							
Deferred revenue	179,800	541,947	237,203	26,930	126,031	599,196	1,711,107
Unavailable tax revenue	4,113,565	10,597,562	4,543,625	297,860	2,350,336	3,807,072	25,710,020
Total deferred inflows of resources	<u>4,293,365</u>	<u>11,139,509</u>	<u>4,780,828</u>	<u>324,790</u>	<u>2,476,367</u>	<u>4,406,268</u>	<u>27,421,127</u>
Fund balance							
Nonspendable	20,000	57,176	-	-	-	-	77,176
Restricted for:							
General governmental	-	-	-	156,674	-	2,357,041	2,513,715
Public safety	-	6,637,439	-	-	-	2,106,537	8,743,976
Road and bridge	-	-	5,642,343	-	-	-	5,642,343
Emergency medical services	-	-	-	-	1,222,437	-	1,222,437
Historical society and recreation	-	-	-	-	-	640,959	640,959
Health and welfare	-	-	-	-	-	822,286	822,286
Weeds	-	-	-	-	-	174,873	174,873
Road construction	-	-	-	-	-	619,657	619,657
Capital projects	-	-	-	-	-	13	13
Unassigned	3,612,374	-	-	-	-	-	3,612,374
Total fund balance	<u>3,632,374</u>	<u>6,694,615</u>	<u>5,642,343</u>	<u>156,674</u>	<u>1,222,437</u>	<u>6,721,366</u>	<u>24,069,809</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 8,342,690</u>	<u>\$ 18,677,344</u>	<u>\$ 10,779,431</u>	<u>\$ 635,505</u>	<u>\$ 3,872,930</u>	<u>\$ 12,174,279</u>	<u>\$ 54,482,179</u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Year Ended September 30, 2014**

Total fund balances - governmental funds	24,069,809
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

Cost of capital assets	506,890,516	
Accumulated depreciation	<u>(444,264,235)</u>	62,626,281

Assets that are not available to pay for current periods expenditures are not considered earned in the governmental funds:

Property taxes	1,316,428
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Compensated absences, due within one year	(748,185)	
Capital leases payable, due within one year	(372,359)	
Note payable, due within one year	(54,293)	
Compensated absences, due after one year	(199,326)	
Capital leases payable, due after one year	(4,674,619)	
Note payable, due after one year	<u>(426,556)</u>	
		<u>(6,475,338)</u>

Total net position - governmental activities	<u>\$ 81,537,180</u>
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BONNER COUNTY, IDAHO
Sandpoint, Idaho

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2014

	General	Justice	Road and Bridge	Airport	Ambulance District	Nonmajor Governmental	Total Governmental Funds
REVENUES							
Taxes	3,261,064	10,981,414	4,920,111	210,378	2,515,195	4,419,464	26,307,626
Licenses and permits	350,927	268,770	-	-	-	222,088	841,785
Intergovernmental	1,021,722	1,742,947	2,190,871	884,010	-	2,019,619	7,859,169
Charges for services	711,780	749,681	-	-	593,443	1,603,390	3,658,294
Fines	-	-	-	-	-	199,102	199,102
Special assessments	-	-	-	-	-	35,808	35,808
Interest income	267,484	-	-	-	906	901	269,291
Miscellaneous	103,318	201,550	426,724	112,388	39,458	652,684	1,536,122
Total revenues	5,716,295	13,944,362	7,537,706	1,206,776	3,149,002	9,153,056	40,707,197
EXPENDITURES							
General governmental	4,574,742	-	-	807,101	-	2,162,445	7,544,288
Public safety	181,660	12,033,017	-	-	-	3,687,230	15,901,907
Emergency medical expenses	-	-	-	-	2,919,210	-	2,919,210
Road and bridge	-	-	5,195,887	-	-	439,850	5,635,737
Weeds	-	-	-	-	-	149,400	149,400
Health	-	-	-	-	-	246,413	246,413
Welfare	-	-	-	-	-	402,242	402,242
Junior college	-	-	-	-	-	268,184	268,184
Historical society and recreation	-	-	-	-	-	450,248	450,248
Capital outlay	257,564	229,114	2,442,842	642,232	88,592	1,004,358	4,664,702
Debt service:							
Principal	150,321	55,015	208,802	-	85,323	-	499,461
Interest	132,216	2,102	46,546	-	13,989	-	194,853
Total expenditures	5,296,503	12,319,248	7,894,077	1,449,333	3,107,114	8,810,370	38,876,645
Excess (deficiency) of revenues over/under expenditures	419,792	1,625,114	(356,371)	(242,557)	41,888	342,686	1,830,552
Other financing sources (uses):							
Operating transfers in (out)	44,431	(103,356)	567,757	123,890	-	(632,722)	-
Capital lease financing	38,080	-	746,872	-	-	-	784,952
Net increase (decrease) in the fair value of investments	(31,617)	-	-	-	-	-	(31,617)
Total other financing sources (uses)	50,894	(103,356)	1,314,629	123,890	-	(632,722)	753,335
Net change in fund balance	470,686	1,521,758	958,258	(118,667)	41,888	(290,036)	2,583,887
Prior period adjustment	-	-	-	-	183,823	-	183,823
Fund balances, beginning of year	3,161,688	5,172,857	4,684,085	275,341	996,726	7,011,402	21,302,099
Fund balances, end of year	\$ 3,632,374	\$ 6,694,615	\$ 5,642,343	\$ 156,674	\$ 1,222,437	\$ 6,721,366	\$ 24,069,809

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014**

Net change in fund balances - governmental funds 2,583,887

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

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

Capital outlays	4,204,675	
Depreciation expense	<u>(25,838,143)</u>	(21,633,468)

In the Statement of Activities, the bond issuance costs that have been amortized in the prior year are now expensed in the current year with the implementation of GASB 65. (4,526)

Some property taxes will not be collected for several months after the County's fiscal year end and are not considered as "available" revenues in the governmental funds. Instead they are recorded as deferred revenues. They are however, recorded as revenues in the Statement of Activities. (1,038,905)

In the Statement of Activities, a loss on the disposal of an asset is recognized, whereas, in the governmental funds assets are not capitalized. Therefore, upon the disposal of an asset, no loss is recognized. (278,292)

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

Capital lease financing received	(784,952)	
Capital lease principal payments	446,693	
Note payable principal payments	<u>52,768</u>	(285,491)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is amount by which compensated absences incurred exceeded the amount paid during the year. (78,332)

Total change in net position of government activities \$ (20,735,127)

BONNER COUNTY, IDAHO
Sandpoint, Idaho

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

			Variances		
			Favorable (Unfavorable)		
	Original	Amended	Original to	Amended to	
	Budget	Budget	Actual	Actual	
Revenues					
Taxes	3,059,467	3,059,467	3,261,064	201,597	201,597
Licenses and permits	322,223	322,223	350,927	28,704	28,704
Intergovernmental	1,155,550	1,155,550	1,021,722	(133,828)	(133,828)
Charges for services	567,290	567,290	711,780	144,490	144,490
Interest income	237,000	237,000	267,484	30,484	30,484
Miscellaneous	29,098	29,098	103,318	74,220	74,220
Total revenues	5,370,628	5,370,628	5,716,295	345,667	345,667
Expenditures					
General governmental	5,218,106	5,013,182	4,574,742	643,364	438,440
Public safety	195,422	195,422	181,660	13,762	13,762
Capital outlay	122,794	282,903	257,564	(134,770)	25,339
Debt service:					
Principal	250,092	250,092	150,321	99,771	99,771
Interest	-	-	132,216	(132,216)	(132,216)
Total expenditures	5,786,414	5,741,599	5,296,503	489,911	445,096
Excess (deficiency) of revenues over/under expenditures	(415,786)	(370,971)	419,792	835,578	790,763
Other financing sources (uses):					
Operating transfers in (out)	-	-	44,431	44,431	44,431
Capital lease financing	-	-	38,080	38,080	38,080
Net increase (decrease) in the fair value of investments	-	-	(31,617)	(31,617)	(31,617)
Total other financing sources (uses)	-	-	50,894	50,894	50,894
Net change in fund balance	\$ (415,786)	\$ (370,971)	470,686	\$ 886,472	\$ 841,657
Fund balance, beginning of year			3,161,688		
Fund balance, end of year			\$ 3,632,374		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

JUSTICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

			Variances		
			Favorable (Unfavorable)		
	Original	Amended		Original to	Amended to
	Budget	Budget	Actual	Actual	Actual
Revenues					
Taxes	10,457,707	10,457,707	10,981,414	523,707	523,707
Licenses and permits	251,000	251,000	268,770	17,770	17,770
Intergovernmental	1,494,500	1,494,500	1,742,947	248,447	248,447
Charges for services	574,010	574,010	749,681	175,671	175,671
Miscellaneous	95,800	95,800	201,550	105,750	105,750
Total revenues	<u>12,873,017</u>	<u>12,873,017</u>	<u>13,944,362</u>	<u>1,071,345</u>	<u>1,071,345</u>
Expenditures					
Public safety	12,896,734	12,975,259	12,033,017	863,717	942,242
Capital outlay	298,883	337,744	229,114	69,769	108,630
Debt service:					
Principal	57,117	57,117	55,015	2,102	2,102
Interest	-	-	2,102	(2,102)	(2,102)
Total expenditures	<u>13,252,734</u>	<u>13,370,120</u>	<u>12,319,248</u>	<u>933,486</u>	<u>1,050,872</u>
Excess (deficiency) of revenues over/under expenditures	(379,717)	(497,103)	1,625,114	2,004,831	2,122,217
Other financing sources (uses):					
Operating transfers in (out)	-	-	(103,356)	(103,356)	(103,356)
Net change in fund balance	<u>\$ (379,717)</u>	<u>\$ (497,103)</u>	1,521,758	<u>\$ 1,901,475</u>	<u>\$ 2,018,861</u>
Fund balance, beginning of year			<u>5,172,857</u>		
Fund balance, end of year			<u>\$ 6,694,615</u>		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Amended Budget	Actual	Variances	
				Favorable (Unfavorable) Original to Actual	Amended to Actual
Revenues					
Taxes	4,594,061	4,594,061	4,920,111	326,050	326,050
Intergovernmental	1,934,000	1,934,000	2,190,871	256,871	256,871
Miscellaneous	360,500	360,500	426,724	66,224	66,224
Total revenues	6,888,561	6,888,561	7,537,706	649,145	649,145
Expenditures					
Road and bridge	6,850,061	6,983,525	5,195,887	1,654,174	1,787,638
Capital outlay	1,623,340	1,703,340	2,442,842	(819,502)	(739,502)
Debt service:					
Principal	268,000	268,000	208,802	59,198	59,198
Interest	-	-	46,546	(46,546)	(46,546)
Total expenditures	8,741,401	8,954,865	7,894,077	847,324	1,060,788
Excess (deficiency) of revenues over/under expenditures	(1,852,840)	(2,066,304)	(356,371)	1,496,469	1,709,933
Other financing sources (uses):					
Operating transfers in (out)	-	-	567,757	567,757	567,757
Capital lease financing	-	-	746,872	746,872	746,872
Total other financing sources (uses)	-	-	1,314,629	1,314,629	1,314,629
Net change in fund balance	<u>\$ (1,852,840)</u>	<u>\$ (2,066,304)</u>	958,258	<u>\$ 2,811,098</u>	<u>\$ 3,024,562</u>
Fund balance, beginning of year			4,684,085		
Fund balance, end of year			<u>\$ 5,642,343</u>		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Amended Budget	Actual	Variances Favorable (Unfavorable) Original to Amended to Actual Actual	
Revenues					
Taxes	212,759	212,759	210,378	(2,381)	(2,381)
Intergovernmental	566,500	1,056,500	884,010	317,510	(172,490)
Miscellaneous	100,599	100,599	112,388	11,789	11,789
Total revenues	879,858	1,369,858	1,206,776	326,918	(163,082)
Expenditures					
General governmental	242,450	873,340	807,101	(564,651)	66,239
Capital outlay	643,908	643,908	642,232	1,676	1,676
Total expenditures	886,358	1,517,248	1,449,333	(562,975)	67,915
Excess (deficiency) of revenues over/under expenditures	(6,500)	(147,390)	(242,557)	(236,057)	(95,167)
Other financing sources (uses):					
Operating transfers in (out)	-	-	123,890	123,890	123,890
Net change in fund balance	<u>\$ (6,500)</u>	<u>\$ (147,390)</u>	(118,667)	<u>\$ (112,167)</u>	<u>\$ 28,723</u>
Fund balance, beginning of year			275,341		
Fund balance, end of year			<u>\$ 156,674</u>		

BONNER COUNTY, IDAHO

Sandpoint, Idaho

AMBULANCE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Amended Budget	Actual	Variances	
				Favorable (Unfavorable) Original to Actual	Amended to Actual
Revenues					
Taxes	2,712,108	2,712,108	2,515,195	(196,913)	(196,913)
Charges for services	735,500	735,500	593,443	(142,057)	(142,057)
Interest income	-	-	906	906	906
Miscellaneous	-	-	39,458	39,458	39,458
Total revenues	<u>3,447,608</u>	<u>3,447,608</u>	<u>3,149,002</u>	<u>(298,606)</u>	<u>(298,606)</u>
Expenditures					
Emergency medical expenses	2,996,592	3,005,736	2,919,210	77,382	86,526
Capital outlay	77,312	117,312	88,592	(11,280)	28,720
Debt service:					
Principal	80,085	80,085	85,323	(5,238)	(5,238)
Interest	-	-	13,989	(13,989)	(13,989)
Total expenditures	<u>3,153,989</u>	<u>3,203,133</u>	<u>3,107,114</u>	<u>46,875</u>	<u>96,019</u>
Net change in fund balance	<u>\$ 293,619</u>	<u>\$ 244,475</u>	41,888	<u>\$ (251,731)</u>	<u>\$ (202,587)</u>
Prior period adjustment			183,823		
Fund balance, beginning of year			<u>996,726</u>		
Fund balance, end of year			<u>\$ 1,222,437</u>		

BONNER COUNTY, IDAHO
Sandpoint, Idaho

SOLID WASTE FUND
STATEMENT OF NET POSITION
September 30, 2014

ASSETS

Current assets:

Cash and investments	5,818,500	
Receivables, net of allowance for uncollectibles:		
Special assessment	179,330	
Unbilled special assessments	2,514,191	
Accounts	198,974	
Due from other governments	8,535	
Restricted assets:		
Cash	506,115	
Cash on deposit with fiscal agent	664	
Total current assets		9,226,309

Noncurrent assets:

Land	289,355	
Other capital assets, net of depreciation	1,776,743	
Total noncurrent assets		2,066,098

Total assets		11,292,407
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DEFERRED OUTFLOW OF RESOURCES

-

LIABILITIES

Current liabilities:

Warrants payable	494,926	
Vouchers payable	5,882	
Accrued payroll	68,987	
Retirement payable	7,017	
Compensated absences payable	29,820	
Total current liabilities		606,632

Noncurrent liabilities:

Compensated absences, due after one year		13,601
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Total liabilities		620,233
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DEFERRED INFLOW OF RESOURCES

Unbilled special assessment revenue	2,514,191
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NET POSITION

Net investment in capital assets	2,066,098	
Restricted for:		
Debt service	664	
Capital projects	506,115	
Unrestricted	5,585,106	

Total net position		\$ 8,157,983
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BONNER COUNTY, IDAHO
Sandpoint, Idaho

SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Operating revenues:

Charges for services	2,097,938	
Total operating revenues		2,097,938

Operating expenses:

Salaries	689,302	
Benefits	258,488	
Other services and charges	3,122,121	
Depreciation	243,323	
Total operating expenses		4,313,234

Operating income (loss)		(2,215,296)
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Nonoperating revenues:

Special assessments	2,509,368	
Penalties and interest	32,322	
Miscellaneous	34,936	
Total nonoperating revenues		2,576,626

Change in net position		361,330
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Net position, beginning of year		7,796,653
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Net position, end of year		<u>\$ 8,157,983</u>
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BONNER COUNTY, IDAHO

Sandpoint, Idaho

**SOLID WASTE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014****Cash flows from operating activities:**

Cash received from customers	2,082,096	
Cash paid to suppliers	(3,223,387)	
Cash paid for salaries and benefits	(901,366)	
Net cash used in operating activities		(2,042,657)

Cash flows from non-capital financing activities:

Special assessments	2,509,368	
Miscellaneous receipts	67,258	
Net cash used in non-capital financing activities		2,576,626

Cash flows from capital financing and related financing activities:

Acquisition of capital assets	(125,428)	
Net cash used in capital financing activities		(125,428)

Cash flows from investing activities

		-
Net decrease in cash		408,541

Cash and investments- beginning of year	5,916,738
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Cash and investments- end of year	<u>\$ 6,325,279</u>
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Cash and investments:

Cash and investments	5,818,500
Restricted assets:	
Cash	506,115
Cash on deposit with fiscal agent	664
Total cash and investments	<u>\$ 6,325,279</u>

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

Operating loss		(2,215,296)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	243,323	
Decrease (increase) in assets:		
Receivables	(7,307)	
Due from other governments	(8,535)	
Increase (decrease) in liabilities:		
Warrants payable	(102,015)	
Vouchers payable	749	
Accrued payroll	39,389	
Retirement payable	82	
Compensated absences	6,953	
Total adjustments		172,639
Net cash used in operating activities		<u>\$ (2,042,657)</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
September 30, 2014

		<u>Agency Funds</u>
ASSETS		
Due from other funds		<u>2,499,711</u>
DEFERRED OUTFLOWS OF RESOURCES		<u>-</u>
LIABILITIES		
Current liabilities:		
Warrants payable	46,366	
Due to other governments	<u>2,453,345</u>	
Total liabilities		<u>2,499,711</u>
DEFERRED INFLOWS OF RESOURCES		<u>-</u>
NET POSITION		<u><u>\$ -</u></u>

BONNER COUNTY, IDAHO
Notes to the Financial Statements
September 30, 2014

NOTE 1 Summary of Significant Accounting Policies

Organization

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

Summary of Significant Accounting Policies

The County's significant accounting policies are described below:

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

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

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

presented as a blended component unit and is grouped as a special revenue fund.

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

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

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

Government-Wide Financial Statements - Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. In general, the effect of the interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separate from business-type activities, which rely to a significant extent on special assessments and charges for services.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes and

other items not included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Fund Financial Statements - The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

These statements provide information about the County's funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as nonmajor governmental funds (if applicable).

a) Governmental Funds - In the fund financial statement, governmental funds are presented using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 30 days after the end of the fiscal year.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in

the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

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

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

Recognition of governmental fund-type revenues represented by noncurrent receivables are unearned until they become current receivables.

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

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as 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.

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

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

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

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

The *Solid Waste Fund* 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.

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

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

Deposits and Investments - The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are stated at fair value at September 30, 2014, as determined by quoted market prices, except for the certificates of deposit which are nonparticipating contracts, and are therefore carried at cost. The individual fund's portions of the pool's fair value are presented as "investments." Interest earned on the pooled funds is paid as it is received into the General Fund, the Ambulance Fund, the 911 Fund, and specific other non-county funds administered by the County. Idaho Code Section 67 (Code), Chapter 12, provides authorization for the investment of funds as well as what constitutes an allowable investment. County policy is consistent with the Code.

The Code limits investments to the following general types:

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

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

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

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

Receivables are recorded net of any allowance for uncollectible amounts. The allowance for uncollectible amounts is \$59,526 at September 30, 2014.

Property taxes are an enforceable lien on property. The County property taxes are levied on or before the third Monday of the preceding September and billed to taxpayers in November. One-half of the real property taxes and personal property taxes are due on or before December 20. The remaining one-half of the real property taxes and personal property taxes are due on or before June 20 of the following year. If the first half of the personal property taxes is not paid on or before December 20, the full amount is due on demand. Transient personal property taxes are due in full on or before March 15 of the following year. The County bills and collects its own property taxes and also collects taxes for all other taxing districts within its boundaries.

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

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

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

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

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

Unavailable Tax Revenue - Unavailable tax revenue represent the property taxes levied for 2014 that is measurable but unavailable to the County, and therefore recorded as a deferred inflow of resources in both the governmental fund and the government-wide financial statements.

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

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 absences liability.

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

At September 30, 2014, total compensated absences payable by the County is \$990,932. Of this amount, \$947,511 arises from governmental activity operations and \$43,421 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 Position.

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

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

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

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

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

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

Ambulance District is designated to the emergency medical services fund.

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

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

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

Weeds is designated to the weed fund.

Road Construction is designated to the special highway fund.

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

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

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

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

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;

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

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

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

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

NOTE 2 Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

The County is required by State law to adopt annual appropriated budgets for the general and special revenue funds. All appropriated budgets for governmental funds are adopted on a basis consistent with GAAP. Budgets for proprietary funds are adopted on a non-GAAP basis. Budgeted amounts are as amended during the fiscal year ended September 30, 2014.

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, 2014, there were no funds for which expenditures exceeded appropriations.

NOTE 3 Cash and Investments

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

Through a "Cash Management Sweep Account and Automatic Daily Repurchase Agreement" dated in September 2011 with Panhandle State Bank, the County invests idle cash in repurchase agreements that are not insured by the FDIC. However, the repurchase agreements are fully collateralized with an undivided, fractional interest in obligations of, or obligations that are fully guaranteed by, the United States Government, its agencies, or instrumentalities. Title to the securities is vested in the bank. The bank repurchases the undivided, fractional interest from the County on the next banking day.

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

Concentration of Credit Risk - The County's investment policy currently limits the balance of investments with a single issuer to 50% of the County's total funds. As of September 30, 2014, the following issuers hold more than 5% of the County's total portfolio: State of Idaho – 49% (Investment Pool, 22%, Diversified Bond Fund, 27%), Panhandle State Bank - 38%, Wells Fargo – 6%, and Multi-Bank Securities, Inc. - 6%.

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, 2014, the County's deposits in FDIC insured financial institutions did not exceed the FDIC insured limit of \$250,000 for time deposits in an in-state bank. On-demand accounts at Panhandle State Bank exceed the FDIC insurance limit of \$250,000 by \$232,131, with a total of \$482,131 deposited.

Custodial Credit Risk - Investments - This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The County is exposed to custodial credit risk because it has repurchase agreement investments of \$12,168,196 that are uninsured, unregistered, and held by Panhandle State Bank which is also the counterparty for the repurchase agreements. However, this risk is mitigated, because the repurchase agreements are fully collateralized by U.S. Government securities, with the collateral held in trust by the Federal Home Loan Bank in Panhandle State Bank's name with market values of \$12,168,196 as of September 30, 2014. The Federal Home Loan Bank is an independent safekeeping agent unaffiliated with Panhandle State Bank.

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

<u>Investment Type</u>	<u>Under 30 Days</u>	<u>31-180 Days</u>	<u>181-365 Days</u>	<u>1 to 5 Years</u>	<u>Market Value</u>	<u>Cost</u>	<u>Percent of Total</u>
Panhandle State Bank							
Repurchase agreements							
Treasurer's account	11,170,149	-	-	-	11,170,149	11,170,149	33.29%
Ambulance account	998,047	-	-	-	998,047	998,047	2.97%
Checking accounts							
Ambulance checking	200,000	-	-	-	200,000	200,000	0.60%
General checking	140,000	-	-	-	140,000	140,000	0.42%
Prosecutor trust accounts	20,087	-	-	-	20,087	20,087	0.06%
Sheriff detention fund	79,946	-	-	-	79,946	79,946	0.24%
Fair association	41,193	-	-	-	41,193	41,193	0.12%
4-H checking	794	-	-	-	794	794	0.00%
Wells Fargo							
Money market	2,003,418	-	-	-	2,003,418	2,003,418	5.97%
Mountain West Bank							
Certificate of deposit	-	-	106,942	-	106,942	106,942	0.32%
Fair association	107,105	-	-	-	107,105	107,105	0.32%
American West Bank							
Certificate of deposit	-	-	240,000	-	240,000	240,000	0.72%
State of Idaho							
Local government investment pool	-	7,298,336	-	-	7,298,336	7,298,336	21.75%
Diversified bond fund	-	-	-	9,395,951	9,395,951	9,148,914	27.26%
Multi-Bank Securities, Inc.	-	-	-	1,967,067	1,967,067	1,996,000	5.95%
Cash on hand	<u>7,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,670</u>	<u>7,670</u>	<u>0.02%</u>
Total Cash and investments	<u>\$ 14,768,409</u>	<u>\$ 7,298,336</u>	<u>\$ 346,942</u>	<u>\$ 11,363,018</u>	<u>\$ 33,776,705</u>	<u>\$ 33,558,601</u>	<u>100.00%</u>

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

Cash on hand	7,670
Bank deposits	589,125
Carrying value of investments	<u>33,179,910</u>
Total cash and investments	<u>\$33,776,705</u>

NOTE 4 Due From Other Governments

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

NOTE 5 Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

Governmental activities:

	Balance September 30, 2013	Additions	Transfers	Disposals	Balance September 30, 2014
Capital assets, depreciated:					
Infrastructure	456,650,475	1,534,587	-	-	458,185,062
Building and improvements	19,699,519	435,842	-	-	20,135,361
Machinery and equipment	24,122,373	2,234,246	18,000	(811,671)	25,562,948
Accumulated depreciation	(418,941,471)	(25,838,143)	(18,000)	533,379	(444,264,235)
Net capital assets, depreciated	81,530,896	(21,633,468)	-	(278,292)	59,619,136
Capital assets, not depreciated:					
Land	3,007,145	-	-	-	3,007,145
Total capital assets, net	\$ 84,538,041	\$ (21,633,468)	\$ -	\$ (278,292)	\$ 62,626,281

During 2014, depreciation expense was charged to functions as follows:

General government	839,528
Public safety	882,557
Emergency medical services	112,788
Road and bridge	23,667,834
Weeds	14,354
Health and welfare	1,746
Historical society and recreation	60,739
Capital outlay	258,597
Total Governmental activities depreciation expense	<u>\$ 25,838,143</u>

Business-type activities:

Capital assets, depreciated:					
Buildings and improvements	885,477	-	-	-	885,477
Other improvements	1,829,535	101,428	-	-	1,930,963
Machinery and equipment	1,692,813	-	(18,000)	(18,558)	1,656,255
Total capital assets, depreciated	4,407,825	101,428	(18,000)	(18,558)	4,472,695
Less: accumulated depreciation					
Buildings and improvements	(373,039)	(23,627)	-	-	(396,666)
Other improvements	(650,060)	(161,857)	-	-	(811,917)
Machinery and equipment	(1,466,088)	(57,839)	18,000	18,558	(1,487,369)
Total accumulated depreciation	(2,489,187)	(243,323)	18,000	18,558	(2,695,952)
Net capital assets, depreciated	1,918,638	(141,895)	-	-	1,776,743
Capital assets, not depreciated:					
Land	265,355	24,000	-	-	289,355
Total capital assets, net	<u>\$ 2,183,993</u>	<u>\$ (117,895)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,066,098</u>

During 2014, \$243,323 depreciation expense was charged to Solid Waste.

NOTE 6 **Deferred Revenue**

The County's deferred revenue comprises of two amounts; deferred tax revenue and unearned revenue as more fully explained below.

Deferred Tax revenue - The County's property tax is levied each October on the value listed as of the prior January 1 for all real property located in the County. A revaluation of all property is required to be completed no less than every five years. The market value at January 1, 2013, upon which the 2013 levy was based, was \$5,682,576,687 for the County and Ambulance District and was \$4,347,909,912 for Road and Bridge fund.

Various sections of the Idaho Code limit the amount that may be levied for general and special purpose funds. The 2013 levy was 0.3098899% of market value for the County, 0.0406935% for Ambulance District, and 0.1073127% for Road and Bridge fund.

Taxes are due in two equal installments on December 20th and June 20th of the next year following the levy date. Interest and penalty charges begin on the day following the installment due date. The total 2013 tax levy was \$25,020,230, of which 96.43% was collected and \$892,650 remains unpaid as of September 30, 2014.

Property taxes levied for 2013 and prior years and uncollected as of September 30, 2014 are shown as taxes receivable. To the extent that they are not collected by the County by November 30, 2014, a deferred revenue account in that amount is established in the governmental funds.

Total taxes receivable as of September 30, 2014	1,503,265
Less: Taxes collected by November 30, 2014	<u>(186,837)</u>
Total deferred tax revenue	<u>\$1,316,428</u>

In accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the County has recognized the 2014 property tax levy as a receivable. This levy is an enforceable legal claim created during the fiscal year. The 2014 property tax levy funds are considered unavailable as of September 30, 2014. The total property tax levy for 2014 of \$25,710,020 is considered unavailable at September 30, 2014 and is recorded as a deferred inflow of resources.

Unearned revenue – Certain revenues have been received in advance of the services being performed and are included as part of deferred revenues.

Prepaid airport hangar rent	19,244
Insurance revenue received in advance of expense	<u>375,435</u>
Total unearned revenue	<u>\$394,679</u>

NOTE 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, 2014, were \$8,750. The lease was terminated during the fiscal year.

Ambulance District - On July 20, 2010, the County entered into an agreement to lease a building for office space. The County leases the building on an annual renewal which expires September 30th of each year. For the current year, the payments were \$4,917 per month. Total payments made for the year ended September 30, 2014 were \$59,150.

Sheriff's Office - In the summer of 2000, the County entered into an agreement to lease a building for a Sheriffs sub-station at Priest Lake, which is used by many agencies, including the U.S. Border Patrol, the Idaho Fish and Game Department, the Idaho State Police and the Priest Lake Search and Rescue, Inc. The County leases the building on a month-to-month basis. For the current year, the payments were \$250 per month. Total payments made for the year ended September 30, 2014, were \$3,000.

Department of Motor Vehicles - On October 1, 2012, the County entered into an agreement to lease a portion of Bonner Mall for office space for a period of 15 years, renewable annually. For the current year, the payments were \$1,031 per month. Total payments made during the year ended September 30, 2014, were \$12,341.

Waterways – The County leases access to the Hope boat launch for sportsman access on an annual renewal expiring September 30th of each year. Total payments made for the year ended September 30, 2014, were \$550.

Waterways - The County leases a winter boat slip at Garfield Shores on a month-to-month basis. Total payments made for the year ended September 30, 2014, were \$800.

Annual required payments are as follows:

2015	72,301
2016	13,128
2017	13,500
2018	13,884
2019	14,268
Thereafter	<u>128,256</u>
Total	<u>\$255,337</u>

Capital Leases

The County has entered into various leases to purchase equipment and buildings. These lease agreements qualify as capital leases for accounting purposes and are recorded in the capital assets of the County. The original cost of the leased assets is \$6,978,593. The leases are collateralized by the assets. Future minimum annual lease payments under capital leases at September 30, 2014 are as follows:

Year Ending September, 30	Assessor/ Clerk	Road and Bridge	Bonnor County Administration	Calvary Building	Ambulance	Justice Department	Technology Department	Total
2015	10,140	185,985	158,061	38,950	99,312	57,117	8,148	557,713
2016	6,750	185,985	158,061	38,950	77,613	57,117	8,148	532,624
2017	840	687,380	158,061	38,950	41,149	57,117	8,148	991,645
2018	-	298,500	158,061	38,950	39,279	-	8,148	542,938
2019	-	1,065,000	158,061	38,950	18,710	-	679	1,281,400
Thereafter	-	-	2,092,049	6,345	73,280	-	-	2,171,674
Total minimum lease payments	17,730	2,422,850	2,882,354	201,095	349,343	171,351	33,271	6,077,994
Less: amounts representing interest	-	(225,960)	(731,965)	(21,092)	(43,777)	(6,366)	(1,856)	(1,031,016)
Present value of minimum lease payments	17,730	2,196,890	2,150,389	180,003	305,566	164,985	31,415	5,046,978
Less: amounts due within one year	(10,140)	(127,868)	(52,814)	(31,819)	(88,396)	(53,955)	(7,367)	(372,359)
Amounts due after one year	<u>\$ 7,590</u>	<u>\$ 2,069,022</u>	<u>\$ 2,097,575</u>	<u>\$ 148,184</u>	<u>\$ 217,170</u>	<u>\$ 111,030</u>	<u>\$ 24,048</u>	<u>\$ 4,674,619</u>

NOTE 8 Long-Term Obligations

A summary of changes in long-term liabilities of the County for the year ended September 30, 2014 is as follows:

	Long-Term Liabilities September 30, 2013	Current Year Activity	Long-term Liabilities September 30, 2014	Due Within One Year
<u>Governmental activities:</u>				
Note payable	533,617	(52,768)	480,849	54,293
Capital leases payable	4,708,719	338,259	5,046,978	372,359
Compensated absences	<u>869,179</u>	<u>78,332</u>	<u>947,511</u>	<u>748,185</u>
Total governmental activities	<u>\$6,111,515</u>	<u>\$363,823</u>	<u>\$6,475,338</u>	<u>\$1,174,837</u>
<u>Business-type activities:</u>				
Compensated absences	<u>36,468</u>	<u>6,953</u>	<u>43,421</u>	<u>29,820</u>
Total business-type activities	<u>\$36,468</u>	<u>\$6,953</u>	<u>\$43,421</u>	<u>\$29,820</u>

Interest expense recorded associated with note and capital leases payable totaled \$15,149 and \$179,704, respectively, for a total interest expense of \$194,853 for the year ended September 30, 2014.

NOTE 9 Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of September 30, 2014 was as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	116,742	-
Justice Fund	34,539	-
Road and Bridge Fund	139,271	-
Waterways Fund	50,000	-
Grants Fund	-	<u>340,552</u>
	<u>\$340,552</u>	<u>\$340,552</u>

Interfund transfers for the year ended September 30, 2014 are summarized as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	-	44,431
Road and Bridge Fund	-	567,757
Airport Fund	-	123,890
Junior College Fund	100,000	-
Justice Fund	103,356	-
Snowmobile-Priest Lake Fund	-	720
Grant Fund	606,522	-
Debt Service Funds	88,399	-
Jail Construction Fund	170	-
Building Construction Fund	-	<u>161,649</u>
TOTAL	<u>\$898,447</u>	<u>\$898,447</u>

NOTE 10 Deferred Compensation Plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the participant or

beneficiary) solely the property of the participant. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

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

NOTE 11 Defined Benefit Pension Plan

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 highest average monthly salary for 42 consecutive 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, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members and 8.36% for law enforcement. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for law enforcement members. Bonner County's employer contributions required and paid were \$1,537,473,

\$1,553,789, and \$1,366,210, for the years ended September 30, 2014, 2013 and 2012, respectively.

NOTE 12 Contingent Liabilities and Commitments

Grants

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

Lawsuits

There are two types of lawsuits which the County is presently defending. The first type involves insured claims against the County that are both defended and indemnified by the County's insurance carrier. Details involving this type of lawsuit can be obtained by contacting the County risk manager. The second type of lawsuit facing the County involves uninsured claims. Presently the County is defending itself in two uninsured lawsuits as follows: First, County is the defendant in a lawsuit in which the plaintiff is seeking compensation from the County for opposing its access on a private residential housing-hanger development. On November 21, 2014 the Federal District Court dismissed three of the four claims in the County's favor and on January 21, 2015 remanded the fourth claim to the State Court for trial. As of January 26, 2015 County Legal Counsel has estimated an additional half million dollars in legal costs to defend the County in this lawsuit. A trial date has not been set. Additionally, the County is also under threat of litigation relating to a building permit issued for property in a highly hazardous area of a floodplain. The County has no insurance coverage for this second lawsuit.

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

NOTE 13 Risk Management

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

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

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

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

The Travelers 2014-2015 County insurance policy provides the following coverage:

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

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

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

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

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

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

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

At September 30, 2014, 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, 2014 were below the limits of the insurance coverage.

NOTE 14 Conduit Debt Obligations

During the fiscal year ended September 30, 2001, the County issued Industrial Revenue Bonds to provide financial assistance to a private sector entity for the acquisition and construction of an industrial development facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received from the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility transfers to the private sector entity served by the bond issuance. Neither the County, state, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance of the bonds as of September 30, 2014, was \$695,731.

NOTE 15 Prior Period Adjustments

The County's financial statements for the year ended September 30, 2013 did not reflect the accrual of the Ambulance District's property taxes receivable in the amount of \$238,724 and related deferred tax revenue in the amount of \$203,038. This omission resulted in an increase in the fund balance of \$35,686 and an increase in the net position in the amount of \$238,724 as of September 30, 2013.

The County's financial statements for the year ended September 30, 2013 did not reflect the accrual of the Ambulance District's accrued patient billings in the amount of \$148,137. This omission resulted in an increase in the fund balance and an increase in the net position in the amount of \$148,137 as of September 30, 2013.

NOTE 16 Performance Bonds

The County is currently seeking redemption of over \$4.9 million of performance bonds pledged in relation to a golf course development within the County. The insurance company, which pledged the performance bonds, is in liquidation and the County has submitted the proof of claims for the performance bonds. The County estimates receiving a net recovery of 5%-10%.

NOTE 17 Turnbull Trust

Harp S. Turnbull has created a testamentary trust in favor of the Bonner County Road and Bridge Department. This trust is administered by the Idaho Community Foundation which has the sole authority to distribute interest

amounts it deems appropriate annually for important County road projects. At this time real property valued at over one million dollars has been sold and deposited in trust. The estate is not yet closed and more contributions to the trust are expected. The Board of County Commissioners is grateful for Mr. Turnbull's philanthropic kindness to the traveling public of Bonner County. The County Commissioners will utilize these revenues for important County road projects, consistent with the intent of Mr. Turnbull.

NOTE 18 Subsequent Events

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

SUPPLEMENTARY INFORMATION

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 September 30, 2014**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	7,440,632	11,220	7,451,852
Receivables, net of allowance for uncollectibles:			
Taxes	256,372	684	257,056
Unbilled taxes	3,807,072	-	3,807,072
Interest	145	-	145
Accounts	74,659	-	74,659
Due from other governments	533,495	-	533,495
Interfund receivable	50,000	-	50,000
Total assets	12,162,375	11,904	12,174,279
Deferred outflows of resources	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,162,375</u>	<u>\$ 11,904</u>	<u>\$ 12,174,279</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Warrants payable	381,781	11,220	393,001
Vouchers payable	151,906	-	151,906
Accrued payroll	146,268	-	146,268
Retirement payable	14,918	-	14,918
Intefund payable	340,552	-	340,552
Total liabilities	1,035,425	11,220	1,046,645
Deferred inflows of resources			
Deferred revenue	598,525	671	599,196
Unavailable tax revenue	3,807,072	-	3,807,072
Total deferred inflows of resources	4,405,597	671	4,406,268
Fund balance			
Restricted For:			
General governmental	2,357,041	-	2,357,041
Public safety	2,106,537	-	2,106,537
Historical society and recreation	640,959	-	640,959
Health and welfare	822,286	-	822,286
Weeds	174,873	-	174,873
Road construction	619,657	-	619,657
Capital projects	-	13	13
Total fund balance	6,721,353	13	6,721,366
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 12,162,375</u>	<u>\$ 11,904</u>	<u>\$ 12,174,279</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2014

	<u>Elections</u>	<u>Drug Court</u>	<u>District Court</u>	<u>County Fair</u>	<u>911</u>	<u>Court Facilities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	235,103	19,336	1,114,939	85,326	1,096,101	37,840
Receivables, net of allowance for uncollectibles:						
Taxes	-	-	64,472	11,002	-	-
Unbilled taxes	-	-	1,155,503	219,962	-	-
Interest	-	-	-	-	85	-
Accounts	-	1,474	1,982	-	57,939	-
Due from other governments	-	-	22,829	-	-	-
Total assets	<u>235,103</u>	<u>20,810</u>	<u>2,359,725</u>	<u>316,290</u>	<u>1,154,125</u>	<u>37,840</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 235,103</u></u>	<u><u>\$ 20,810</u></u>	<u><u>\$ 2,359,725</u></u>	<u><u>\$ 316,290</u></u>	<u><u>\$ 1,154,125</u></u>	<u><u>\$ 37,840</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	2,324	1,223	66,870	2,101	117,244	-
Vouchers payable	-	840	734	-	2,134	-
Accrued payroll	3,850	-	39,863	5,659	39,434	-
Retirement payable	405	-	4,192	595	4,147	-
Total liabilities	<u>6,579</u>	<u>2,063</u>	<u>111,659</u>	<u>8,355</u>	<u>162,959</u>	<u>-</u>
Deferred inflows of resources						
Deferred revenue	-	-	56,606	9,633	-	-
Unavailable tax revenue	-	-	1,155,503	219,962	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,212,109</u>	<u>229,595</u>	<u>-</u>	<u>-</u>
Fund balance						
Restricted For:						
General governmental	228,524	-	-	-	-	-
Public safety	-	18,747	1,035,957	-	991,166	37,840
Historical society and recreation	-	-	-	78,340	-	-
Total fund balance	<u>228,524</u>	<u>18,747</u>	<u>1,035,957</u>	<u>78,340</u>	<u>991,166</u>	<u>37,840</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 235,103</u></u>	<u><u>\$ 20,810</u></u>	<u><u>\$ 2,359,725</u></u>	<u><u>\$ 316,290</u></u>	<u><u>\$ 1,154,125</u></u>	<u><u>\$ 37,840</u></u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
September 30, 2014**

	<u>Court Interlock</u>	<u>Health District</u>	<u>Historical Society</u>	<u>Indigent & Charity</u>	<u>Junior College</u>	<u>Revaluation</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	23,307	83,636	2,460	756,369	441,790	719,250
Receivables, net of allowance for uncollectibles:						
Taxes	-	14,114	1,123	26,402	70	74,967
Unbilled taxes	-	239,339	18,812	155,420	-	1,132,547
Accounts	-	-	-	9,688	-	437
Due from other governments	-	-	-	-	148,150	23,370
Total assets	<u>23,307</u>	<u>337,089</u>	<u>22,395</u>	<u>947,879</u>	<u>590,010</u>	<u>1,950,571</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 23,307</u></u>	<u><u>\$ 337,089</u></u>	<u><u>\$ 22,395</u></u>	<u><u>\$ 947,879</u></u>	<u><u>\$ 590,010</u></u>	<u><u>\$ 1,950,571</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	480	-	-	16,971	-	25,546
Vouchers payable	-	-	-	11,000	137,198	-
Accrued payroll	-	-	-	4,156	-	40,770
Retirement payable	-	-	-	437	-	4,287
Total liabilities	<u>480</u>	<u>-</u>	<u>-</u>	<u>32,564</u>	<u>137,198</u>	<u>70,603</u>
Deferred inflows of resources						
Deferred revenue	-	12,298	975	23,061	69	65,562
Unavailable tax revenue	-	239,339	18,812	155,420	-	1,132,547
Total deferred inflows of resources	<u>-</u>	<u>251,637</u>	<u>19,787</u>	<u>178,481</u>	<u>69</u>	<u>1,198,109</u>
Fund balance						
Restricted For:						
General governmental	-	-	-	-	452,743	681,859
Public safety	22,827	-	-	-	-	-
Historical society and recreation	-	-	2,608	-	-	-
Health and welfare	-	85,452	-	736,834	-	-
Total fund balance	<u>22,827</u>	<u>85,452</u>	<u>2,608</u>	<u>736,834</u>	<u>452,743</u>	<u>681,859</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 23,307</u></u>	<u><u>\$ 337,089</u></u>	<u><u>\$ 22,395</u></u>	<u><u>\$ 947,879</u></u>	<u><u>\$ 590,010</u></u>	<u><u>\$ 1,950,571</u></u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
September 30, 2014

	<u>Tort</u>	<u>Weeds</u>	<u>Parks and Recreation</u>	<u>Special Highway</u>	<u>Snowmobile - Priest Lake</u>	<u>Snowmobile- Sandpoint</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	1,370,671	185,226	170,562	510,683	47,167	105,558
Receivables, net of allowance for uncollectibles:						
Taxes	50,442	8,863	3,671	-	-	-
Unbilled taxes	744,368	56,828	84,293	-	-	-
Accounts	2,824	-	315	-	-	-
Due from other governments	-	11,572	19,005	112,500	6,069	230
Total assets	<u>2,168,305</u>	<u>262,489</u>	<u>277,846</u>	<u>623,183</u>	<u>53,236</u>	<u>105,788</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,168,305</u>	<u>\$ 262,489</u>	<u>\$ 277,846</u>	<u>\$ 623,183</u>	<u>\$ 53,236</u>	<u>\$ 105,788</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	40,972	19,454	1,799	-	661	54
Accrued payroll	549	3,266	3,209	3,526	-	-
Retirement payable	-	343	337	-	-	-
Total liabilities	<u>41,521</u>	<u>23,063</u>	<u>5,345</u>	<u>3,526</u>	<u>661</u>	<u>54</u>
Deferred inflows of resources						
Deferred revenue	419,441	7,725	3,151	-	-	-
Unavailable tax revenue	744,368	56,828	84,293	-	-	-
Total deferred inflows of resources	<u>1,163,809</u>	<u>64,553</u>	<u>87,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance						
Restricted For:						
General governmental	962,975	-	-	-	-	-
Historical society and recreation	-	-	185,057	-	52,575	105,734
Weeds	-	174,873	-	-	-	-
Road construction	-	-	-	619,657	-	-
Total fund balance	<u>962,975</u>	<u>174,873</u>	<u>185,057</u>	<u>619,657</u>	<u>52,575</u>	<u>105,734</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,168,305</u>	<u>\$ 262,489</u>	<u>\$ 277,846</u>	<u>\$ 623,183</u>	<u>\$ 53,236</u>	<u>\$ 105,788</u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
September 30, 2014**

	<u>Waterways</u>	<u>Grants</u>	<u>Judgments</u>	<u>Drainage District</u>	<u>Translator District</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and investments	197,577	229,206	-	7,971	554	7,440,632
Receivables, net of allowance for uncollectibles:						
Taxes	-	-	4	317	925	256,372
Unbilled taxes	-	-	-	-	-	3,807,072
Interest	-	60	-	-	-	145
Accounts	-	-	-	-	-	74,659
Due from other governments	16,647	173,123	-	-	-	533,495
Interfund receivable	50,000	-	-	-	-	50,000
Total assets	<u>264,224</u>	<u>402,389</u>	<u>4</u>	<u>8,288</u>	<u>1,479</u>	<u>12,162,375</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 264,224</u>	<u>\$ 402,389</u>	<u>\$ 4</u>	<u>\$ 8,288</u>	<u>\$ 1,479</u>	<u>\$ 12,162,375</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Warrants payable	49,058	37,024	-	-	-	381,781
Vouchers payable	-	-	-	-	-	151,906
Accrued payroll	-	1,986	-	-	-	146,268
Retirement payable	-	175	-	-	-	14,918
Interfund payable	-	340,552	-	-	-	340,552
Total liabilities	<u>49,058</u>	<u>379,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,035,425</u>
Deferred inflows of resources						
Deferred revenue	-	-	4	-	-	598,525
Unavailable tax revenue	-	-	-	-	-	3,807,072
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>4,405,597</u>
Fund balance						
Restricted For:						
General governmental	-	22,652	-	8,288	-	2,357,041
Public Safety	-	-	-	-	-	2,106,537
Historical society and recreation	215,166	-	-	-	1,479	640,959
Health and welfare	-	-	-	-	-	822,286
Weeds	-	-	-	-	-	174,873
Road construction	-	-	-	-	-	619,657
Total fund balance	<u>215,166</u>	<u>22,652</u>	<u>-</u>	<u>8,288</u>	<u>1,479</u>	<u>6,721,353</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 264,224</u>	<u>\$ 402,389</u>	<u>\$ 4</u>	<u>\$ 8,288</u>	<u>\$ 1,479</u>	<u>\$ 12,162,375</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2014

	Total Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	4,419,464	-	-	4,419,464
Licenses and permits	222,088	-	-	222,088
Intergovernmental	2,019,619	-	-	2,019,619
Charges for services	1,603,390	-	-	1,603,390
Fines	199,102	-	-	199,102
Special assessments	35,808	-	-	35,808
Interest income	901	-	-	901
Miscellaneous	652,684	-	-	652,684
Total revenues	<u>9,153,056</u>	<u>-</u>	<u>-</u>	<u>9,153,056</u>
Expenditures				
General governmental	2,162,445	-	-	2,162,445
Public safety	3,687,230	-	-	3,687,230
Road construction	439,850	-	-	439,850
Weeds	149,400	-	-	149,400
Health	246,413	-	-	246,413
Welfare	402,242	-	-	402,242
Junior college	268,184	-	-	268,184
Historical society and recreation	450,248	-	-	450,248
Capital outlay	595,878	408,480	-	1,004,358
Total expenditures	<u>8,401,890</u>	<u>408,480</u>	<u>-</u>	<u>8,810,370</u>
Excess (deficiency) of revenues over/under expenditures	751,166	(408,480)	-	342,686
Other financing sources (uses):				
Operating transfers in (out)	<u>(705,802)</u>	<u>161,479</u>	<u>(88,399)</u>	<u>(632,722)</u>
Net change in fund balance	45,364	(247,001)	(88,399)	(290,036)
Fund balances, beginning of year	<u>6,675,989</u>	<u>247,014</u>	<u>88,399</u>	<u>7,011,402</u>
Fund balances, end of year	<u><u>\$ 6,721,353</u></u>	<u><u>\$ 13</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,721,366</u></u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2014

	<u>Elections</u>	<u>Drug Court</u>	<u>District Court</u>	<u>County Fair</u>	<u>911</u>	<u>Court Facilities</u>
Revenues						
Taxes	-	-	1,136,982	196,114	-	-
Intergovernmental	298,240	-	148,471	1,847	-	-
Charges for services	-	28,146	72,771	-	1,473,925	16,475
Fines	-	-	199,102	-	-	-
Interest income	-	-	-	-	901	-
Miscellaneous	896	-	79,495	-	401,552	-
Total revenues	<u>299,136</u>	<u>28,146</u>	<u>1,636,821</u>	<u>197,961</u>	<u>1,876,378</u>	<u>16,475</u>
Expenditures						
General governmental	195,469	-	-	-	-	-
Public safety	-	18,947	1,556,607	-	1,511,473	-
Historical society and recreation	-	-	-	170,342	-	-
Capital outlay	1,944	-	776	-	155,136	-
Total expenditures	<u>197,413</u>	<u>18,947</u>	<u>1,557,383</u>	<u>170,342</u>	<u>1,666,609</u>	<u>-</u>
Excess (deficiency) of revenues over/under expenditures	<u>101,723</u>	<u>9,199</u>	<u>79,438</u>	<u>27,619</u>	<u>209,769</u>	<u>16,475</u>
Other financing sources (uses): Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	101,723	9,199	79,438	27,619	209,769	16,475
Fund balances, beginning of year	<u>126,801</u>	<u>9,548</u>	<u>956,519</u>	<u>50,721</u>	<u>781,397</u>	<u>21,365</u>
Fund balances, end of year	<u>\$ 228,524</u>	<u>\$ 18,747</u>	<u>\$ 1,035,957</u>	<u>\$ 78,340</u>	<u>\$ 991,166</u>	<u>\$ 37,840</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended September 30, 2014

	<u>Court Interlock</u>	<u>Health District</u>	<u>Historical Society</u>	<u>Indigent & Charity</u>	<u>Junior College</u>	<u>Revaluation</u>
Revenues						
Taxes	-	249,119	19,700	400,458	1	1,287,496
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	2,328	183	3,575	279,367	97,288
Charges for services	5,299	-	-	-	-	800
Miscellaneous	1,193	12,000	-	121,990	-	-
Total revenues	<u>6,492</u>	<u>263,447</u>	<u>19,883</u>	<u>526,023</u>	<u>279,368</u>	<u>1,385,584</u>
Expenditures						
General governmental	-	-	-	-	-	1,261,889
Public safety	3,131	-	-	-	-	-
Health	-	246,413	-	-	-	-
Welfare	-	-	-	402,242	-	-
Junior college	-	-	-	-	268,184	-
Historical society and recreation	-	-	18,599	-	-	-
Capital outlay	-	-	-	1,106	-	110,911
Total expenditures	<u>3,131</u>	<u>246,413</u>	<u>18,599</u>	<u>403,348</u>	<u>268,184</u>	<u>1,372,800</u>
Excess (deficiency) of revenues over/under expenditures	3,361	17,034	1,284	122,675	11,184	12,784
Other financing sources (uses): Operating transfers in (out)	-	-	-	-	(100,000)	-
Net change in fund balance	3,361	17,034	1,284	122,675	(88,816)	12,784
Fund balances, beginning of year	<u>19,466</u>	<u>68,418</u>	<u>1,324</u>	<u>614,159</u>	<u>541,559</u>	<u>669,075</u>
Fund balances, end of year	<u>\$ 22,827</u>	<u>\$ 85,452</u>	<u>\$ 2,608</u>	<u>\$ 736,834</u>	<u>\$ 452,743</u>	<u>\$ 681,859</u>

BONNER COUNTY, IDAHO

Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended September 30, 2014**

	<u>Tort</u>	<u>Weeds</u>	<u>Parks and Recreation</u>	<u>Special Highway</u>	<u>Snowmobile - Priest Lake</u>	<u>Snowmobile- Sandpoint</u>
Revenues						
Taxes	873,013	170,566	86,015	-	-	-
Licenses and permits	-	-	-	-	38,537	18,964
Intergovernmental	8,155	1,211	1,211	450,000	-	3,000
Charges for services	-	-	5,974	-	-	-
Miscellaneous	34,058	1,450	50	-	-	-
Total revenues	<u>915,226</u>	<u>173,227</u>	<u>93,250</u>	<u>450,000</u>	<u>38,537</u>	<u>21,964</u>
Expenditures						
General governmental	696,634	-	-	-	-	-
Road construction	-	-	-	439,850	-	-
Weeds	-	149,400	-	-	-	-
Historical society and recreation	-	-	75,179	-	49,095	9,616
Capital outlay	-	3,206	-	-	-	-
Total expenditures	<u>696,634</u>	<u>152,606</u>	<u>75,179</u>	<u>439,850</u>	<u>49,095</u>	<u>9,616</u>
Excess (deficiency) of revenues over/under expenditures	218,592	20,621	18,071	10,150	(10,558)	12,348
Other financing sources (uses):						
Operating transfers in (out)	-	-	-	-	720	-
Net change in fund balance	218,592	20,621	18,071	10,150	(9,838)	12,348
Fund balances, beginning of year	<u>744,383</u>	<u>154,252</u>	<u>166,986</u>	<u>609,507</u>	<u>62,413</u>	<u>93,386</u>
Fund balances, end of year	<u>\$ 962,975</u>	<u>\$ 174,873</u>	<u>\$ 185,057</u>	<u>\$ 619,657</u>	<u>\$ 52,575</u>	<u>\$ 105,734</u>

BONNER COUNTY, IDAHO
Sandpoint, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended September 30, 2014

	<u>Waterways</u>	<u>Grants</u>	<u>Judgments</u>	<u>Drainage District</u>	<u>Translator District</u>	<u>Total</u>
Revenues						
Taxes	-	-	-	-	-	4,419,464
Licenses and permits	164,587	-	-	-	-	222,088
Intergovernmental	-	724,743	-	-	-	2,019,619
Charges for services	-	-	-	-	-	1,603,390
Fines	-	-	-	-	-	199,102
Special assessments	-	-	-	3,618	32,190	35,808
Interest income	-	-	-	-	-	901
Miscellaneous	-	-	-	-	-	652,684
Total revenues	<u>164,587</u>	<u>724,743</u>	<u>-</u>	<u>3,618</u>	<u>32,190</u>	<u>9,153,056</u>
Expenditures						
General governmental	-	-	-	8,453	-	2,162,445
Public safety	-	597,072	-	-	-	3,687,230
Road construction	-	-	-	-	-	439,850
Weeds	-	-	-	-	-	149,400
Health	-	-	-	-	-	246,413
Welfare	-	-	-	-	-	402,242
Junior College	-	-	-	-	-	268,184
Historical society and recreation	45,052	50,000	-	-	32,365	450,248
Capital outlay	301,945	20,854	-	-	-	595,878
Total expenditures	<u>346,997</u>	<u>667,926</u>	<u>-</u>	<u>8,453</u>	<u>32,365</u>	<u>8,401,890</u>
Excess (deficiency) of revenues over/under expenditures	(182,410)	56,817	-	(4,835)	(175)	751,166
Other financing sources (uses): Operating transfers in (out)	<u>-</u>	<u>(606,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(705,802)</u>
Net change in fund balance	(182,410)	(549,705)	-	(4,835)	(175)	45,364
Fund balances, beginning of year	<u>397,576</u>	<u>572,357</u>	<u>-</u>	<u>13,123</u>	<u>1,654</u>	<u>6,675,989</u>
Fund balances, end of year	<u>\$ 215,166</u>	<u>\$ 22,652</u>	<u>\$ -</u>	<u>\$ 8,288</u>	<u>\$ 1,479</u>	<u>\$ 6,721,353</u>

COMPLIANCE REPORTS

Bonner County, Idaho
Sandpoint, Idaho

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<i>Child Nutrition Cluster-Cluster</i>			
United States Department of Agriculture Direct			
National School Lunch Program	10.555	2013IN109947	498
National School Lunch Program	10.555	2014IN109947	6,129
School Breakfast Program	10.553	2013IN109947	314
School Breakfast Program	10.553	2014CN109947	9,835
Total United States Department of Agriculture Direct			<u>16,776</u>
Department of Health and Human Services			
Assessment Programs for Chronic Disease			
Prevention and Control	93.945	U58DP004804-01	9,938
Total Department of Health and Human Services			<u>9,938</u>
<i>JAG Program Cluster-Cluster</i>			
United States Department of Justice Direct Programs			
Bulletproof Vest Partnership Program	16.607	XTX3A-1	2,814
Juvenile Accountability	16.523	2010JBFX0078	1,850
Juvenile Justice and Delinquency Prevention Act	16.540	2010JFFX0006	816
Juvenile Justice and Delinquency Prevention Act	16.540	2011JFFX0016	2,705
Missing Children's Assistance	16.543		1,433
Total United States Department of Justice Direct			<u>9,618</u>
Department of Homeland Security Direct Programs			
2011 Homeland Security Grant Program	97.067	EMW2011SS00018	43,107
2012 Homeland Security Grant Program	97.067	EMW2012SS00136	34,299
2013 Homeland Security Grant Program	97.067	EMW2013SS00149	48,098
Federal Boater Safety	97.012	14.01.16	118,608
FEMA Public Assistance PW 63	97.036	DR1987 PW63	82,743
2012 EMPG Grant	97.042	EMW2012EP00065	791
2013 EMPG Grant	97.042	EMW2013EP00061	29,350
Total Department of Homeland Security			<u>356,996</u>
United States Department of Justice Direct Programs			
Juvenile Justice and Delinquency Prevention			
Allocation to States	16.540	11-DC-1101	30,000
Total United States Department of Justice			<u>30,000</u>

Bonner County, Idaho
Sandpoint, Idaho

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended September 30, 2014

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Department of Transportation Direct Programs			
Airport Improvement Program	20.106	3-16-0058-004-2013	14,144
Airport Improvement Program	20.106	3-16-0058-005-2014	43,340
Airport Improvement Program	20.106	3-16-0033-012	9,372
Airport Improvement Program	20.106	3-16-0033-013-2013	535,365
Airport Improvement Program	20.106	3-016-0033-014-2013	346,716
Total Department of Transportation			<u>948,937</u>
 United States Department of Agriculture Direct			
Cooperative Forestry Assistance	10.664	12NFA1 02	62,350
Cooperative Forestry Assistance	10.664	13CPP-R1	24,615
Total United States Department of Agriculture Direct			<u>86,965</u>
 Total Expenditures of Federal Awards			<u><u>\$ 1,459,230</u></u>

BONNER COUNTY, IDAHO
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2014

General – The accompanying Schedule of Expenditures of Federal Awards presents the expenditure activity of all federal awards programs of Bonner County, Idaho. All expenditures of federal awards received directly from federal agencies as well as expenditures of federal awards passed through other government agencies are included on the schedule.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis accounting.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonner County, Idaho, as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise Bonner County, Idaho's, basic financial statements, and have issued our report thereon dated February 5, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during

our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Hayden Ross, PLLC

Moscow, Idaho
February 5, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Bonner County, Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bonner County, Idaho's, major federal programs for the year ended September 30, 2014. Bonner County, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bonner County, Idaho's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and 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 Bonner County, Idaho, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Bonner County, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of Bonner County, Idaho is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bonner County, Idaho's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Bonner County, Idaho's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hayden Ross, PLLC

Moscow, Idaho
February 5, 2015

BONNER COUNTY, IDAHO
Sandpoint, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued – unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes **X** no
- Significant deficiency(ies) identified? yes **X** no

Noncompliance material to financial

statements noted? yes **X** no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes **X** no
- Significant deficiency(ies) identified? yes **X** none reported

Type of auditor’s report issued – unmodified

on compliance for major programs

Any audit finding disclosed that are required

to be reported in accordance with Section

510(a) of OMB Circular A-133? yes **X** no

Identification of major program:
Reporting Requirements and Communication Considerations

CFDA Number(s)

Name of Federal
Program or Cluster

20.106 Department of Transportation Airport Improvement Program

Dollar threshold used to distinguish between

Type A and type B programs: **\$300,000**

Auditee qualified as low-risk auditee? yes **X** no

BONNER COUNTY, IDAHO
Sandpoint, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

BONNER COUNTY, IDAHO
Sandpoint, Idaho

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

Finding 2013-01

Condition	Month-end and year-end closing procedures are not fully formalized and documented for all accrual-related amounts, and are not always performed in a timely manner, for certain accounts.
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Status	This condition no longer exists.
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