

# **BONNER COUNTY, IDAHO**

**Sandpoint, Idaho**

**Audited Financial Statements  
For the Year Ended September 30, 2015**

# **BONNER COUNTY, IDAHO**

**Sandpoint, Idaho**

**Audited Financial Statements  
For the Year Ended September 30, 2015**



**BONNER COUNTY, IDAHO**  
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## INTRODUCTORY SECTION

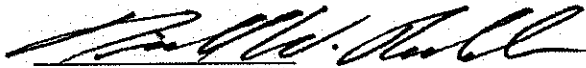
**BONNER COUNTY, IDAHO**

**COUNTY AUDITOR'S CERTIFICATE**

**For the Fiscal Year Ended September 30, 2015**

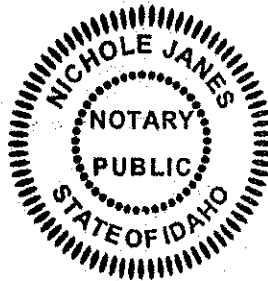
COUNTY OF BONNER  
STATE OF IDAHO

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, 2015.

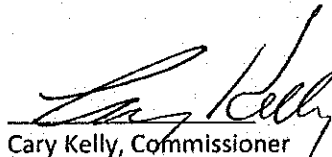


Michael Rosedale  
County Clerk

Subscribed and sworn to before me this 16<sup>th</sup> day of February, 2016.

  
Nichole Jones  
Notary Public

Approved by the Board of Commissioners of Bonner County, Idaho in regular session this 23<sup>rd</sup> day of February, 2016.

  
Cary Kelly, Commissioner  
Todd Sudick, Commissioner  
Glen Bailey, Commissioner

## 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, 2015, 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, 2015, 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 4-11 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 3, 2016 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 3, 2016

**Bonner County, Idaho**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2015**

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As management of Bonner County, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Bonner County for the fiscal year ended September 30, 2015. 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 enterprise funds in this MD&A.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements:** These statements 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; 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 Service (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 2015 compared to 2014:

Condensed Statements of Net Position							
	Governmental Activities		Business-type Activities		Total County		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
Current and other assets	\$53,615,510	\$54,141,627	\$9,215,283	\$9,226,309	\$62,830,793	\$63,367,936	-0.8%
Capital assets	42,722,304	62,626,281	2,664,216	2,066,098	45,386,520	64,692,379	-29.8%
Deferred outflows of resources	3,248,790	-	149,373	-	3,398,163	-	N/A
Total assets and deferred outflows of resources	99,586,604	116,767,908	12,028,872	11,292,407	111,615,476	128,060,315	-12.8%
Current and other liabilities	4,781,182	3,825,528	916,835	606,632	5,698,017	4,432,160	28.6%
Noncurrent liabilities	10,788,187	5,300,501	323,537	13,601	11,111,724	5,314,102	109.1%
Deferred inflows of resources	30,662,589	26,104,699	2,748,548	2,514,191	33,411,137	28,618,890	16.7%
Total liabilities and deferred inflows of resources	46,231,958	35,230,728	3,988,920	3,134,424	50,220,878	38,365,152	30.9%
Net investment in capital assets	38,859,911	57,098,454	2,664,216	2,066,098	41,524,127	59,164,552	-29.8%
Restricted for:							
General governmental	2,769,708	2,589,355	-	-	2,769,708	2,589,355	7.0%
Public safety	9,015,912	8,841,441	-	-	9,015,912	8,841,441	2.0%
Road and bridge	3,406,402	5,767,927	-	-	3,406,402	5,767,927	-40.9%
Emergency medical services	1,490,270	1,266,562	-	-	1,490,270	1,266,562	17.7%
Debt service	-	-	664	664	664	664	0.0%
Historical society and recreation	580,466	631,951	-	-	580,466	631,951	-8.1%
Health and welfare	853,163	846,875	-	-	853,163	846,875	0.7%
Weeds	84,775	175,606	-	-	84,775	175,606	-51.7%
Road construction	410,359	619,657	-	-	410,359	619,657	-33.8%
Capital projects	235,342	684	193,538	506,115	428,880	506,799	-15.4%
Unrestricted	(4,351,662)	3,698,668	5,181,534	5,585,106	829,872	9,283,774	-91.1%
Total net position	\$53,354,646	\$81,537,180	\$8,039,952	\$8,157,983	\$61,394,598	\$89,695,163	-31.6%

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 \$61,394,598 (\$53,354,646) in governmental activities and \$8,039,952 in business-type activities) as of September 30, 2015. By far, the largest portion of the County's net position (67.6%) 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 (31.5%) represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets (\$829,872) 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 for the government as a whole.

Table 2 – shows the changes in net position for 2015 and 2014:

Condensed Statements of Activities							
	Governmental Activities		Business-type Activities		Total County		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
<b>Revenues</b>							
Program revenues:							
Charges for services	\$3,739,176	\$3,658,294	\$2,225,426	\$2,097,938	\$5,964,602	\$5,756,232	3.6%
Operating grants & contributions	244,831	293,235	-	-	244,831	293,235	-16.5%
Capital grants & contributions	1,007,818	1,296,036	-	-	1,007,818	1,296,036	-22.2%
General revenues:							
Property taxes:	26,288,646	25,268,721	-	-	26,288,646	25,268,721	4.0%
Other taxes	-	35,808	2,554,461	2,509,368	2,554,461	2,545,176	0.4%
Intergovernmental	6,138,447	6,269,898	-	-	6,138,447	6,269,898	-2.1%
Other	3,274,956	2,814,683	36,964	67,258	3,311,920	2,881,941	14.9%
<b>Total revenues</b>	<b>40,693,874</b>	<b>39,636,675</b>	<b>4,816,851</b>	<b>4,674,564</b>	<b>45,510,725</b>	<b>44,311,239</b>	<b>2.7%</b>
<b>Expenses</b>							
General governmental	8,287,506	8,396,870	-	-	8,287,506	8,396,870	-1.3%
Public safety	17,487,168	16,842,013	-	-	17,487,168	16,842,013	3.8%
Emergency medical services	2,897,795	3,045,754	-	-	2,897,795	3,045,754	-4.9%
Road and bridge	29,530,253	29,300,328	-	-	29,530,253	29,300,328	0.8%
Weeds	168,719	163,436	-	-	168,719	163,436	3.2%
Health	250,970	246,413	-	-	250,970	246,413	1.8%

Welfare	293,158	405,022	-	-	293,158	405,022	-27.6%
Junior college	263,924	268,184	-	-	263,924	268,184	-1.6%
Historical society and recreation	500,269	512,013	-	-	500,269	512,013	-2.3%
Capital outlay	287,758	718,624	-	-	287,758	718,624	-60.0%
Loss on disposal of asset	-	278,292	-	-	-	278,292	-100.0%
Interest on long-term debt	191,918	194,853	-	-	191,918	194,853	-1.5%
Solid waste	-	-	4,534,094	4,313,234	4,534,094	4,313,234	5.1%
Total expenses	60,159,438	60,371,802	4,534,094	4,313,234	64,693,532	64,685,036	0.0%
<b>Change in net position</b>	<b>\$(19,465,564)</b>	<b>\$(20,735,127)</b>	<b>\$282,757</b>	<b>\$361,330</b>	<b>\$(19,182,807)</b>	<b>\$(20,373,797)</b>	<b>-5.8%</b>

### **Governmental Activities**

Charges for services were the County's largest program revenue, accounting for \$3,739,176 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 \$1,252,649 or 2.1% of total governmental revenues. The major recipient of intergovernmental program revenues was the airport fund.

Property tax revenues account for \$26,288,646 of the \$40,693,874 total revenues for governmental activities or 64.6% of total revenues.

Road and Bridge accounted for \$29,530,253 of the \$60,159,438 total expenses for governmental activities, or 49.1% of total expenses. The main component of the expenses for Road and Bridge (\$23,548,134) was the depreciation expense related to the capitalization of the road infrastructure within the County. The next largest program was Public Safety, accounting for \$17,487,168 and representing 29.1% of total governmental expenses.

*Tables 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.

Of the total charges for services revenues of \$3,739,176, \$632,814 was received and used to fund the general government expenses of \$8,287,506 of the County. The remaining \$56,420,262 in net governmental activity costs are funded by property taxes, sales taxes, and intergovernmental revenues.

Expenses and Net Cost of Governmental Activities						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2014	2014-2015	2015	2014	2014-2015
General governmental	\$8,287,506	\$8,396,870	-1.3%	\$7,197,629	\$6,819,762	5.5%
Public safety	17,487,168	16,842,013	3.8%	14,347,183	14,059,232	2.0%
Emergency medical services	2,897,795	3,045,754	-4.9%	2,163,185	2,452,311	-11.8%
Road and bridge	29,530,253	29,300,328	0.8%	29,508,817	29,062,069	1.5%
Weeds	168,719	163,436	3.2%	168,719	163,436	3.2%
Health	250,970	246,413	1.8%	250,970	246,413	1.8%

Welfare	293,158	405,022	-27.6%	293,158	405,022	-27.6%
Junior college	263,924	268,184	-1.6%	263,924	268,184	-1.6%
Historical society and recreation	500,269	512,013	-2.3%	494,352	456,039	8.4%
Capital outlay	287,758	718,624	-60.0%	287,758	718,624	-60.0%
Loss of disposal of asset	-	278,292	-100.0%	-	278,292	-100.0%
Interest on long-term debt	191,918	194,853	-1.5%	191,918	194,853	-1.5%
Total cost	\$60,159,438	\$60,371,802	-0.4%	\$55,167,613	\$55,124,237	0.1%

### **Business-Type Activities**

The net position for business-type activities increased by \$282,757 during the year and the major revenue sources were charges for services of \$2,225,436.

**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 2015, revenues exceeded actual expenses by \$282,757 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 governmental-wide financial statements. These notes to the financial statements can be found at the end of the audit report.

### **Capital Assets**

Capital assets are 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.

The total net capital assets decreased by \$19,305,859 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 \$26,042,424.

In FY2015 \$1,422,674 was spent on construction for the Road & Bridge District 1 Facility.

In 2015 \$241,667 of depreciation expense was charged to Solid Waste.

### **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 Managements' Discussion and Analysis report.

During the fiscal year, the Justice Fund paid the remaining principal balance of the District Court loan in the amount of \$480,849.

During the fiscal year, the General Fund paid the remaining principal balance of the capital lease of the Ambulance District in the amount of \$113,896.

During the fiscal year, the General Fund paid off the remaining principal balance of the Capital lease of property adjacent to the Administration building in the amount of \$153,434.

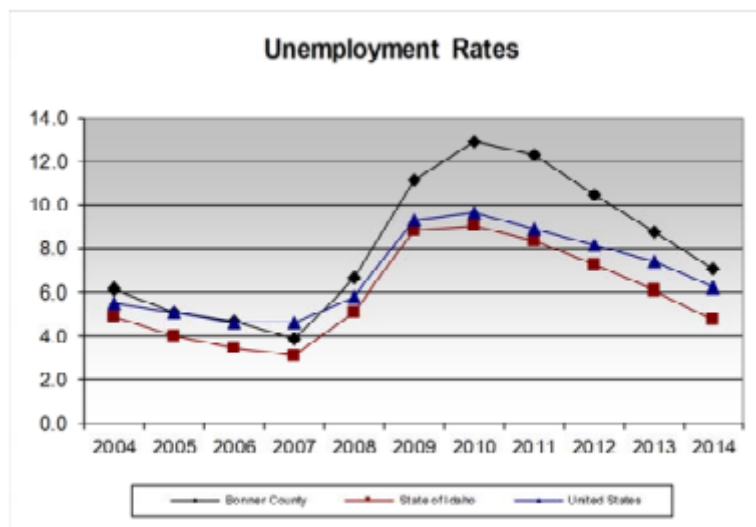
The only remaining capital lease debt related to buildings is for the Administration building in the amount of \$1,596,835 after a payment of \$500,000 to principal in 2015.

### **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, 2015, there were no funds for which expenditures exceeded appropriations.

### **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. (Charts and Information were collected from the Idaho Department of Labor.)

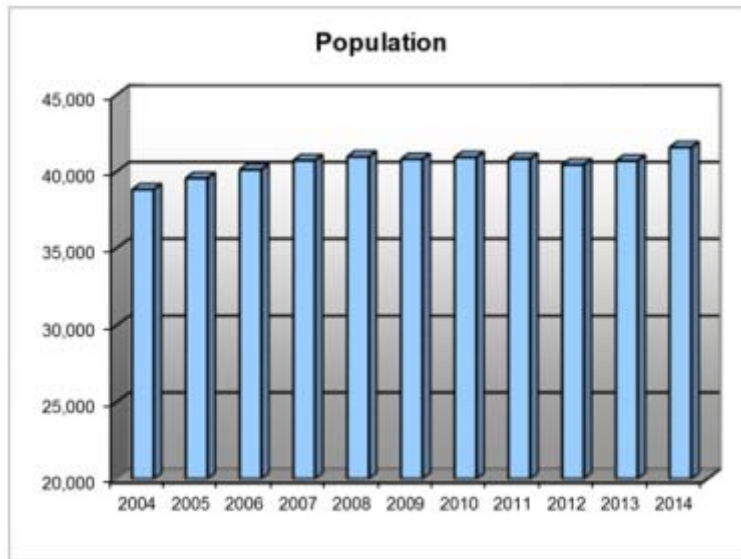


### **Population**

Bonner County has experienced rapid population growth. Its beauty, recreational opportunities and quality of life attracted thousands of new residents. From 2004 to 2014, however, the County's population grew 7 percent from 38,836 to 41,585 while Idaho's population grew 17 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 7,760 in 2014. Surrounding populations include 1,136 in Ponderay, 770 in Kootenai and 607 in Dover. The largest city west of Sandpoint, Priest River, has 1,751 residents. Clark Fork with 540 residents is the largest town to the east. (Charts and Information were collected from the Idaho Department of Labor.)





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. The premium for FY 2015 was \$516,000.

Medical insurance costs for FY 2015 paid claims totaled \$1,961,076 to paid premiums of \$2,608,532. The County experienced a decrease in paid claims from the prior year by 14%. There were no changes in carriers for plan benefits. The County elected to change direction in the area of broker coverage and selected Helbling Benefits Consulting as the new broker for the benefits package.

### **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 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 FY 2015 the County incurred \$392,611 related to workers compensation insurance premiums. 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 62 claims for both tort and accident incidents with employed staff. Claims expenses for FY 2015 were \$969,898. However, several of those claims remain open.

Statistically, FY 2015 was a busy year for HR. There were 89+ job openings, with 95 separations, about the same as 2014. Those numbers include the cycle of seasonal employees

FY 2015 saw an increase in labor costs. In 2014 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. In June of 2015, the County engaged Ameriben Consulting to complete a review of our compensation program using benchmarking and external data. The work will result in better alignment of our positions to the market as well as creating a range system for our exempt staff.

### **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, 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. 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. PILT amounted to \$603,000 in 2015. Road and Bridge also received \$450,932 in SRS funding in 2015. This has a direct impact on our road maintenance fund.

### **Planning:**

Through FY 2015, 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 2015 calendar year with 752 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. The continued sale of state cabin lease sites at Priest Lake to the private sector will positively impact permitting numbers as the next tranche of lots come under County jurisdiction.

### **Silver Wing Development Litigation:**

The Silver Wing litigation is winding down with the Federal Court overturning 3 of the 4 claims made against the County. One allegation remains in State Court. Legal costs have continued to drop in 2015 and the County expects a positive outcome with the remaining issue.

### **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, 2015

	<b>PRIMARY GOVERNMENT</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	22,855,522	5,891,858	28,747,380
Receivables, net of allowance for uncollectibles:			
Taxes	1,913,758	-	1,913,758
Unbilled taxes	26,115,627	-	26,115,627
Unbilled special assessments	-	2,540,164	2,540,164
Fees	1,138	157,098	158,236
Interest	10,012	-	10,012
Accounts	274,287	414,406	688,693
Prepaid expenses	284,482	8,201	292,683
Due from other governments	2,160,684	9,354	2,170,038
Restricted assets:			
Cash	-	193,538	193,538
Cash on deposit with fiscal agent	-	664	664
Total current assets	<u>53,615,510</u>	<u>9,215,283</u>	<u>62,830,793</u>
<b>Noncurrent assets:</b>			
Land	3,587,115	504,716	4,091,831
Construction in progress	1,568,608	584,979	2,153,587
Other capital assets, net of depreciation	<u>37,566,581</u>	<u>1,574,521</u>	<u>39,141,102</u>
Total noncurrent assets	<u>42,722,304</u>	<u>2,664,216</u>	<u>45,386,520</u>
Total assets	<u>96,337,814</u>	<u>11,879,499</u>	<u>108,217,313</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	<u>3,248,790</u>	<u>149,373</u>	<u>3,398,163</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Warrants payable	2,673,692	793,790	3,467,482
Vouchers payable	58,373	41,211	99,584
Accrued payroll	831,902	42,955	874,857
Accrued retirement payable	86,921	3,878	90,799
Compensated absences, due within one year	798,792	35,001	833,793
Capital leases payable, due within one year	<u>331,502</u>	<u>-</u>	<u>331,502</u>
Total current liabilities	<u>4,781,182</u>	<u>916,835</u>	<u>5,698,017</u>
<b>Noncurrent liabilities:</b>			
Compensated absences, due after one year	230,700	469	231,169
Capital leases payable, due after one year	3,530,891	-	3,530,891
Net pension liability	<u>7,026,596</u>	<u>323,068</u>	<u>7,349,664</u>
Total noncurrent liabilities	<u>10,788,187</u>	<u>323,537</u>	<u>11,111,724</u>
Total liabilities	<u>15,569,369</u>	<u>1,240,372</u>	<u>16,809,741</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	14,708	-	14,708
Unavailable tax revenue	26,115,627	2,540,164	28,655,791
Pension related items	<u>4,532,254</u>	<u>208,384</u>	<u>4,740,638</u>
Total deferred inflows of resources	<u>30,662,589</u>	<u>2,748,548</u>	<u>33,411,137</u>
<b>NET POSITION</b>			
Net investment in capital assets	38,859,911	2,664,216	41,524,127
Restricted for:			
General governmental	2,769,708	-	2,769,708
Public safety	9,015,912	-	9,015,912
Road and bridge	3,406,402	-	3,406,402
Emergency medical services	1,490,270	-	1,490,270
Debt service	-	664	664
Historical society and recreation	580,466	-	580,466
Health and welfare	853,163	-	853,163
Weeds	84,775	-	84,775
Road construction	410,359	-	410,359
Capital projects	235,342	193,538	428,880
Unrestricted	<u>(4,351,662)</u>	<u>5,181,534</u>	<u>829,872</u>
Total net position	<u>\$ 53,354,646</u>	<u>\$ 8,039,952</u>	<u>\$ 61,394,598</u>

**BONNER COUNTY, IDAHO**  
Sandpoint, Idaho

**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
Governmental activities:							
General governmental	8,287,506	632,814	-	457,063	(7,197,629)	-	(7,197,629)
Public safety	17,487,168	2,365,835	244,831	529,319	(14,347,183)	-	(14,347,183)
Emergency medical services	2,897,795	734,610	-	-	(2,163,185)	-	(2,163,185)
Road and bridge	29,530,253	-	-	21,436	(29,508,817)	-	(29,508,817)
Weeds	168,719	-	-	-	(168,719)	-	(168,719)
Health	250,970	-	-	-	(250,970)	-	(250,970)
Welfare	293,158	-	-	-	(293,158)	-	(293,158)
Junior college	263,924	-	-	-	(263,924)	-	(263,924)
Historical society and recreation	500,269	5,917	-	-	(494,352)	-	(494,352)
Capital outlay	287,758	-	-	-	(287,758)	-	(287,758)
Interest on long-term debt	191,918	-	-	-	(191,918)	-	(191,918)
Total governmental activities	60,159,438	3,739,176	244,831	1,007,818	(55,167,613)	-	(55,167,613)
Business-type activities:							
Solid waste	4,534,094	2,225,426	-	-	-	(2,308,668)	(2,308,668)
Total business-type activities	4,534,094	2,225,426	-	-	-	(2,308,668)	(2,308,668)
Total primary government	\$ 64,693,532	\$ 5,964,602	\$ 244,831	\$ 1,007,818	(55,167,613)	(2,308,668)	(57,476,281)
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					26,288,646	-	26,288,646
Special assessments					-	2,554,461	2,554,461
Intergovernmental revenues					6,138,447	-	6,138,447
Licenses and permits					928,948	-	928,948
Fines					179,534	-	179,534
Gain (loss) on disposal of fixed assets					(17,058)	3,500	(13,558)
Miscellaneous					1,867,910	33,464	1,901,374
Interest and investment earnings					315,622	-	315,622
Total general revenue and transfers					35,702,049	2,591,425	38,293,474
Change in net position					(19,465,564)	282,757	(19,182,807)
Net position - beginning of year					81,537,180	8,157,983	89,695,163
Prior-period adjustment - pension related items (see note 16)					(8,716,970)	(400,788)	(9,117,758)
Total net position - end of year					\$ 53,354,646	\$ 8,039,952	\$ 61,394,598

**BONNER COUNTY, IDAHO**  
Sandpoint, Idaho

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2015**

	General	Justice	Road and Bridge	Airport	Ambulance District	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
Assets							
Cash and investments	3,878,817	7,242,290	3,754,688	341,694	1,422,476	6,215,557	22,855,522
Receivables, net of allowance for uncollectibles:							
Taxes	301,967	847,792	248,267	19,326	184,644	311,762	1,913,758
Unbilled taxes	3,916,684	11,267,477	4,470,236	250,076	2,360,415	3,850,739	26,115,627
Interest	9,896	-	-	-	-	116	10,012
Fees	-	-	-	-	-	1,138	1,138
Accounts	2,735	5,548	7,223	13,159	171,607	74,015	274,287
Prepaid expenses	-	20,657	178,108	-	25,589	60,128	284,482
Due from other governments	314,923	416,666	525,778	85,370	-	817,947	2,160,684
Interfund receivable	565,860	48,727	9,900	-	-	-	624,487
Total assets	<u>8,990,882</u>	<u>19,849,157</u>	<u>9,194,200</u>	<u>709,625</u>	<u>4,164,731</u>	<u>11,331,402</u>	<u>54,239,997</u>
Deferred outflows of resources	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 8,990,882</u>	<u>\$ 19,849,157</u>	<u>\$ 9,194,200</u>	<u>\$ 709,625</u>	<u>\$ 4,164,731</u>	<u>\$ 11,331,402</u>	<u>\$ 54,239,997</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
Liabilities							
Warrants payable	414,774	526,801	951,961	22,537	146,973	610,646	2,673,692
Vouchers payable	1,090	10,722	-	18,576	550	27,435	58,373
Accrued payroll	121,038	379,886	90,697	5,634	65,259	169,388	831,902
Retirement payable	12,728	39,947	9,537	592	6,862	17,255	86,921
Interfund payable	-	-	-	-	-	624,487	624,487
Total liabilities	<u>549,630</u>	<u>957,356</u>	<u>1,052,195</u>	<u>47,339</u>	<u>219,644</u>	<u>1,449,211</u>	<u>4,275,375</u>
Deferred inflows of resources							
Deferred revenue	271,277	760,138	209,575	32,405	165,933	340,922	1,780,250
Unavailable tax revenue	3,916,684	11,267,477	4,470,236	250,076	2,360,415	3,850,739	26,115,627
Total deferred inflows of resources	<u>4,187,961</u>	<u>12,027,615</u>	<u>4,679,811</u>	<u>282,481</u>	<u>2,526,348</u>	<u>4,191,661</u>	<u>27,895,877</u>
Fund balance							
Nonspendable	-	20,657	178,108	-	25,589	60,128	284,482
Restricted for:							
General governmental	-	-	-	379,805	-	2,004,184	2,383,989
Public safety	-	6,843,529	-	-	-	1,730,642	8,574,171
Road and bridge	-	-	3,284,086	-	-	-	3,284,086
Emergency medical services	-	-	-	-	1,393,150	-	1,393,150
Historical society and recreation	-	-	-	-	-	575,935	575,935
Health and welfare	-	-	-	-	-	829,098	829,098
Weeds	-	-	-	-	-	80,091	80,091
Road construction	-	-	-	-	-	410,359	410,359
Capital projects	-	-	-	-	-	93	93
Unassigned	4,253,291	-	-	-	-	-	4,253,291
Total fund balance	<u>4,253,291</u>	<u>6,864,186</u>	<u>3,462,194</u>	<u>379,805</u>	<u>1,418,739</u>	<u>5,690,530</u>	<u>22,068,745</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 8,990,882</u>	<u>\$ 19,849,157</u>	<u>\$ 9,194,200</u>	<u>\$ 709,625</u>	<u>\$ 4,164,731</u>	<u>\$ 11,331,402</u>	<u>\$ 54,239,997</u>

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

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**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
September 30, 2015**

Total fund balances - governmental funds		22,068,745
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	512,614,379	
Accumulated depreciation	<u>(469,892,075)</u>	42,722,304
Assets that are not available to pay for current period expenditures are not considered earned in the governmental funds:		
Property taxes	1,702,363	
Grants	<u>63,179</u>	1,765,542
Certain pension related items are recorded as deferred outflow or inflow of resources and recognized in future periods for governmental activities (see note 11)		
Deferred outflow of resources		3,248,790
Deferred inflow of resources		<u>(4,532,254)</u>
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	(798,792)	
Capital leases payable, due within one year	(331,502)	
Compensated absences, due after one year	(230,700)	
Capital leases payable, due after one year	(3,530,891)	
Net pension liability	<u>(7,026,596)</u>	<u>(11,918,481)</u>
Total net position - governmental activities		<u>\$ 53,354,646</u>

**BONNER COUNTY, IDAHO**  
Sandpoint, Idaho

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	General	Justice	Road and Bridge	Airport	Ambulance District	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES</b>							
Taxes	4,100,398	10,627,904	4,559,534	290,833	2,376,773	3,884,090	25,839,532
Licenses and permits	493,555	256,179	-	-	-	179,214	928,948
Intergovernmental	1,244,623	1,869,691	2,403,595	459,961	-	1,413,226	7,391,096
Charges for services	631,997	658,294	-	-	734,610	1,714,275	3,739,176
Fines	-	-	-	-	-	179,534	179,534
Interest income	207,443	-	-	-	970	929	209,342
Miscellaneous	43,147	214,658	117,992	113,032	62,328	1,316,753	1,867,910
Total revenues	<u>6,721,163</u>	<u>13,626,726</u>	<u>7,081,121</u>	<u>863,826</u>	<u>3,174,681</u>	<u>8,688,021</u>	<u>40,155,538</u>
<b>EXPENDITURES</b>							
General governmental	4,670,134	-	-	613,158	-	2,203,602	7,486,894
Public safety	111,080	12,426,031	-	-	-	4,219,820	16,756,931
Emergency medical expenses	-	-	-	-	2,802,801	-	2,802,801
Road and bridge	-	-	5,645,823	-	-	360,609	6,006,432
Weeds	-	-	-	-	-	157,606	157,606
Health	-	-	-	-	-	250,970	250,970
Welfare	-	-	-	-	-	293,090	293,090
Junior college	-	-	-	-	-	263,924	263,924
Historical society and recreation	-	-	-	-	-	458,350	458,350
Capital outlay	656,223	475,935	3,429,462	27,537	79,810	1,259,565	5,928,532
Debt service:							
Principal	930,403	534,584	127,868	-	93,695	3,360	1,689,910
Interest	111,123	20,605	58,117	-	2,073	-	191,918
Total expenditures	<u>6,478,963</u>	<u>13,457,155</u>	<u>9,261,270</u>	<u>640,695</u>	<u>2,978,379</u>	<u>9,470,896</u>	<u>42,287,358</u>
Excess (deficiency) of revenues over/under expenditures	<u>242,200</u>	<u>169,571</u>	<u>(2,180,149)</u>	<u>223,131</u>	<u>196,302</u>	<u>(782,875)</u>	<u>(2,131,820)</u>
Other financing sources (uses):							
Capital lease financing	24,476	-	-	-	-	-	24,476
Operating transfers in (out)	247,961	-	-	-	-	(247,961)	-
Net increase in the fair value of investments	106,280	-	-	-	-	-	106,280
Total other financing sources (uses)	<u>378,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(247,961)</u>	<u>130,756</u>
Net change in fund balance	620,917	169,571	(2,180,149)	223,131	196,302	(1,030,836)	(2,001,064)
Fund balances, beginning of year	<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>
Fund balances, end of year	<u>\$ 4,253,291</u>	<u>\$ 6,864,186</u>	<u>\$ 3,462,194</u>	<u>\$ 379,805</u>	<u>\$ 1,418,739</u>	<u>\$ 5,690,530</u>	<u>\$ 22,068,745</u>



**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

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**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, 2015**

Net change in fund balances - governmental funds (2,001,064)

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	5,913,838	
Depreciation expense	<u>(25,800,757)</u>	(19,886,919)

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.

449,114

In the Statement of Activities, a gain 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 gain is recognized.

(17,058)

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	(24,476)	
Capital lease principal payments	1,209,061	
Note payable principal payments	<u>480,849</u>	1,665,434

Employer PERSI contributions made after the net pension liability measurement date are expenditures in the governmental funds but are recorded as deferred outflows of resources for governmental activities.

406,910

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 the amount by which compensated absences incurred exceeded the amount paid during the year.

(81,981)

Total change in net position of governmental activities \$ (19,465,564)

**BONNER COUNTY, IDAHO**  
Sandpoint, Idaho

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

			Variances		
			Favorable (Unfavorable)		
	Original	Amended			
	Budget	Budget	Actual	Original to	Amended to
				Actual	Actual
<b>Revenues</b>					
Taxes	4,085,281	4,085,281	4,100,398	15,117	15,117
Licenses and permits	449,850	449,850	493,555	43,705	43,705
Intergovernmental	984,197	984,197	1,244,623	260,426	260,426
Charges for services	543,240	543,240	631,997	88,757	88,757
Interest income	235,258	235,258	207,443	(27,815)	(27,815)
Miscellaneous	31,140	31,140	43,147	12,007	12,007
Total revenues	<u>6,328,966</u>	<u>6,328,966</u>	<u>6,721,163</u>	<u>392,197</u>	<u>392,197</u>
<b>Expenditures</b>					
General governmental	5,546,368	5,559,368	4,670,134	876,234	889,234
Public safety	118,223	121,784	111,080	7,143	10,704
Capital outlay	833,210	833,210	656,223	176,987	176,987
Debt service:					
Principal	68,188	842,258	930,403	(862,215)	(88,145)
Interest	-	-	111,123	(111,123)	(111,123)
Total expenditures	<u>6,565,989</u>	<u>7,356,620</u>	<u>6,478,963</u>	<u>87,026</u>	<u>877,657</u>
Excess (deficiency) of revenues over/under expenditures	<u>(237,023)</u>	<u>(1,027,654)</u>	<u>242,200</u>	<u>479,223</u>	<u>1,269,854</u>
Other financing sources:					
Capital lease financing	-	-	24,476	24,476	24,476
Operating transfers in	-	-	247,961	247,961	247,961
Net increase in the fair value of investments	-	-	106,280	106,280	106,280
Total other financing sources	<u>-</u>	<u>-</u>	<u>378,717</u>	<u>378,717</u>	<u>378,717</u>
Net change in fund balance	<u>\$ (237,023)</u>	<u>\$ (1,027,654)</u>	<u>620,917</u>	<u>\$ 857,940</u>	<u>\$ 1,648,571</u>
Fund balance, beginning of year			<u>3,632,374</u>		
Fund balance, end of year			<u>\$ 4,253,291</u>		

**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, 2015

	Original Budget	Amended Budget	Actual	Variances Favorable (Unfavorable)	
				Original to Actual	Amended to Actual
<b>Revenues</b>					
Taxes	10,583,333	10,583,333	10,627,904	44,571	44,571
Licenses and permits	249,000	249,000	256,179	7,179	7,179
Intergovernmental	1,648,832	1,648,832	1,869,691	220,859	220,859
Charges for services	680,575	680,575	658,294	(22,281)	(22,281)
Miscellaneous	154,200	154,200	214,658	60,458	60,458
Total revenues	<u>13,315,940</u>	<u>13,315,940</u>	<u>13,626,726</u>	<u>310,786</u>	<u>310,786</u>
<b>Expenditures</b>					
Public safety	14,201,224	14,047,335	12,426,031	1,775,193	1,621,304
Capital outlay	386,519	450,711	475,935	(89,416)	(25,224)
Debt service:					
Principal	57,177	671,557	534,584	(477,407)	136,973
Interest	-	-	20,605	(20,605)	(20,605)
Total expenditures	<u>14,644,920</u>	<u>15,169,603</u>	<u>13,457,155</u>	<u>1,187,765</u>	<u>1,712,448</u>
Net change in fund balance	<u>\$ (1,328,980)</u>	<u>\$ (1,853,663)</u>	169,571	<u>\$ 1,498,551</u>	<u>\$ 2,023,234</u>
Fund balance, beginning of year			<u>6,694,615</u>		
Fund balance, end of year			<u>\$ 6,864,186</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, 2015**

			Variances		
			Favorable (Unfavorable)		
	Original	Amended	Original to	Amended to	
	Budget	Budget	Actual	Actual	
<b>Revenues</b>					
Taxes	4,537,841	4,537,841	4,559,534	21,693	21,693
Intergovernmental	1,853,074	1,853,074	2,403,595	550,521	550,521
Miscellaneous	46,500	46,500	117,992	71,492	71,492
Total revenues	<u>6,437,415</u>	<u>6,437,415</u>	<u>7,081,121</u>	<u>643,706</u>	<u>643,706</u>
<b>Expenditures</b>					
Road and bridge	7,539,344	8,158,233	5,645,823	1,893,521	2,512,410
Capital outlay	1,753,100	1,796,236	3,429,462	(1,676,362)	(1,633,226)
Debt service:					
Principal	186,000	186,000	127,868	58,132	58,132
Interest	-	-	58,117	(58,117)	(58,117)
Total expenditures	<u>9,478,444</u>	<u>10,140,469</u>	<u>9,261,270</u>	<u>217,174</u>	<u>879,199</u>
Net change in fund balance	<u>\$ (3,041,029)</u>	<u>\$ (3,703,054)</u>	(2,180,149)	<u>\$ 860,880</u>	<u>\$ 1,522,905</u>
Fund balance, beginning of year			<u>5,642,343</u>		
Fund balance, end of year			<u>\$ 3,462,194</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, 2015

			Variances		
	Original	Amended		Favorable (Unfavorable)	
	Budget	Budget	Actual	Original to	Amended to
				Actual	Actual
<b>Revenues</b>					
Taxes	294,195	294,195	290,833	(3,362)	(3,362)
Intergovernmental	705,065	705,065	459,961	(245,104)	(245,104)
Miscellaneous	103,373	103,373	113,032	9,659	9,659
Total revenues	<u>1,102,633</u>	<u>1,102,633</u>	<u>863,826</u>	<u>(238,807)</u>	<u>(238,807)</u>
<b>Expenditures</b>					
General governmental	1,054,361	978,586	613,158	441,203	365,428
Capital outlay	50,500	50,500	27,537	22,963	22,963
Total expenditures	<u>1,104,861</u>	<u>1,029,086</u>	<u>640,695</u>	<u>464,166</u>	<u>388,391</u>
Net change in fund balance	<u>\$ (2,228)</u>	<u>\$ 73,547</u>	223,131	<u>\$ 225,359</u>	<u>\$ 149,584</u>
Fund balance, beginning of year			<u>156,674</u>		
Fund balance, end of year			<u>\$ 379,805</u>		

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**AMBULANCE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

			Variances		
			Favorable (Unfavorable)		
	Original	Amended	Original to	Amended to	
	Budget	Budget	Actual	Actual	
<b>Revenues</b>					
Taxes	2,288,308	2,288,308	2,376,773	88,465	88,465
Charges for services	700,000	700,000	734,610	34,610	34,610
Interest income	-	-	970	970	970
Miscellaneous	131,756	131,756	62,328	(69,428)	(69,428)
Total revenues	<u>3,120,064</u>	<u>3,120,064</u>	<u>3,174,681</u>	<u>54,617</u>	<u>54,617</u>
<b>Expenditures</b>					
Emergency medical expenses	2,987,479	3,033,986	2,802,801	184,678	231,185
Capital outlay	102,500	102,500	79,810	22,690	22,690
Debt service:					
Principal	80,085	80,085	93,695	(13,610)	(13,610)
Interest	-	-	2,073	(2,073)	(2,073)
Total expenditures	<u>3,170,064</u>	<u>3,216,571</u>	<u>2,978,379</u>	<u>191,685</u>	<u>238,192</u>
Net change in fund balance	<u>\$ (50,000)</u>	<u>\$ (96,507)</u>	196,302	<u>\$ 246,302</u>	<u>\$ 292,809</u>
Fund balance, beginning of year			<u>1,222,437</u>		
Fund balance, end of year			<u>\$ 1,418,739</u>		

**BONNER COUNTY, IDAHO**  
**Sandpoint, Idaho**

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**SOLID WASTE FUND**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

**ASSETS**

Current assets:

Cash and investments	5,891,858	
Receivables, net of allowance for uncollectibles:		
Special assessment	157,098	
Unbilled special assessments	2,540,164	
Accounts	414,406	
Due from other governments	9,354	
Prepaid expenses	8,201	
Restricted assets:		
Cash	193,538	
Cash on deposit with fiscal agent	664	
Total current assets		9,215,283

Noncurrent assets:

Land	504,716	
Construction in progress	584,979	
Other capital assets, net of depreciation	1,574,521	
Total noncurrent assets		2,664,216

Total assets		<u>11,879,499</u>
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**DEFERRED OUTFLOW OF RESOURCES**

Pension related items		<u>149,373</u>
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**LIABILITIES**

Current liabilities:

Warrants payable	793,790	
Vouchers payable	41,211	
Accrued payroll	42,955	
Retirement payable	3,878	
Compensated absences payable	35,001	
Total current liabilities		916,835

Noncurrent liabilities:

Compensated absences, due after one year	469	
Net pension liability	323,068	
Total noncurrent liabilities		<u>323,537</u>

Total liabilities		<u>1,240,372</u>
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**DEFERRED INFLOW OF RESOURCES**

Unbilled special assessment revenue	2,540,164	
Pension related items	208,384	
Total deferred inflow of resources		<u>2,748,548</u>

**NET POSITION**

Net investment in capital assets	2,664,216	
Restricted for:		
Debt service	664	
Capital projects	193,538	
Unrestricted	5,181,534	

Total net position		<u><u>\$ 8,039,952</u></u>
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**BONNER COUNTY, IDAHO**  
**Sandpoint, Idaho**

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**SOLID WASTE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2015**

**OPERATING REVENUES**

Charges for services	<u>2,225,426</u>
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**OPERATING EXPENSES**

Salaries	690,299	
Benefits	234,495	
Other services and charges	3,367,633	
Depreciation	<u>241,667</u>	
Total operating expenses		<u>4,534,094</u>

Operating loss	(2,308,668)
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**NON-OPERATING REVENUES**

Special assessments	2,554,461	
Gain on disposal of fixed assets	3,500	
Miscellaneous	<u>33,464</u>	
Total non-operating revenues		<u>2,591,425</u>

Change in net position	282,757
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Net position, beginning of year	8,157,983
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Prior period adjustment - pension related items (see note 16)	<u>(400,788)</u>
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Net position, end of year	<u><u>\$ 8,039,952</u></u>
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**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**SOLID WASTE FUND  
STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2015****Cash flows from operating activities:**

Cash received from customers	2,031,407	
Cash paid to suppliers	(3,041,641)	
Cash paid for salaries and benefits	(980,625)	
Net cash used in operating activities		(1,990,859)

**Cash flows from investing activities:**

-

**Cash flows from capital financing and related financing activities:**

Acquisition of capital assets	(836,285)	
Net cash used in capital financing activities		(836,285)

**Cash flows from non-capital financing activities:**

Special assessments	2,554,461	
Miscellaneous receipts	33,464	
Net cash provided by non-capital financing activities		2,587,925

**Net decrease in cash** (239,219)

**Cash and investments- beginning of year** 6,325,279

**Cash and investments- end of year** \$ 6,086,060

**Cash and investments:**

Cash and investments	5,891,858
Restricted assets:	
Cash	193,538
Cash on deposit with fiscal agent	664
Total cash and investments	<u>\$ 6,086,060</u>

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

Operating loss		(2,308,668)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	241,667	
Pension contributions made after measurement date	(18,709)	
Decrease (increase) in assets:		
Receivables	(193,200)	
Due from other governments	(819)	
Prepaid expenses	(8,201)	
Increase (decrease) in liabilities:		
Warrants payable	298,864	
Vouchers payable	35,329	
Accrued payroll	(26,032)	
Retirement payable	(3,139)	
Compensated absences	(7,951)	
Total adjustments		317,809
Net cash used in operating activities		<u>\$ (1,990,859)</u>

**BONNER COUNTY, IDAHO**  
**Sandpoint, Idaho**

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**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash		<u>2,839,143</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		<u>-</u>
<b>LIABILITIES</b>		
Warrants payable	192,540	
Due to other governments	<u>2,646,603</u>	
Total liabilities		<u>2,839,143</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		<u>-</u>
<b>NET POSITION</b>		<u><u>\$ -</u></u>

**BONNER COUNTY, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2015**

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**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 do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989, are not allowed in preparation of the accompanying financial statements.

*Government-Wide Financial Statements* - Government-wide financial statements consist of the Statement of Net 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 60 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.

- 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* accounts 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, 2015, 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 \$95,905 at September 30, 2015.

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 2015 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, comp 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, 2015, total compensated absences payable by the County is \$1,064,962. Of this amount, \$1,029,492 arises from governmental activity operations and \$35,470 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 the 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.

*Pensions* - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*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, 2015.

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, 2015, 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 an "Automatic Commercial Investment Sweep and Daily Repurchase Agreement" dated in December 2012 with Columbia Bank, and a "Master Repurchase Agreement" dated in June 2015 with Mountain West 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, 2015, the following issuers hold more than 5% of the County's total portfolio: State of Idaho Investment Pool- 32%, Columbia Bank - 37%, Wells Fargo - 13%, Mountain West Bank - 10% and Multi-Bank Securities, Inc. - 8%.

*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, 2015, 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 Columbia Bank exceed the FDIC insurance limit of \$250,000 by \$159,560, with a total of \$409,560 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 \$11,240,258 that are uninsured, unregistered, and held by Columbia Bank, and \$2,951,843 that are uninsured, unregistered, and held by Mountain West Bank. Columbia Bank and Mountain West Bank are the counterparties 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 Columbia Bank and Mountain West Bank's names with market values of \$14,192,101 as of September 30, 2015. The Federal Home Loan Bank is an independent safekeeping agent unaffiliated with Columbia Bank and Mountain West 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>
Columbia Bank							
Repurchase agreements							
Treasurer's account	9,823,769	-	-	-	9,823,769	9,823,769	30.90%
Ambulance account	1,222,476	-	-	-	1,222,476	1,222,476	3.85%
Checking accounts							
Ambulance checking	200,000	-	-	-	200,000	200,000	0.63%
General checking	140,000	-	-	-	140,000	140,000	0.44%
Prosecutor trust accounts	36,368	-	-	-	36,368	36,368	0.11%
Sheriff detention fund	110,666	-	-	-	110,666	110,666	0.35%
Fair association	93,460	-	-	-	93,460	93,460	0.29%
4-H checking	460	-	-	-	460	460	0.00%
Wells Fargo							
Money market	4,009,361	-	-	-	4,009,361	4,009,361	12.61%
Mountain West Bank							
Repurchase agreements	2,951,843	-	-	-	2,951,843	2,951,843	9.29%
Checking account	50,000	-	-	-	50,000	50,000	0.16%
Certificate of deposit	-	-	107,585	-	107,585	107,585	0.34%
Fair association	82,308	-	-	-	82,308	82,308	0.26%
Nationwide Retirement Solutions	282,621	-	-	-	282,621	282,621	0.89%
American West Bank							
Certificate of deposit	-	-	241,627	-	241,627	241,627	0.76%
State of Idaho							
Local government investment pool	-	9,934,461	-	-	9,934,461	9,934,461	31.25%
Multi-Bank Securities, Inc.	-	-	-	2,489,045	2,489,045	2,496,000	7.85%
Cash on hand	7,820	-	-	-	7,820	7,820	0.02%
Market value adjustment	(3,145)	-	-	-	(3,145)	-	0.00%
Total Cash and investments	<u>\$ 19,008,007</u>	<u>\$ 9,934,461</u>	<u>\$ 349,212</u>	<u>\$ 2,489,045</u>	<u>\$ 31,780,725</u>	<u>\$ 31,790,825</u>	<u>100.00%</u>

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

Cash on hand	7,820
Bank deposits	602,596
Carrying value of investments	<u>31,170,309</u>
Total cash and investments	<u>\$31,780,725</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, 2015 was as follows:

### Governmental activities:

	Balance September 30, 2014	Additions	Transfers	Disposals	Balance September 30, 2015
Capital assets, depreciated:					
Infrastructure	458,185,062	1,784,303	(5,845)	-	459,963,520
Building and improvements	20,135,361	54,713	-	-	20,190,074
Machinery and equipment	25,562,948	1,926,244	5,845	(189,975)	27,305,062
Accumulated depreciation	(444,264,235)	(25,800,757)	-	172,917	(469,892,075)
Net capital assets, depreciated	59,619,136	(22,035,497)	-	(17,058)	37,566,581
Capital assets, not depreciated					
Land	3,007,145	579,970	-	-	3,587,115
Construction in progress	-	1,568,608	-	-	1,568,608
Total capital assets, not depreciated	3,007,145	2,148,578	-	-	5,155,723
Total capital assets, net	\$ 62,626,281	\$ (19,886,919)	\$ -	\$ (17,058)	\$ 42,722,304

During 2015, depreciation expense was charged to functions as follows:

General government	919,725
Public safety	892,557
Emergency Medical services	108,088
Road and bridge	23,548,134
Weeds	14,312
Health and welfare	1,741
Historical society and recreation	43,136
Capital outlay	273,064
Total governmental activities depreciation expense	<u>\$25,800,757</u>

### Business-type activities:

	Balance September 30, 2014	Additions	Transfers	Disposals	Balance September 30, 2015
Capital assets, depreciated:					
Buildings and improvements	885,477	-	-	-	885,477
Other improvements	1,930,963	-	-	-	1,930,963
Machinery and equipment	1,656,255	39,445	-	(14,675)	1,681,025
Total capital assets, depreciated	4,472,695	39,445	-	(14,675)	4,497,465
Less: accumulated depreciation					
Buildings and improvements	(396,666)	(23,691)	-	-	(420,357)
Other improvements	(811,917)	(157,958)	-	-	(969,875)
Machinery and equipment	(1,487,369)	(60,018)	-	14,675	(1,532,712)
Total accumulated depreciation	(2,695,952)	(241,667)	-	14,675	(2,922,944)
Net capital assets, depreciated	1,776,743	(202,222)	-	-	1,574,521

Capital assets, not depreciated					
Land	289,355	215,361	-	-	504,716
Construction in progress	-	584,979	-	-	584,979
Total capital assets, not depreciated	<u>289,355</u>	<u>800,340</u>	<u>-</u>	<u>-</u>	<u>1,089,695</u>
 Total capital assets, net	 <u>\$ 2,066,098</u>	 <u>\$ 598,118</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,664,216</u>

During 2015, \$241,667 depreciation expense was charged to Solid Waste.

## NOTE 6      **Deferred Revenue**

The County's deferred revenue is comprised of three amounts; deferred tax revenue, deferred 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, 2014, upon which the 2014 levy was based, was \$5,629,765,097 for the County and Ambulance District and was \$4,321,195,833 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 2014 levy was 0.3253787% of market value for the County, 0.0406466% for Ambulance District, and 0.1053144% for Road and Bridge fund.

Taxes are due in two equal installments on December 20<sup>th</sup> and June 20<sup>th</sup> of the next year following the levy date. Interest and penalty charges begin on the day following the installment due date. The total 2014 tax levy was \$25,877,678, of which 97.00% was collected and \$777,886 remains unpaid as of September 30, 2015.

Property taxes levied for 2014 and prior years and uncollected as of September 30, 2015 are shown as taxes receivable. To the extent that they are not collected by the County by November 30, 2015, a deferred revenue account in that amount is established in the governmental funds.

Total taxes receivable as of September 30, 2015	1,913,758
Less: Taxes collected by November 30, 2015	<u>(211,395)</u>
Total deferred tax revenue	<u>\$ 1,702,363</u>

In accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the County has recognized the 2015 property tax levy as a receivable. This levy is an enforceable legal claim created during the fiscal year. The 2015 property tax levy funds are considered unavailable as of September 30, 2015. The total property tax levy for 2015 of \$26,115,627 is

considered unavailable at September 30, 2015 and is recorded as a deferred inflow of resources.

*Deferred revenue* – Certain revenues have been accrued and were uncollected at year-end. To the extent that they were not collected by the County by November 30, 2015, a deferred revenue account in that amount is established in the governmental funds.

Due from other governments as of September 30, 2015	2,160,684
Less: collected by November 30, 2015	<u>(2,097,505)</u>
Total deferred revenue	<u>\$ 63,179</u>

*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	14,708
Total unearned revenue	<u>\$ 14,708</u>

## **NOTE 7 Leases**

### **Operating Leases**

*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 30<sup>th</sup> of each year. For the current year, the payments were \$5,114 per month. Total payments made for the year ended September 30, 2015 were \$61,368.

*Ambulance District* - On June 1, 2015, the County entered into an agreement to lease a building for EMS housing in Sagle, Idaho for a period of fifteen months, renewable on a month-to-month basis after August 31, 2016. For the current year, the payments were \$450 per month. Total payments made for the year ended September 30, 2015 were \$2,700.

*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, 2015, 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 \$1,062 per month. Total payments made during the year ended September 30, 2015, were \$12,746.

*Waterways* - The County leases access to the Hope boat launch for sportsman access on an annual renewal expiring September 30<sup>th</sup> of each year. Total payments made for the year ended September 30, 2015, 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, 2015, were \$800.

Annual required payments are as follows:

2016	81,995
2017	13,501
2018	13,882
2019	14,266
2020	14,652
Thereafter	<u>113,583</u>
Total	<u>\$251,879</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 \$6,240,643. The leases are collateralized by the assets. Future minimum annual lease payments under capital leases at September 30, 2015 are as follows:

Year Ending September, 30	Revaluation	Road and Bridge	Bonner County Administration	Calvary Building	Ambulance	Justice Department	Technology Department	Total
2016	6,750	185,985	162,956	-	58,904	43,157	8,148	465,900
2017	840	687,380	162,956	-	22,439	-	8,148	881,763
2018	-	298,500	162,956	-	20,569	-	8,148	490,173
2019	-	1,065,000	162,956	-	-	-	679	1,228,635
2020	-	-	160,850	-	-	-	-	160,850
Thereafter	-	-	1,237,889	-	-	-	-	1,237,889
Total minimum lease payments	<b>7,590</b>	<b>2,236,865</b>	<b>2,050,563</b>	-	<b>101,912</b>	<b>43,157</b>	<b>25,123</b>	<b>4,465,210</b>
Less: amounts representing interest	-	(167,843)	(431,357)	-	(2,506)	(36)	(1,075)	(602,817)
Present Value of minimum Lease Payments	7,590	2,069,022	1,619,206	-	99,406	43,121	24,048	3,862,393
Less: amounts due within one year	(6,750)	(131,189)	(85,523)	-	(57,345)	(43,121)	(7,574)	(331,502)
Amounts due after one year	<u>\$ 840</u>	<u>\$ 1,937,833</u>	<u>\$ 1,533,683</u>	<u>\$ -</u>	<u>\$ 42,061</u>	<u>\$ -</u>	<u>\$ 16,474</u>	<u>\$ 3,530,891</u>
Current Year Interest Payment	<u>\$ -</u>	<u>\$ 58,117</u>	<u>\$ 104,509</u>	<u>\$ 5,833</u>	<u>\$ 2,018</u>	<u>\$ 5,308</u>	<u>\$ 781</u>	<u>\$ 176,566</u>
Current Year Principal Payment	<u>\$ 10,140</u>	<u>\$ 127,868</u>	<u>\$ 555,657</u>	<u>\$ 180,001</u>	<u>\$ 206,160</u>	<u>\$ 121,864</u>	<u>\$ 7,367</u>	<u>\$ 1,209,057</u>

## NOTE 8 Long-Term Obligations

A summary of changes in long-term liabilities of the County for the year ended September 30, 2015 is as follows:

	Long-Term Liabilities September 30, 2014	Current Year Activity	Long-term Liabilities September 30, 2015	Due Within One Year
<u>Governmental activities:</u>				
Note payable	480,849	(480,849)	-	-
Capital leases payable	5,046,978	(1,184,585)	3,862,393	331,502
Compensated absences	947,511	81,981	1,029,492	798,792
Total governmental activities	<u>\$ 6,475,338</u>	<u>\$ (1,583,453)</u>	<u>\$ 4,891,885</u>	<u>\$ 1,130,294</u>
<u>Business-type activities:</u>				
Compensated absences	43,421	(7,951)	35,470	35,001
Total business-type activities	<u>\$ 43,421</u>	<u>\$ (7,951)</u>	<u>\$ 35,470</u>	<u>\$ 35,001</u>

Interest expense recorded associated with note and capital leases payable totaled \$15,352 and \$176,566, respectively, for a total interest expense of \$191,918 for the year ended September 30, 2015.

During the fiscal year, the Justice Fund paid the remaining principal balance of District Court loan in the amount of \$480,849.

During the fiscal year, the General Fund paid the remaining principal balance of the capital lease of the Ambulance District in the amount of \$113,896.

## NOTE 9 Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of September 30, 2015 was as follows:

<u>Fund</u>	Interfund Receivable	Interfund Payable
General Fund	565,860	-
Justice Fund	48,727	-
Road and Bridge Fund	9,900	-
Grants Fund	-	624,487
	<u>\$ 624,487</u>	<u>\$ 624,487</u>

Interfund transfers for the year ended September 30, 2015 are summarized as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	247,961	-
Junior College Tuition Fund	-	247,961
Total	<u>\$ 247,961</u>	<u>\$ 247,961</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**

In accordance with GASB 68, *Accounting and Financial Reporting for Pensions*, which became effective for the year ended September 30, 2015, the financial reporting and note disclosures are based off the most recent audited financial statements of PERSI, which was completed for the period ended June 30, 2015. All amounts are as of June 30, 2015 unless otherwise noted.

### *Plan Description*

The County contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee

Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

### *Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters. The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of September 30, 2015 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of

covered compensation. Bonner County's employer contributions required and paid were \$1,804,734, \$1,691,890 and \$1,553,789, for the years ended September 30, 2015, 2014 and 2013, respectively.

*Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2015, the County reported a liability for its proportionate share of the net pension liability as of June 30, 2015. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2015, the County's proportion was 0.55813 percent.

The County's pension expense (revenue) is calculated and made available as part of PERSI's annual audit. The pension expense (revenue) for the year ending June 30, 2015 was calculated at \$1,464,597.

At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of <u>Resources</u></b>	<b>Deferred Inflows of <u>Resources</u></b>
Differences between expected and actual experience	-	881,067
Changes in assumptions or other inputs	267,663	-
Net difference between projected and actual earning on pension plan investments	2,704,881	3,859,571
Employer contributions subsequent to the measurement date	<u>425,619</u>	<u>-</u>
Total	<u>\$3,398,163</u>	<u>\$4,740,638</u>

\$425,619 reported as deferred outflow of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016.



Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<b><u>For the Year</u></b> <b><u>Ending June 30:</u></b>	<b><u>Amount to be</u></b> <b><u>Recognized</u></b>
2016	(753,921)
2017	(753,921)
2018	(753,921)
2019	547,213
2020	(53,546)

#### *Actuarial Assumptions*

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases	4.5 – 10.00%
Salary Inflation	3.75%
Investment rate of return	7.10% net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experienced study was performed in 2012 for the period July, 1 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Core Fixed Income	Barclays Aggregate Wilshire	30.00%	0.80%
Broad US Equities	5000/Russell 3000	55.00%	6.9%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation Mean			3.25%
Assumed Inflation Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			.40%
Long-Term Expected Rate of Return, Net Investment Expenses			7.10%

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (<u>6.10%</u>)</b>	<b>Current Discount Rate (<u>7.10%</u>)</b>	<b>1% Increase (<u>8.10%</u>)</b>
Employer's proportionate share of the net pension liability (asset)	\$17,901,112	\$7,349,664	\$(1,422,465)

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

*Payables to the pension plan*

At June 30, 2015, the County reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

*Required Supplementary Information*

**Schedule of the County's Share of Net Pension Liability\***

**PERSI – Base Plan**

**As of June 30th**

	<b><u>2015</u></b>
Employer's portion of the net pension liability	0.55813%
Employer's proportionate share of the net pension liability	\$7,349,664
Employer's covered employee payroll	\$15,491,016
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	47.44%
Plan fiduciary net position as a percentage of the total	91.38%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Data reported is measured as of June 30, 2015 (measurement date).

**Schedule of County Contributions\***

**PERSI – Base Plan**

**As of June 30th**

	<b><u>2015</u></b>
Statutorily required contribution – Class 1 Employees	1,194,040
Statutorily required contribution – Class 2 Employees	<u>576,348</u>
Total statutorily required contribution – All employees	1,770,388
Contributions in relation to the statutorily required contribution	(1,770,388)
Contribution (deficiency) excess	-
Employer's covered employee payroll – Class 1 Employees	10,548,063
Employer's covered employee payroll - Class 2 Employees	4,942,953
Contributions as a percentage of covered employee payroll – Class 1	11.32%
Contributions as a percentage of covered employee payroll – Class 2	11.66%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Data is reported is measured as of June 30, 2015.

*Notes to the Required Supplementary Information*

Change of Assumptions. Amounts reported as of June 30, 2015 reflect an adjustment of the investment rate of return to 7.10 percent, net of pension plan investment expense.

**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 one uninsured lawsuit as follows: The 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, 2015 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 February 3, 2016, 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.

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, 2015, 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, 2015 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, 2015, was \$499,615.

#### **NOTE 15      Deficit Fund Balance**

The County had the following deficit fund balance at September 30, 2015:

Grants	\$(62,901)
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The fund balance is the result of the deferred revenue in the amount of \$63,179. Upon collection, the deficit will be eliminated.

**NOTE 16      Prior Period Adjustments**

An adjustment to beginning net position is necessary for fiscal year ended September 30, 2015 due to implementation of GASB 68, which is discussed in detail in Note 11.

**NOTE 17      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 1%-5%.

**NOTE 18      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. The County received a distribution of \$125,000 from the estate during the year. 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 19      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, 2015**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Assets			
Cash and investments	6,215,477	80	6,215,557
Receivables, net of allowance for uncollectibles:			
Taxes	311,078	684	311,762
Unbilled taxes	3,850,739	-	3,850,739
Interest	116	-	116
Fees	1,138	-	1,138
Accounts	74,015	-	74,015
Prepaid expenses	60,128	-	60,128
Due from other governments	817,947	-	817,947
Total assets	11,330,638	764	11,331,402
Deferred outflows of resources	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 11,330,638</u>	<u>\$ 764</u>	<u>\$ 11,331,402</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Liabilities			
Warrants payable	610,646	-	610,646
Vouchers payable	27,435	-	27,435
Accrued payroll	169,388	-	169,388
Retirement payable	17,255	-	17,255
Interfund payable	624,487	-	624,487
Total liabilities	1,449,211	-	1,449,211
Deferred inflows of resources			
Deferred revenue	340,251	671	340,922
Unavailable tax revenue	3,850,739	-	3,850,739
Total deferred inflows of resources	4,190,990	671	4,191,661
Fund balance			
Nonspendable	60,128	-	60,128
Restricted for:			
General governmental	2,004,184	-	2,004,184
Public safety	1,730,642	-	1,730,642
Historical society and recreation	575,935	-	575,935
Health and welfare	829,098	-	829,098
Weeds	80,091	-	80,091
Road construction	410,359	-	410,359
Capital projects	-	93	93
Total fund balance	5,690,437	93	5,690,530
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 11,330,638</u>	<u>\$ 764</u>	<u>\$ 11,331,402</u>

**BONNER COUNTY, IDAHO**  
Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
September 30, 2015

	<u>Elections</u>	<u>Drug Court</u>	<u>District Court</u>	<u>County Fair</u>	<u>911</u>	<u>Court Facilities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Assets						
Cash and investments	324,757	16,802	1,022,747	101,366	854,162	52,040
Receivables, net of allowance for uncollectibles:						
Taxes	-	-	94,351	16,971	-	-
Unbilled taxes	-	-	1,346,751	231,711	-	-
Interest	-	-	-	-	56	-
Fees	-	-	-	-	-	-
Accounts	-	516	1,511	-	45,499	970
Prepaid expenses	-	-	14,228	-	2,545	-
Due from other governments	-	-	22,721	-	38,750	-
Total assets	<u>324,757</u>	<u>17,318</u>	<u>2,502,309</u>	<u>350,048</u>	<u>941,012</u>	<u>53,010</u>
Deferred outflows of resources	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 324,757</u></b>	<b><u>\$ 17,318</u></b>	<b><u>\$ 2,502,309</u></b>	<b><u>\$ 350,048</u></b>	<b><u>\$ 941,012</u></b>	<b><u>\$ 53,010</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Warrants payable	4,301	5,502	70,793	2,014	175,870	-
Vouchers payable	-	-	3,287	-	49	-
Accrued payroll	3,345	-	48,303	6,901	47,237	-
Retirement payable	352	-	5,079	726	4,967	-
Interfund payable	-	-	-	-	-	-
Total liabilities	<u>7,998</u>	<u>5,502</u>	<u>127,462</u>	<u>9,641</u>	<u>228,123</u>	<u>-</u>
Deferred inflows of resources						
Deferred revenue	-	-	85,179	15,306	-	-
Unavailable tax revenue	-	-	1,346,751	231,711	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,431,930</u>	<u>247,017</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable	-	-	14,228	-	2,545	-
Restricted for:						
General governmental	316,759	-	-	-	-	-
Public safety	-	11,816	928,689	-	710,344	53,010
Historical society and recreation	-	-	-	93,390	-	-
Health and welfare	-	-	-	-	-	-
Weeds	-	-	-	-	-	-
Road construction	-	-	-	-	-	-
Total fund balances	<u>316,759</u>	<u>11,816</u>	<u>942,917</u>	<u>93,390</u>	<u>712,889</u>	<u>53,010</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 324,757</u></b>	<b><u>\$ 17,318</u></b>	<b><u>\$ 2,502,309</u></b>	<b><u>\$ 350,048</u></b>	<b><u>\$ 941,012</u></b>	<b><u>\$ 53,010</u></b>

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
September 30, 2015**

	<u>Court Interlock</u>	<u>Health District</u>	<u>Historical Society</u>	<u>Indigent and Charity</u>	<u>Junior College</u>	<u>Revaluation</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Assets						
Cash and investments	27,153	86,753	2,861	754,424	188,950	686,402
Receivables, net of allowance for uncollectibles:						
Taxes	-	18,758	1,507	19,330	64	93,447
Unbilled taxes	-	233,647	18,274	203,258	-	1,200,894
Interest	-	-	-	-	-	-
Fees	-	-	-	-	-	-
Accounts	-	-	-	23,029	-	-
Due from other governments	-	-	-	-	100	39,769
Total assets	<u>27,153</u>	<u>339,158</u>	<u>22,642</u>	<u>1,000,041</u>	<u>189,114</u>	<u>2,020,512</u>
Deferred outflows of resources	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 27,153</u>	<u>\$ 339,158</u>	<u>\$ 22,642</u>	<u>\$ 1,000,041</u>	<u>\$ 189,114</u>	<u>\$ 2,020,512</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Warrants payable	370	-	-	33,930	118,597	21,544
Vouchers payable	-	-	-	-	-	1,277
Accrued payroll	-	-	-	5,522	-	43,403
Retirement payable	-	-	-	581	-	4,564
Interfund payable	-	-	-	-	-	-
Total liabilities	<u>370</u>	<u>-</u>	<u>-</u>	<u>40,033</u>	<u>118,597</u>	<u>70,788</u>
Deferred inflows of resources						
Deferred revenue	-	16,719	1,343	16,444	64	83,241
Unavailable tax revenue	-	233,647	18,274	203,258	-	1,200,894
Total deferred inflows of resources	<u>-</u>	<u>250,366</u>	<u>19,617</u>	<u>219,702</u>	<u>64</u>	<u>1,284,135</u>
Fund balance						
Restricted for:						
General government	-	-	-	-	70,453	665,589
Public safety	26,783	-	-	-	-	-
Historical society and recreation	-	-	3,025	-	-	-
Health and welfare	-	88,792	-	740,306	-	-
Weeds	-	-	-	-	-	-
Road construction	-	-	-	-	-	-
Total fund balance	<u>26,783</u>	<u>88,792</u>	<u>3,025</u>	<u>740,306</u>	<u>70,453</u>	<u>665,589</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 27,153</u>	<u>\$ 339,158</u>	<u>\$ 22,642</u>	<u>\$ 1,000,041</u>	<u>\$ 189,114</u>	<u>\$ 2,020,512</u>

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
September 30, 2015**

	Tort	Weeds	Parks and Recreation	Special Highway	Snowmobile - Priest Lake	Snowmobile- Sandpoint
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Assets						
Cash and investments	1,085,616	96,639	124,544	303,458	53,715	117,126
Receivables, net of allowance for uncollectibles:						
Taxes	49,507	9,406	7,737	-	-	-
Unbilled taxes	308,678	166,422	141,104	-	-	-
Interest	-	-	-	-	-	-
Fees	-	-	-	-	-	-
Accounts	2,248	27	215	-	-	-
Prepaid expenses	41,733	-	-	-	-	-
Due from other governments	-	5,000	-	112,500	-	-
Total assets	<u>1,487,782</u>	<u>277,494</u>	<u>273,600</u>	<u>415,958</u>	<u>53,715</u>	<u>117,126</u>
Deferred outflows of resources	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 1,487,782</u></b>	<b><u>\$ 277,494</u></b>	<b><u>\$ 273,600</u></b>	<b><u>\$ 415,958</u></b>	<b><u>\$ 53,715</u></b>	<b><u>\$ 117,126</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Warrants payable	67,763	18,237	30,851	629	542	73
Vouchers payable	22,752	-	-	-	-	-
Accrued payroll	-	3,862	3,822	4,970	-	-
Retirement payable	-	406	402	-	-	-
Interfund payable	-	-	-	-	-	-
Total liabilities	<u>90,515</u>	<u>22,505</u>	<u>35,075</u>	<u>5,599</u>	<u>542</u>	<u>73</u>
Deferred inflows of resources						
Deferred revenue	42,625	8,476	7,135	-	-	-
Unavailable tax revenue	308,678	166,422	141,104	-	-	-
Total deferred inflows of resources	<u>351,303</u>	<u>174,898</u>	<u>148,239</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance						
Nonspendable	41,733	-	-	-	-	-
Restricted for:						
General governmental	1,004,231	-	-	-	-	-
Public safety	-	-	-	-	-	-
Historical society and recreation	-	-	90,286	-	53,173	117,053
Health and welfare	-	-	-	-	-	-
Weeds	-	80,091	-	-	-	-
Road construction	-	-	-	410,359	-	-
Total fund balance	<u>1,045,964</u>	<u>80,091</u>	<u>90,286</u>	<u>410,359</u>	<u>53,173</u>	<u>117,053</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 1,487,782</u></b>	<b><u>\$ 277,494</u></b>	<b><u>\$ 273,600</u></b>	<b><u>\$ 415,958</u></b>	<b><u>\$ 53,715</u></b>	<b><u>\$ 117,126</u></b>

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
September 30, 2015**

	<u>Waterways</u>	<u>Grants</u>	<u>Drainage District</u>	<u>Translator District</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Cash and investments	235,296	69,754	10,289	623	6,215,477
Receivables, net of allowance for uncollectibles:					
Taxes	-	-	-	-	311,078
Unbilled taxes	-	-	-	-	3,850,739
Interest	-	60	-	-	116
Fees	-	-	334	804	1,138
Accounts	-	-	-	-	74,015
Prepaid expenses	-	500	1,122	-	60,128
Due from other governments	9,686	589,421	-	-	817,947
Total assets	<u>244,982</u>	<u>659,735</u>	<u>11,745</u>	<u>1,427</u>	<u>11,330,638</u>
Deferred outflows of resources	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 244,982</b></u>	<u><b>\$ 659,735</b></u>	<u><b>\$ 11,745</b></u>	<u><b>\$ 1,427</b></u>	<u><b>\$ 11,330,638</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>					
Liabilities					
Warrants payable	27,401	32,229	-	-	610,646
Vouchers payable	-	-	70	-	27,435
Accrued payroll	-	2,023	-	-	169,388
Retirement payable	-	178	-	-	17,255
Interfund payable	-	624,487	-	-	624,487
Total liabilities	<u>27,401</u>	<u>658,917</u>	<u>70</u>	<u>-</u>	<u>1,449,211</u>
Deferred inflows of resources					
Deferred revenue	-	63,719	-	-	340,251
Unavailable tax revenue	-	-	-	-	3,850,739
Total deferred inflows of resources	<u>-</u>	<u>63,719</u>	<u>-</u>	<u>-</u>	<u>4,190,990</u>
Fund balance (deficit)					
Nonspendable	-	500	1,122	-	60,128
Restricted for:					
General governmental	-	(63,401)	10,553	-	2,004,184
Public safety	-	-	-	-	1,730,642
Historical society and recreation	217,581	-	-	1,427	575,935
Health and welfare	-	-	-	-	829,098
Weeds	-	-	-	-	80,091
Road construction	-	-	-	-	410,359
Total fund balance (deficit)	<u>217,581</u>	<u>(62,901)</u>	<u>11,675</u>	<u>1,427</u>	<u>5,690,437</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)</b>	<u><b>\$ 244,982</b></u>	<u><b>\$ 659,735</b></u>	<u><b>\$ 11,745</b></u>	<u><b>\$ 1,427</b></u>	<u><b>\$ 11,330,638</b></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, 2015**

	<b>Total Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Taxes	3,884,090	-	3,884,090
Licenses and permits	179,214	-	179,214
Intergovernmental	1,413,226	-	1,413,226
Charges for services	1,714,275	-	1,714,275
Fines	179,534	-	179,534
Interest income	929	-	929
Miscellaneous	1,316,673	80	1,316,753
Total revenues	<u>8,687,941</u>	<u>80</u>	<u>8,688,021</u>
<b>Expenditures</b>			
General governmental	2,203,602	-	2,203,602
Public safety	4,219,820	-	4,219,820
Road and bridge	360,609	-	360,609
Weeds	157,606	-	157,606
Health	250,970	-	250,970
Welfare	293,090	-	293,090
Junior college	263,924	-	263,924
Historical society and recreation	458,350	-	458,350
Capital outlay	1,259,565	-	1,259,565
Debt service:			
Principal	3,360	-	3,360
Total expenditures	<u>9,470,896</u>	<u>-</u>	<u>9,470,896</u>
Excess (deficiency) of revenues over/under expenditures	(782,955)	80	(782,875)
Other financing uses:			
Operating transfers out	(247,961)	-	(247,961)
Net change in fund balance	(1,030,916)	80	(1,030,836)
Fund balances, beginning of year	<u>6,721,353</u>	<u>13</u>	<u>6,721,366</u>
Fund balances, end of year	<u>\$ 5,690,437</u>	<u>\$ 93</u>	<u>\$ 5,690,530</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, 2015**

	<u>Elections</u>	<u>Drug Court</u>	<u>District Court</u>	<u>County Fair</u>	<u>911</u>	<u>Court Facilities</u>
<b>Revenues</b>						
Taxes	-	-	1,155,951	218,848	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	309,136	-	143,451	2,140	-	-
Charges for services	-	20,113	68,386	-	1,599,424	14,200
Fines	-	-	179,534	-	-	-
Interest income	-	-	-	-	929	-
Miscellaneous	-	50	75,945	-	-	970
Total revenues	<u>309,136</u>	<u>20,163</u>	<u>1,623,267</u>	<u>220,988</u>	<u>1,600,353</u>	<u>15,170</u>
<b>Expenditures</b>						
General governmental	217,120	-	-	-	-	-
Public safety	-	27,094	1,592,896	-	1,716,941	-
Road and bridge	-	-	-	-	-	-
Weeds	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Junior college	-	-	-	-	-	-
Historical society and recreation	-	-	-	205,938	-	-
Capital outlay	3,781	-	123,411	-	161,689	-
Debt service:						
Principal	-	-	-	-	-	-
Total expenditures	<u>220,901</u>	<u>27,094</u>	<u>1,716,307</u>	<u>205,938</u>	<u>1,878,630</u>	<u>-</u>
Excess (deficiency) of revenues over/under expenditures	88,235	(6,931)	(93,040)	15,050	(278,277)	15,170
Other financing uses:						
Operating transfers out	-	-	-	-	-	-
Net change in fund balance	88,235	(6,931)	(93,040)	15,050	(278,277)	15,170
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 316,759</u>	<u>\$ 11,816</u>	<u>\$ 942,917</u>	<u>\$ 93,390</u>	<u>\$ 712,889</u>	<u>\$ 53,010</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, 2015**

	<u>Court Interlock</u>	<u>Health District</u>	<u>Historical Society</u>	<u>Indigent &amp; Charity</u>	<u>Junior College</u>	<u>Revaluation</u>
<b>Revenues</b>						
Taxes	-	242,310	18,832	171,277	-	1,143,465
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	183	1,512	129,447	102,476
Charges for services	5,418	-	-	-	-	817
Fines	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous	288	12,000	-	123,773	148	193
Total revenues	<u>5,706</u>	<u>254,310</u>	<u>19,015</u>	<u>296,562</u>	<u>129,595</u>	<u>1,246,951</u>
<b>Expenditures</b>						
General governmental	-	-	-	-	-	1,239,601
Public safety	1,750	-	-	-	-	-
Road and bridge	-	-	-	-	-	-
Weeds	-	-	-	-	-	-
Health	-	250,970	-	-	-	-
Welfare	-	-	-	293,090	-	-
Junior college	-	-	-	-	263,924	-
Historical society and recreation	-	-	18,598	-	-	-
Capital outlay	-	-	-	-	-	20,260
Debt service:						
Principal	-	-	-	-	-	3,360
Total expenditures	<u>1,750</u>	<u>250,970</u>	<u>18,598</u>	<u>293,090</u>	<u>263,924</u>	<u>1,263,221</u>
Excess (deficiency) of revenues over/under expenditures	3,956	3,340	417	3,472	(134,329)	(16,270)
Other financing uses:						
Operating transfers out	-	-	-	-	(247,961)	-
Net change in fund balance	3,956	3,340	417	3,472	(382,290)	(16,270)
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 26,783</u>	<u>\$ 88,792</u>	<u>\$ 3,025</u>	<u>\$ 740,306</u>	<u>\$ 70,453</u>	<u>\$ 665,589</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, 2015

	<u>Tort</u>	<u>Weeds</u>	<u>Parks and Recreation</u>	<u>Special Highway</u>	<u>Snowmobile - Priest Lake</u>	<u>Snowmobile- Sandpoint</u>
<b>Revenues</b>						
Taxes	752,321	61,826	83,399	-	-	-
Licenses and permits	-	-	-	-	28,134	15,345
Intergovernmental	7,241	553	820	450,000	-	-
Charges for services	-	-	5,917	-	-	-
Fines	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous	448,007	945	35	125,000	-	-
Total revenues	<u>1,207,569</u>	<u>63,324</u>	<u>90,171</u>	<u>575,000</u>	<u>28,134</u>	<u>15,345</u>
<b>Expenditures</b>						
General governmental	746,645	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	-	-	-	360,609	-	-
Weeds	-	157,606	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Junior college	-	-	-	-	-	-
Historical society and recreation	-	-	80,891	-	27,536	4,026
Capital outlay	377,935	500	104,051	423,689	-	-
Debt service:						
Principal	-	-	-	-	-	-
Total expenditures	<u>1,124,580</u>	<u>158,106</u>	<u>184,942</u>	<u>784,298</u>	<u>27,536</u>	<u>4,026</u>
Excess (deficiency) of revenues over/under expenditures	82,989	(94,782)	(94,771)	(209,298)	598	11,319
Other financing uses:						
Operating transfers in out	-	-	-	-	-	-
Net change in fund balance	82,989	(94,782)	(94,771)	(209,298)	598	11,319
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 1,045,964</u>	<u>\$ 80,091</u>	<u>\$ 90,286</u>	<u>\$ 410,359</u>	<u>\$ 53,173</u>	<u>\$ 117,053</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, 2015**

	<u>Waterways</u>	<u>Grants</u>	<u>Drainage District</u>	<u>Translator District</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	-	-	3,623	32,238	3,884,090
Licenses and permits	135,735	-	-	-	179,214
Intergovernmental	-	266,267	-	-	1,413,226
Charges for services	-	-	-	-	1,714,275
Fines	-	-	-	-	179,534
Interest income	-	-	-	-	929
Miscellaneous	-	529,319	-	-	1,316,673
Total revenues	<u>135,735</u>	<u>795,586</u>	<u>3,623</u>	<u>32,238</u>	<u>8,687,941</u>
<b>Expenditures</b>					
General governmental	-	-	236	-	2,203,602
Public safety	-	881,139	-	-	4,219,820
Road and bridge	-	-	-	-	360,609
Weeds	-	-	-	-	157,606
Health	-	-	-	-	250,970
Welfare	-	-	-	-	293,090
Junior college	-	-	-	-	263,924
Historical society and recreation	89,071	-	-	32,290	458,350
Capital outlay	44,249	-	-	-	1,259,565
Debt service:					
Principal	-	-	-	-	3,360
Total expenditures	<u>133,320</u>	<u>881,139</u>	<u>236</u>	<u>32,290</u>	<u>9,470,896</u>
Excess (deficiency) of revenues over/under expenditures	2,415	(85,553)	3,387	(52)	(782,955)
Other financing uses:					
Operating transfers out	-	-	-	-	(247,961)
Net change in fund balance	2,415	(85,553)	3,387	(52)	(1,030,916)
Fund balances, beginning of year	<u>215,166</u>	<u>22,652</u>	<u>8,288</u>	<u>1,479</u>	<u>6,721,353</u>
Fund balances (deficit), end of year	<u>\$ 217,581</u>	<u>\$ (62,901)</u>	<u>\$ 11,675</u>	<u>\$ 1,427</u>	<u>\$ 5,690,437</u>

## COMPLIANCE REPORTS

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended September 30, 2015

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster-Cluster			
National School Lunch Program	10.555	2014IN109947	711
National School Lunch Program	10.555	2015IN109947	4,571
School Breakfast Program	10.553	2014IN109947	484
School Breakfast Program	10.553	2015IN109947	2,816
Total Child Nutrition Cluster			<u>8,582</u>
Cooperative Forestry Assistance			
Granite Reeder NFL	10.664	13CPP-R1	76,084
Lake View Reeder Phase 2	10.664	14HFR1	7,073
Total Cooperative Forestry Assistance			<u>83,157</u>
<b>Total U.S. Department of Agriculture</b>			<u>91,739</u>
<b>U.S. Department of Justice</b>			
Juvenile Justice and Delinquency Prevention Act	16.540	11-DC-1101	30,000
<b>Total U.S. Department of Justice</b>			<u>30,000</u>
<b>U.S. Department of Homeland Security</b>			
Homeland Security Grant Program			
2011 Homeland Security Grant Program	97.067	EMW2011SS00018	11,900
2013 Homeland Security Grant Program	97.067	EMW2013SS00149	2,765
2014 Homeland Security Grant Program	97.067	EMW2014SS00084	27,394
Total Homeland Security Grant Program			<u>42,059</u>
Federal Boater Safety	97.012	14.01.16	<u>96,529</u>
Emergency Management Performance Grants			
2013 EMPG Grant	97.042	EMW2013EP00061	3,561
2014 EMPG Grant	97.042	EMW2014EP00058	30,934
Total Emergency Management Performance Grants			<u>34,495</u>
Pre-Disaster Mitigation Program	97.047	EMS-2014-PC-0010	<u>508,935</u>
<b>Total U.S. Department of Homeland Security</b>			<u>682,018</u>

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**For the Year Ended September 30, 2015**

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<b>U.S. Department of Transportation</b>			
Airport Improvement Program			
Priest River Master Plan	20.106	3-16-0058-005-2014	79,779
Sandpoint Apron Reconstruction	20.106	3-16-003-013-2013	9,676
Sandpoint Master Plan	20.106	3-16-003-014-2013	16,368
Sandpoint Environmental Assessment	20.106	3-16-003-015-2015	12,574
Total Airport Improvement Plan			<u>118,397</u>
 Interagency Hazardous Materials Public Sector Training and Planning Grant	 20.703	 13CPP-R1	 <u>36,000</u>
<b>Total U.S. Department of Transportation</b>			<u>154,397</u>
 <b>Total Expenditures of Federal Awards</b>			<u><u>\$ 958,154</u></u>

**BONNER COUNTY, IDAHO**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2015**

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**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, 2015 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 3, 2016.

**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 3, 2016



**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, 2015. 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, 2015.

### ***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 3, 2016

**BONNER COUNTY, IDAHO**

Sandpoint, Idaho

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS****For the Year Ended September 30, 2015****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   none reported

Noncompliance material to financial statements noted?        yes   x   no

*Federal Awards*

Internal control over major programs:

- material weakness(es) identified?        yes   x   no

- significant deficiency(ies) identified?        yes   x   none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of OMB Circular A-133?        yes   x   no

***Identification of major programs:***  
***Reporting Requirements and Communication Considerations***

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.047	Pre-Disaster Mitigation Program
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	<u>  x  </u> yes <u>      </u> no

**BONNER COUNTY, IDAHO**

**Sandpoint, Idaho**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**For the Year Ended September 30, 2015**

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.