

BOUNDARY COUNTY, IDAHO
Bonners Ferry, Idaho

**Financial Statements and
Independent Auditor's Report**

September 30, 2014

BOUNDARY COUNTY

BONNERS FERRY, IDAHO

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Boundary County
Bonners Ferry, Idaho 83805

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Boundary County, Idaho, (the County), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit 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. Those standards require that I 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 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 County's preparation and fair presentation of 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 County's internal control. Accordingly, I 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

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 the County as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 my opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2015 on my consideration of the County's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 the County's internal control over financial reporting and compliance.

January 10, 2015

Leonard Schulte

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Boundary County, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Boundary County for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the accompanying notes, which are a part of this financial report.

Comparative analysis will be done on key elements of governmental funds and enterprise funds in this MD&A.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 11 & 12) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Statement of Net Position and the Statement of Activities

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

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

Overview of Boundary County's Financial Statements

This discussion and analysis is intended to serve as an introduction to Boundary 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of Boundary County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish between functions of the County that are principally supported by taxes and intergovernmental revenues (Governmental activities) from 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 the County include general government and administration, public safety, streets, sanitation, health and welfare, parks and recreation, and education. The business-type activities are the Restorium. The government-wide financial statement can be found on pages 11 & 12 of this report.

The government-wide financial statement contains information relative only to Boundary County itself and none of the approximately 20 other taxing districts operating within its boundaries. They are public entities unto themselves.

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and a change in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains over 25 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Road and Bridge Fund, Solid Waste, and Justice Fund, all of which are considered to be major funds. Data from the other funds are combined and identified as other non-major funds elsewhere in this report. The basic governmental funds financial statements can be found on pages 13 and 15.

Proprietary Funds – The County maintains one proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses proprietary funds to account for its Restorium operations.

Fiduciary Funds - are those dollars that we hold in trust for other agencies and taxing districts. We exclude these activities from the county’s other activities, because the county cannot use these assets to finance its operations. The County is responsible for insuring that the assets reported in these funds are used for their intended purposes.

Notes to Financial Statements. For an overview of Boundary County and its operations, one should refer to the *Notes*, which are an integral part of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-32.

Other Information. In addition to the basic financial statements, this report also presents certain *required supplementary information* concerning Boundary County’s actual results as compared to budget. This information can be found starting on page 33.

Governmental-wide Financial Analysis

Net position (formerly net assets) may serve over time as a useful indicator of a government’s financial position. At the end of the current fiscal year, Boundary County has positive balances in all categories of net position for the governmental activities and business-type activities in government-wide statements, as well as positive total fund balance in each of the major governmental fund types. This same situation held true for the prior fiscal year.

Condensed statement of net position, with comparison to prior year:

Net Position	9/30/2014		9/30/2013	
	Governmental Activities	Enterprise Activities	Governmental Activities	Enterprise Activities
Current and other assets	\$5,458,647	\$194,295	\$4,954,543	\$177,162
Assets whose use is limited	912,663		769,094	
Capital assets	10,973,493	400,218	11,054,905	413,192
Total Assets	17,344,803	594,513	16,778,542	590,354
Current liabilities	298,203	17,618	310,963	17,614
Long-term liabilities	2,103,760		2,107,634	
Total Liabilities	2,401,963	17,618	2,418,597	17,614
Net Assets:				
Invested in capital assets, net of related debt	9,855,942	400,218	9,900,225	413,192
Restricted	912,663		849,094	
Unrestricted	4,174,235	176,677	3,610,626	105,142
Total Net Position	\$14,942,840	\$576,895	\$14,359,945	\$518,334

Governmental Type Activities - Governmental Activities net position increased by \$582,895. A key element to the increase was the capital grant for airport improvements.

Changes in Net Position	9/30/2014		9/30/2013	
	Governmental Activities	Enterprise Activities	Governmental Activities	Enterprise Activities
Program Revenues:				
Charges for Services	\$1,508,084	\$643,044	\$1,673,965	\$602,612
Grants & Contributions	2,791,662	3,691	2,274,512	118,375
General Revenues:				
Property taxes levied for General Purposes	4,245,672	395,904	4,211,057	320,787
Intergovernmental - Not Restricted	1,418,407	10,793	1,211,318	28,415
Interest and Investment Earnings	47,424		32,473	
Other	63,787		69,834	
Total Revenues	10,075,036	1,053,432	9,473,159	1,070,189
Program Expenses:				
General government	2,375,636		2,384,791	
Public safety	3,311,017		3,272,035	
Streets	2,145,273		2,377,619	
Sanitation	785,252		808,104	
Health & welfare	549,962		490,979	
Recreation	216,087		240,318	
Education	70,725		25,373	
Interest on long-term debt	38,189		47,849	
Community restorium		994,871		965,030
Total Expenses	9,492,141	994,871	9,647,068	965,030
Change in Net Position	\$582,895	\$58,561	(\$173,909)	\$105,159

Business-type (Enterprise) Activities. Net Position of Business-type activities increased by \$58,561. The change is attributable to the increase in room rates, to be reflective of similar business rates in the community. The property taxes for the operations of the Restorium increased, as did the overall operating expenses for materials, supplies, food, and labor at the Restorium.

Financial Analysis of the Government's Funds

As noted earlier, Boundary County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of Boundary County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Boundary County's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Boundary County's governmental funds reported combined ending fund balance of \$5,884,078. The amount restricted to pay for future landfill closure and post-closure care costs is \$912,663. The fund balances accumulated in the special revenue funds of the County is considered assigned to the purpose for which the special revenue fund was created and is in the amount of \$3,854,920. The remaining amount of \$1,116,495 represents the unassigned fund balance. Unassigned fund balance is the residual classification in the County's general fund.

The Current Expense Fund (General Fund) is the chief operating fund of Boundary County. At the end of fiscal year, unassigned fund balance of the Current Expense Fund was \$1,116,495. As a measure of the Current Expense Fund's liquidity, it may be useful to compare this unassigned fund balance to total fund expenditures. Unassigned fund balance represents 65% of total Current Expense Fund expenditures.

The fund balance of the Current Expense Fund increased \$167,019 during the current fiscal year. This increase in fund balance was due to additional revenues. Revenues increased by 4% and expenditures stayed relatively the same as compared to the previous year.

The Road and Bridge Fund, a major fund of the County, had a fund balance of \$1,302,152 at the end of the current fiscal year. This is a decrease of \$3,171 from the last fiscal year primarily due to the timing of road projects and a decrease of federal programs primarily related to the Secure Rural Schools funding.

The Justice Fund, another major fund of the County, had a fund balance of \$1,163,534 at the end of the current fiscal year. This is an increase of \$228,442 from last fiscal year. This increase was a result of the receipt of the PILT payment being approximately \$250,000 over budgeted projection.

The Solid Waste Fund is a major fund of the County and had an assigned fund balance of \$1,212,386 and restricted fund balance of \$912,663. Assigned fund balance increased \$43,196 and the restricted fund balance increased \$63,569. The increase in restricted fund balance is part of the County's funding plan to provide resources for the future estimated cost of landfill closure and post-closure care.

Other non-major funds of the County had a fund balance at the end of the current fiscal year of \$1,089,511. This is an increase of \$138,331 from the previous year. This increase is a direct result of budgeted expenditures not being expended.

Capital Assets

At September 30, 2014, the County had \$10,973,493 invested in net capital assets for its governmental funds and \$400,218 in business-type activity funds. This investment includes land, buildings, building contents, park facilities, road and bridge equipment, sheriff and jail equipment, airports, and mobile equipment. Additional information on capital assets can be found in Note C on page 28 of this report.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Land	\$1,222,668	\$648,339	\$98,012	\$98,012	\$1,320,680	\$746,351
Buildings & Improvements	10,825,464	10,757,544	808,643	579,642	11,634,107	11,337,186
Assets not Depreciated	0	0	0	224,574	0	224,574
Machinery & Equip.	7,720,114	7,667,457	220,350	235,350	7,940,464	7,902,807
Total	\$19,768,246	\$19,073,340	\$1,127,005	\$1,137,578	\$20,895,251	\$20,210,918
Accum. Depreciation:	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Buildings & Improvements	\$3,855,318	\$3,416,074	\$549,029	\$545,733	\$4,404,347	\$3,961,807
Machinery & Equip.	4,939,435	4,602,361	177,758	178,653	5,117,193	4,781,014
	\$8,794,753	\$8,018,435	\$726,787	\$724,386	\$9,521,540	\$8,742,821

Long Term Debt

Our long-term liabilities are comprised of capital lease obligations and the estimated cost of landfill closure and post-closure care costs. As of September 30, 2014, our *Government -Wide Statement of Net Position* reflects the current maturities of long-term debt in the amount of \$108,815 compared to the prior current payable of \$138,599. An additional amount of \$987,963 is payable after one year, compared to the prior year of \$1,016,081. The net decrease in the amount of \$57,902 is the result of \$138,599 principal retired on existing debt and new lease obligations for road & bridge equipment in the amount of \$80,697. All lease obligations contain a non-appropriation clause. In addition, the estimated future liability for landfill closure and post closure care costs at 9-30-14 was \$1,115,797, an increase of \$24,244 from the previous year. See Notes D, E and N to the financial statements on pages 29 and 31.

Capital leases outstanding:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Capital Leases	\$1,096,778	\$1,154,680	\$0	\$0	\$1,096,778	\$1,154,680

Budget Variations

Formal budget integration is employed as a management control device for the General Fund and Special Revenue Funds. Budgets for the General and Special Funds are adopted on a basis consistent with generally accepted accounting principles. The budget was amended various times in the year to reflect the receipt of unanticipated revenue.

Activity in our four major funds provided these ending results:

Current Expense Fund: The County budgeted to receive \$1,727,576 in various forms of revenue during the year. Actual revenues exceeded budget by \$170,279 with the major positive variance being in the fees charged for services in vehicle inspections, sales tax, grants and passports. Budgeted expenditures were in the amount of \$2,243,899 and actual expenditures were under that amount by \$513,054. The savings were due to decreases in general expenditures, delayed or canceled capital improvements, and the decrease in insurance premiums.

Road & Bridge Fund: The County budgeted revenue of \$1,825,697 to fund operations during this fiscal year. Actual revenue exceeded budget by \$30,025. The County budgeted to expend \$2,550,197 in the Road & Bridge fund. Actual expenditures were \$415,607 less than anticipated. Expenditures were under budget as a result of projects that were anticipated, but were delayed until future years.

Justice Fund: Revenues were over budget projections by \$310,596. This is a direct result of an increase in our PILT payments. For the year ending September 30, 2014, the County anticipated spending \$2,870,157 in efforts to provide public safety. Actual expenditures were under budget in the amount of \$309,726. Most of the unused budget authority was in the form of salaries and benefits.

Solid Waste: The actual fees for services and recycled materials were over budget projections by \$37,750. This was due in large part to the efforts of recycling. The County budgeted expenditures of \$812,638, with actual expenditures of \$680,985. The positive variance of \$131,653 was due to cost savings in wages, benefits and other expenditures.

	Budget 2014	Actual 2014	Variance 2014	Budget 2013	Actual 2013	Variance 2013
Revenue						
Current Exp	1,727,576	1,897,855	170,279	1,728,711	1,859,705	130,994
Road & Bridge	1,825,697	1,855,722	30,025	2,291,728	1,976,888	(314,840)
Justice Fund	2,478,277	2,788,873	310,596	2,420,346	2,665,536	245,190
Solid Waste	750,000	787,750	37,750	760,000	779,899	19,899

	Budget 2006 2014	Actual 2006 2014	Variance 2014	Budget 2006 2013	Actual 2006 2013	Variance 2013
Expenditures						
Current Exp.	2,243,899	1,730,845	513,054	2,102,742	1,741,668	361,074
Road & Bridge	2,550,197	2,134,590	415,607	3,282,573	2,241,679	1,040,894
Justice Fund	2,870,157	2,560,431	309,726	2,648,791	2,456,889	191,902
Solid Waste	812,638	680,985	131,653	838,655	700,793	137,862

Economic and Other Factors Affecting Next Year's Operations:

Boundary County was created by the Idaho Legislature on January 23, 1915. It is so named because it borders Canada, and is the only county in Idaho with an international border.

Boundary County Economic Summary: The County and cities within have been preparing themselves for growth. A high school built in 2004 with seating for 600+ in the auditorium open for public use along with a new gym, rural health center, public infrastructure improvements, North Idaho College satellite facility, Headstart facility, hospital up-grades and improvements, airport runway and hanger up-grades, improvement to area boat launches, retail grocery store, urban renewal district and highway improvements, just to name a few, will continue to help the county grow and expand its economic base.

Population: From 2000 to 2010, the county’s population, based on the 2010 Census the county’s population grew 9.9 percent from 9,871 to 10,853. In 1990 to 2000 the population percent increased 20%.

Entity	1970	1980	1990	2000	2014
Boundary County	5,484	7,289	8,332	9,871	10,853
Moyie Springs	203	386	415	656	696
Bonnors Ferry	1,909	1,906	2,193	2,515	2,473

Per Capita Income: Historically wages in Boundary County tend to be lower than in most of the United States, reflected partly by the county’s lower cost of living. The median household income of Boundary County residents was \$37,003. Currently Boundary County’s unemployment as of March 2014 was at 7.7%. The State of Idaho’s unemployment rate comparable is 5.2%.

Industry Base: Timber and agriculture are the county’s traditional mainstays. Agriculture is an important employer increasing in the 1980s, when Anheuser-Busch developed Elk Mountain Farms, a large hops farm. Our rich soil has brought to the county many ornamental tree nurseries which sell their products throughout the United States.

Idaho Education Services began the CEDU schools, a boarding school near Bonnors Ferry. The Kootenai Tribe of Idaho operates the Kootenai River Inn, Casino, and Spa in Bonnors Ferry, providing to the county’s tourism industry. Most recently the Kootenai Tribe has undertaken the Kootenai River restoration project. The county also benefits from the increased jobs related to Homeland Security as the county has two ports entering Canada. The City of Bonnors Ferry, named by tourists as Idaho’s “friendliest city” continues to improve the downtown area through grants, including new sidewalks, roadways, trees, a visitor center, city parking center, a project called the River Walk along the banks of the Kootenai River, sidewalks along Alderson Lane to the two schools in that area and most recently a new playground facility for our area’s children. Boundary County’s other city, Moyie Springs, recently completed updating the utilities in the area along with new road surfacing.

The county’s long-term success in diversifying and growing its economic base provides a good environment for attracting new businesses. The growth of the population base and the increase in tourism activity also help the county’s businesses thrive.

Retail Trade:

Boundary County is Idaho’s northernmost county, bordering Canada to the north, Washington to the west, and Montana to the east. The federal government owns 61 percent of the county. Forest products manufacturing and agriculture are basic industries, with retailing, services and government providing important employment. Major employers include Boundary Community Hospital, Safeway, Harvest Foods, Super 1, the Kootenai River Inn and Casino, Elk Mountain Farms, Boundary County School District, Boundary County, U.S. Government (border patrol, homeland security, and forest service), Hancock Forest Group, and Idaho Educational Services.

The City of Bonnors Ferry created an urban renewal district to enhance an area south of town and to create better opportunities for retail trade. This endeavor resulted in the construction of an additional retail grocery store with the completion of the store in June 2012. This new retail market employs between 75-90 employees.

Boundary County is home to 20 +/- 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 on the demand for services that such growth generates.

County Operations

- Boundary County has been awarded grants to purchase property for the approach to the airport’s runway, this project should be completed in February of 2015.
- Boundary County received funding through Homeland Security to obtain the necessary equipment and supplies should there be an attack on our County’s soil. Boundary County completed updating the Emergency Operation Plan to be prepared, should an emergency occur in 2013.

- Boundary County has leased additional facilities to house the operations of our sheriff department and probation offices. This will enable us to provide better physical facilities to those offices while allowing the drivers license and staffing at the sheriff office to expand.
- Boundary County is allocating monies each year for the future anticipated needs of the solid wastes within the county. At September 30, 2014, the fund held cash in the amount of \$912,663 to fund a landfill closure trust account.
- Boundary County is requesting that all citizens recycle.
- Boundary County was awarded a grant, to partner with North Idaho College to bring a College Outreach Center to the community this facility opened during 2006. This facility continues to grow and expand.
- Boundary County received state funds for the protection of wild land fire mitigation.
- Boundary County received HAVA Grant funds to improve access to public places of voting.
- Boundary County approved an emergency communication fee for an emergency telephone system commonly known as 911. Along with the continuance of updating road names and address this will enhance emergency services to Boundary County.
- Boundary County was awarded a grant for improved boat launch sites along the Kootenai River.
- Boundary County continues to be awarded a grant for the staff person for the Economic Development Council.
- Boundary County continues to improve our elder care home, the Restorium facility can house up to 35 residents.
- Boundary County completed the Energy Efficiency Conservation Block grants to improve efficiency in the county's Hospital, Restorium and the City of Bonners Ferry's fire station.
- Boundary County established an Ambulance Service District for the county during 2012.
- Boundary County offers many programs to the residents Extension Services offered through the University of Idaho, 4-H programs, Cooperative Weed Control, NACo Prescription Drug Discount Card Program, Court Assistance, Boating Safety Programs, Fire Mitigation, Parks and Recreation programs, just to mention a few.

Requests for Information

This financial report is designed to provide a general overview of Boundary 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:

**Glenda Poston
Boundary County Clerk
Boundary County Courthouse
6452 Kootenai Street
P.O. Box 419
Bonners Ferry, Idaho 83805**

BASIC FINANCIAL STATEMENTS

BOUNDARY COUNTY, IDAHO
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 5,056,112	\$ 165,759	\$ 5,221,871
Receivables, net of uncollectibles	23,286	846	24,132
Property taxes receivable, net	379,249	27,690	406,939
Total Current Assets	5,458,647	194,295	5,652,942
Non-current Assets			
Capital assets, net of depreciation	10,973,493	400,218	11,373,711
Total Non-current Assets	10,973,493	400,218	11,373,711
Other Assets			
Assets whose use is limited	912,663	-	912,663
Total Other Assets	912,663	-	912,663
TOTAL ASSETS	17,344,803	594,513	17,939,316
LIABILITIES			
Current Liabilities			
Accounts payable	62,424	6,456	68,880
Compensated absences	106,191	11,162	117,353
Accrued Interest	20,773	-	20,773
Current maturities, long-term debt	108,815	-	108,815
Total Current Liabilities	298,203	17,618	315,821
Non-current Liabilities			
Long-term debt, less current maturities	987,963	-	987,963
Estimated landfill closure and post-closure care costs	1,115,797	-	1,115,797
Total Non-current Liabilities	2,103,760	-	2,103,760
TOTAL LIABILITIES	2,401,963	17,618	2,419,581
NET POSITION			
Invested in capital assets, net of related debt	9,855,942	400,218	10,256,160
Restricted for landfill closure	912,663	-	912,663
Unrestricted	4,174,235	176,677	4,350,912
TOTAL NET POSITION	\$ 14,942,840	\$ 576,895	\$ 15,519,735

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the year ended September 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 2,375,636	\$ 315,727	\$ 83,982	\$ 574,329	\$ (1,401,598)
Public Safety	3,311,017	298,617	258,585	28,657	(2,725,158)
Roads & Bridges	2,145,273	51,499	1,803,598	-	(290,176)
Sanitation	785,252	772,235	-	-	(13,017)
Health & Welfare	549,962	29,831	-	-	(520,131)
Recreation & Parks	216,087	40,175	3,762	38,749	(133,401)
Education	70,725	-	-	-	(70,725)
Interest on long-term debt	38,189	-	-	-	(38,189)
Total Governmental Activities	9,492,141	1,508,084	2,149,927	641,735	(5,192,395)
Business-type activities:					
Community Restorium	994,871	643,044	-	3,691	(348,136)
Totals	\$ 10,487,012	\$ 2,151,128	\$ 2,149,927	\$ 645,426	\$ (5,540,531)
Changes in Net Position:					
Net (expense) revenue			<u>\$ (5,192,395)</u>	<u>\$ (348,136)</u>	<u>\$ (5,540,531)</u>
General Revenues:					
Taxes:					
Property taxes levied for general purposes			4,245,672	395,904	4,641,576
Sales tax			690,751	-	690,751
Intergovernmental - not restricted			727,656	10,793	738,449
Interest and Investment earnings			47,424	-	47,424
Other			23,228	-	23,228
Gain on disposition of equipment			40,559	-	40,559
Total General Revenues			<u>5,775,290</u>	<u>406,697</u>	<u>6,181,987</u>
Change in net position			582,895	58,561	641,456
Net Position - Beginning			14,359,945	518,334	14,878,279
Net Position - Ending			<u>\$ 14,942,840</u>	<u>\$ 576,895</u>	<u>\$ 15,519,735</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Road & Bridge Fund	Justice Fund	Solid Waste	Other Non-major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,125,547	\$ 1,342,031	\$ 1,195,439	\$ 302,179	\$ 1,090,916	\$ 5,056,112
Receivables, net of uncollectible						
Property taxes	94,592	-	122,997	59,881	101,779	379,249
Other receivable	-	-	-	-	23,286	23,286
Assets whose use is limited:						
Restricted cash	-	-	-	912,663	-	912,663
Total Assets	<u>\$ 1,220,139</u>	<u>\$ 1,342,031</u>	<u>\$ 1,318,436</u>	<u>\$ 1,274,723</u>	<u>\$ 1,215,981</u>	<u>\$ 6,371,310</u>
LIABILITIES						
Accounts payable	10,176	11,545	10,041	4,907	25,755	62,424
Compensated absences	13,940	28,334	41,180	7,589	15,148	106,191
Total Liabilities	<u>24,116</u>	<u>39,879</u>	<u>51,221</u>	<u>12,496</u>	<u>40,903</u>	<u>168,615</u>
Deferred Inflows of Resources-						
Unavailable revenue - property tax	79,528	-	103,681	49,841	85,567	318,617
FUND BALANCE						
Restricted for Landfill closure	-	-	-	912,663	-	912,663
Assigned for general government	-	-	-	-	239,830	239,830
Assigned for roads and bridges	-	1,302,152	-	-	-	1,302,152
Assigned for public safety	-	-	1,163,534	-	406,539	1,570,073
Assigned for sanitation	-	-	-	299,723	-	299,723
Assigned for health & welfare	-	-	-	-	231,700	231,700
Assigned for recreation and parks	-	-	-	-	118,502	118,502
Assigned for education	-	-	-	-	92,940	92,940
Unassigned	1,116,495	-	-	-	-	1,116,495
Total Fund Balance	<u>1,116,495</u>	<u>1,302,152</u>	<u>1,163,534</u>	<u>1,212,386</u>	<u>1,089,511</u>	<u>5,884,078</u>
Total Liabilities and Fund Balance	<u>\$ 1,220,139</u>	<u>\$ 1,342,031</u>	<u>\$ 1,318,436</u>	<u>\$ 1,274,723</u>	<u>\$ 1,215,981</u>	<u>\$ 6,371,310</u>

The accompanying notes are an integral part of this statement.

**BOUNDARY COUNTY , IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2014**

Total fund balances - governmental funds	\$ 5,884,078
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.	
The cost of the capital assets is	\$ 19,768,246
Accumulated depreciation is	<u>(8,794,753)</u>
	10,973,493
Property taxes receivable not available soon enough after fiscal year-end to pay current period's expenditures, and therefore are unavailable in the funds.	318,617
Long-term liabilities, including bonds payable and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Capital lease payable	(1,096,778)
Landfill closure & post-closure care costs	(1,115,797)
Accrued interest	<u>(20,773)</u>
Total net position assets - governmental activities	<u>\$ 14,942,840</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended September 30, 2014

	General	Road & Bridge	Justice Fund	Solid Waste Fund	Other Non-Major Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 1,261,365	\$ -	\$ 1,630,346	\$ -	\$ 1,361,358	\$ 4,253,069
Fees & other non-tax revenues	240,227	50,668	194,944	772,864	321,477	1,580,180
Grants and receipts from other governments	350,827	1,803,598	927,247	-	920,618	4,002,290
Other	45,436	1,456	36,336	14,886	108,851	206,965
Total Revenues	1,897,855	1,855,722	2,788,873	787,750	2,712,304	10,042,504
EXPENDITURES:						
Current:						
General Government	1,559,470	-	-	-	515,222	2,074,692
Public Safety	108,979	-	2,493,677	-	550,577	3,153,233
Roads & Bridges	-	1,718,089	-	-	-	1,718,089
Sanitation	-	-	-	651,579	-	651,579
Health & Welfare	-	-	-	-	547,004	547,004
Recreation & Parks	-	-	-	-	186,175	186,175
Education	-	-	-	-	70,725	70,725
Capital Outlay	36,896	289,446	66,754	11,848	696,296	1,101,240
Debt Service Principal	24,012	100,591	-	8,301	5,695	138,599
Debt Service Interest	1,488	26,464	-	9,257	2,270	39,479
Total Expenditures	1,730,845	2,134,590	2,560,431	680,985	2,573,964	9,680,815
Excess (Deficiency) of Revenues over Expenditures	167,010	(278,868)	228,442	106,765	138,340	361,689
Other financing sources (uses):						
Transfers In (Out)	9	-	-	-	(9)	-
Debt proceeds	-	80,697	-	-	-	80,697
Disposition of fixed assets	-	195,000	-	-	-	195,000
Total Change in Fund Balance	167,019	(3,171)	228,442	106,765	138,331	637,386
FUND BALANCE, Beginning of Year	949,476	1,305,323	935,092	1,105,621	951,180	5,246,692
FUND BALANCE, End of Year	\$ 1,116,495	\$ 1,302,152	\$ 1,163,534	\$ 1,212,386	\$ 1,089,511	\$ 5,884,078

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2014

Total net change in fund balances - governmental funds	\$ 637,386
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Donated capital assets are not reported in the fund financial statements.	
Depreciation expense	(930,140)
Capitalized expenditures	<u>1,003,169</u>
	73,029
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	138,599
Proceeds from capital lease obligations is an other revenue source of the governmental funds but increases long-term debt on the statement of net position.	(80,697)
Transactions involving capital assets such as sales and other dispositions are reported in the Statement of Activities but only the proceeds from sales are reported in the governmental funds.	(154,441)
Increase in landfill closure and post-closure care costs is only reflected as expense on the statement of net activities.	(24,244)
Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount.	(8,027)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the expense accrues, regardless of when it is due. The additional interest in the statement of activities is accrued interest on leases.	1,290
Change in net position of governmental funds	<u>\$ 582,895</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2014

	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 42,526	\$ 459,320
Taxes Receivable		340,160
Total Assets	<u>\$ 42,526</u>	<u>\$ 799,480</u>
LIABILITIES		
Accounts Payable	-	\$ 799,480
Total Liabilities	<u>-</u>	<u>\$ 799,480</u>
NET POSITION		
Held in Trust	<u>\$ 42,526</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended September 30, 2014

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Property taxes - Ambulance District	\$ 327,074
Donations	36,812
Interest	8
Total Additions	<u>363,894</u>
DEDUCTIONS:	
Expenditure - Ambulance service	<u>323,647</u>
Total Deductions	323,647
Net Position - beginning of year	<u>2,279</u>
Net Position - end of year	<u>\$ 42,526</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2014

	Business-type Activities	
	Community Restorium	Total
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 165,759	\$ 165,759
Receivables, net of uncollectible	846	846
Property taxes receivable, net	27,690	27,690
Total Current Assets	<u>194,295</u>	<u>194,295</u>
Non-current Assets		
Capital assets:		
Land, Buildings and Improvements	906,655	906,655
Machinery and Equipment	220,350	220,350
Less accumulated depreciation	(726,787)	(726,787)
Total Non-current Assets	<u>400,218</u>	<u>400,218</u>
TOTAL ASSETS	<u>594,513</u>	<u>594,513</u>
LIABILITIES		
Current Liabilities		
Accounts payable	6,456	6,456
Compensated absences	11,162	11,162
Total Current Liabilities	<u>17,618</u>	<u>17,618</u>
TOTAL LIABILITIES	<u>17,618</u>	<u>17,618</u>
NET POSITION		
Invested in capital assets, net of related debt	400,218	400,218
Unrestricted	176,677	176,677
TOTAL NET POSITION	<u>\$ 576,895</u>	<u>\$ 576,895</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
ALL PROPRIETARY FUNDS - ENTERPRISE FUNDS
For the year ended September 30, 2014

	Business-type Activities	
	Community Restorium	Total
OPERATING REVENUES		
Charges and fees, net	\$ 639,525	\$ 639,525
Other	3,519	3,519
Total Revenue	643,044	643,044
OPERATING EXPENSES		
Personal services	480,360	480,360
Materials and supplies	98,897	98,897
Heat, lights and power	35,084	35,084
Benefit payments	315,195	315,195
Repairs & maintenance	44,175	44,175
Other (dues, training, rents, etc.)	3,759	3,759
Depreciation	17,401	17,401
Total Expenses	994,871	994,871
Loss from Operations	(351,827)	(351,827)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	395,904	395,904
Intergovernmental revenue	14,484	14,484
Total non-operating revenues & expense	410,388	410,388
Revenue over (under) expenses	58,561	58,561
NET POSITION		
Beginning of year	518,334	518,334
NET POSITION		
End of year	\$ 576,895	\$ 576,895

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS
For the year ended September 30, 2014

	Business-type Activities	
	Community Restorium	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 649,256	\$ 649,256
Cash received from other revenue	3,519	3,519
Cash paid for salaries and benefits	(794,482)	(794,482)
Cash paid for supplies, professional fees & other	(182,984)	(182,984)
Net Cash Used by Operating Activities	<u>(324,691)</u>	<u>(324,691)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
County taxes received	394,908	394,908
Receipts from other governments	14,484	14,484
Net Cash Provided by Non-Capital Financing	<u>409,392</u>	<u>409,392</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for additions to fixed assets	(4,427)	(4,427)
Net Cash Used in Capital & Related Financing	<u>(4,427)</u>	<u>(4,427)</u>
INCREASE (DECREASE) IN CASH	80,274	80,274
CASH AT BEGINNING OF YEAR	85,485	85,485
CASH AT END OF YEAR	<u>\$ 165,759</u>	<u>\$ 165,759</u>

Reconciliation of Excess / (Deficiency) Revenues over
Expenses to Net Cash Used in Operating Activities:

(Loss) from Operations	\$ (351,827)	\$ (351,827)
Depreciation	17,401	17,401
(Increase) decrease in accounts receivable	9,731	9,731
Increase (decrease) in accts. payable	(1,069)	(1,069)
Increase (decrease) in accrued expenses	1,073	1,073
Net Cash Used by Operating Activities	<u>\$ (324,691)</u>	<u>\$ (324,691)</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

The accompanying financial statements of Boundary County (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued in June 1999. GASB is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity:

Boundary County is a political subdivision of the State of Idaho. The County is the basic level of government that has financial accountability and control over all activities related to public safety, general government, and roads and bridges in Boundary County, Idaho. It operates under an elected three-member Board of Commissioners that, as the governing body of the County, is responsible for the legislative and executive control of the County. The County receives funding from local, state and federal government sources. The County is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision-making authority, power to designate management, the ability to influence operations and, primary accountability for fiscal matters.

The County contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI) and the Idaho Counties Risk Management Program (ICRMP). PERSI is administered by the State of Idaho and the Idaho Association of Counties administers ICRMP. Since the County does not administer or is not dominant in either plan, the financial statements of these plans are not included in this report. A copy of the PERSI report can be obtained from the Public Employee Retirement System of Idaho office in Boise, Idaho. A copy of the ICRMP report can be obtained from the Idaho Association of Counties Risk Management Program also in Boise, Idaho.

2. Component Unit

For financial reporting purposes, management has considered all potential component units. The decision to include or not include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The criterion for including a potential component unit within the reporting entity is the governing body's responsibility for financial accountability. Financial accountability is defined as the level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential of the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Even though Boundary County is responsible for appointing members of boards to other organizations, it is not accountable for these organizations. Therefore, based upon the application of these criteria, Boundary County has no component discretely presented or blended component units.

Boundary County Board of Commissioners acts as the governing Board for the Boundary County Ambulance District. Boundary County has fiduciary responsibility for the Ambulance District and therefore the Ambulance District is reported as a fiduciary fund in the County's financial statements.

3. Basic Financial Statements – Government-Wide Statements

The Government-wide financial statements consist of the statement of net position and statement of activities that report information about the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities on a consolidated basis by column. The presentation is on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: invested in capital assets, net of related debt; restricted; and unrestricted. The County would typically use

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The Statement of Activities demonstrates the degree to which the direct expenses of governmental functions and business-type activities are offset by program revenues. The statement presents a comparison between direct expenses and program revenues for the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or functions and, therefore, are clearly identifiable to a particular function.

Amounts reported as program revenues include 1) fees, fines and charges to customers or applicants for goods or services offered by the programs, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program, and 3) capital grants and contributions restricted to a particular program. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County enterprise fund (Community Restorium) are charges to residents for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Basic Financial Statements – Fund Financial Statements

The financial transactions of the County are recorded in individual funds to report the financial position and results of operations of the County. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental funds are considered to be non-major and are consolidated in an "other" funds column (on the combined fund statements). GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses) for the determination of major funds.

The following fund types are used by the County:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the County:

- The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Road and Bridge Fund is a special revenue fund used to account for the activities related to the maintenance and improvement of the County road and bridge system.
- The Justice Fund is a special revenue fund used to account for the activities of the County Sheriff, Prosecuting Attorney and Juvenile Probation.
- The Solid Waste Fund is a special revenue fund used to account for the activities related to the operation, maintenance and expenditures at the County landfill.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

Proprietary Fund Types

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Community Restorium, which derives income from residential rental and related services, is reflected on these financial statements as an enterprise fund of the primary government.

Fiduciary Fund Types

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are used as tax collection funds to account for property taxes billed and collected by Boundary County on behalf of other governmental units and to reflect assets pending determination of the fund to be financed.

5. Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include reconciliation between the fund statements and the government-wide statements. Differences that make reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements.

6. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in accrual below.

Basis of Accounting - Accrual

Governmental activities in the government-wide financial statements and all proprietary funds are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Basis of Accounting - Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as susceptible to accrual). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The County considers revenues to be available if they are expected to be collected within 60 days of year-end. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so.

7. Cash and Cash Equivalents

The County pools cash resources of its various funds to facilitate the management of cash. The accounting records of each fund reflect its portion in the pooled cash. The County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. Idaho Code Section 67, Chapter 12, provides authorization for the investment of funds as well as what constitutes an allowable investment. County policy is consistent with the State Code.

The Code limits investments to the following general types:

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

8. Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. On the government fund financial statements, property taxes that are delinquent are recorded as deferred inflow of resources - unavailable revenue, since they are not available within 60 days of the fiscal year end; however in the government-wide financial statements, all property taxes are recognized in the year they are measurable.

9. Receivables

In the government-wide statements, receivables consist of revenues earned at year-end and not yet received. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Boundary County Indigent services pay medical bills eligible under Idaho Code 31-3510A. This assistance obligates the applicant to reimburse the County. The County tracks the receivable but does not recognize the receivable due to the un-measurable collectability of the accounts involved.

10. Fixed Assets

The accounting treatment over fixed assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. The County elects not to report major infrastructure assets retroactively.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. The County defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their fair market value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocable expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

maintenance are expensed as incurred. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows: Buildings 30 years; Machinery and equipment 3 to 15 years; Vehicles 3 to 8 years.

Although not capitalized, all purchases of property, plant and equipment with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are tracked for management control and inventory purposes.

11. Compensated Absences

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The entire liability for these compensated absences is recorded as a current debt in the government-wide statements and in the governmental and proprietary funds based on historical trends. The current liability decreased by \$11,998 during the year ended September 30, 2014.

Sick pay benefits that have been earned, but probably will be used only for sick leave, are not accrued, but rather are recorded as an expenditure when employees or replacements are paid for days not worked due to illness.

12. Grants and Other Intergovernmental Revenues

Federal and State reimbursement-type grants are recorded as revenues when the related expenditures/expenses are incurred and, in the Governmental Funds, when the revenues meet the availability criterion. For programs that are supported by multiple funding sources, federal and state grant monies are applied to expenditures first.

13. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of capital lease obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

14. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Consists of the net assets with constraints placed on the use either by (1) external groups such as creditors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted – The residual amount that does not meet the definition of restricted or invested in capital assets, net of related debt.

Fund Balances of Fund Financial Statements

Governmental fund equity is classified as fund balance in accordance with GASB-54. This standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used. Fund balance is classified as restricted, assigned and unassigned.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

- Restricted fund balance reflects the amount accumulated for future landfill closure and post-closure care costs as required under Federal and State regulations.
- Assigned fund balance reflects the amounts that are constrained by the County's intent to be used for a specific purpose in special revenue funds.
- Unassigned fund balance is the residual classification for the County's general fund.

Proprietary fund equity is classified the same as in the government-wide statements.

15. Budgets and Budgetary Accounting

The County follows these procedures in establishing budgetary data:

The County Auditor as budget officer prepares a preliminary budget by the first Monday of August.

- After review and agreement by the County Commissioners the budget officer publishes the amount proposed to be appropriated to each county office or agency.
- On the Tuesday following the first Monday in September the County Commissioners must meet to adopt a final budget.
- After adoption of the final budget, it is the duty of the County Auditor to see that the provisions of the budget are complied with.
- The County budget cycle begins with the request for budget estimates by the County Auditor and ends with completion of the fiscal year. The fiscal year begins October 1st and ends September 30th.

Formal budget integration is employed as a management control device for the General Fund and Special Revenue Funds. Budgets for the General and Special Funds are adopted on a basis consistent with generally accepted accounting principles. The budget was amended various times in the year to reflect the receipt of unanticipated revenue.

16. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

17. Recently Issued and Adopted Accounting Pronouncements

During 2014, the County implemented GASB 65 – *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred inflows of resources and deferred outflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenue or expenditure. There was no change to beginning net position as a result of implementing this statement.

In June of 2012 the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement 27*. GASB No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the entity's financial statements.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE B - CASH AND INVESTMENTS

At September 30, 2014, the County's cash on hand was \$250. The carrying amount of cash and deposits including proprietary and fiduciary funds was \$6,636,380 and the bank balance was \$7,204,445. The difference represents deposits in transit and outstanding warrants. The County has experienced a market gain of \$14,259 based on market value compared to original cost at year-end. Since the intent of management is to hold the securities to maturity, gain has not been recorded.

The County's bank balances including fiduciary funds at September 30, 2013 consisted of the following:

Carrying value:

Cash and cash equivalents	\$5,056,112
Assets limited as to use	912,663
Proprietary funds cash & cash equivalents	165,759
Fiduciary funds cash & cash equivalents	501,846
	<u>\$6,636,380</u>

Bank value of Deposits	\$7,204,445
Uninsured and Uncollateralized Deposits	\$4,710
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	\$6,022,013
Insured Deposits	\$1,177,722

The elected State Treasurer, following Idaho Code, is authorized to sponsor an investment pool that the County voluntarily participates in. The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. The funds of the 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 Pool is not registered with the Securities and Exchange Commission or any other regulatory body – oversight is with the State Treasurer, and the Idaho Code defines allowable investments. The State Legislative Auditors Office conducts an annual audit of the Joint Powers Investment Pool.

Through a "Cash Management Sweep Account and Automatic Daily Repurchase Agreement" the County invests idle cash in uninsured repurchase agreements. The repurchase agreement is 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. Titles to the securities are vested in the bank. The bank repurchases the undivided, fractional interest from the County on the next banking day.

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the financial institution, the County will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk outside of the deposit and investment agreements.

Concentration Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County does not have a policy regarding concentration credit risk.

Credit Risk - Credit risk is the risk that an issuer of debt securities or another counter-party to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standards & Poors and Fitch's. The investments of the County are not rated and the County does not restrict them to rated investments.

It is the policy of the County to assign the investment earnings to the Justice Fund until a specific dollar amount is generated and then the earnings are assigned to the Current Expense Fund.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE C – CAPITAL ASSETS

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

	Balance 09/30/13	Additions	Deletions	Balance 09/30/14
Governmental Capital Assets:				
Land	\$648,339	\$574,329		\$1,222,668
Buildings, Improvements & Infrastructure	10,757,544	67,920		10,825,464
Machinery & Equipment	7,667,457	360,920	(308,263)	7,720,114
Total	\$19,073,340	\$1,003,169	(\$308,263)	\$19,768,246

	Balance 09/30/13	Additions	Deletions	Balance 09/30/14
Accumulated Depreciation:				
Buildings, Improvements & Infrastructure	\$3,416,074	\$439,244		\$3,855,318
Machinery & Equipment	4,602,361	490,896	(153,822)	4,939,435
Total	\$8,018,435	\$930,140	(\$153,822)	\$8,794,753

Depreciation expense was charged to governmental activities as follows:

General government	\$251,671
Public Safety	129,530
Streets	425,544
Sanitation	105,231
Parks	18,164
Total Depreciation Expense	\$930,140

Business-type capital asset activity for the year ended September 30, 2014 was as follows:

	Balance 09/30/13	Additions	Deletions	Balance 09/30/14
Business-type Capital Assets:				
Land	\$98,012			\$98,012
Buildings & Improvements	579,642	229,001		808,643
Assets not being depreciated	224,574	(224,574)		0
Machinery & Equipment	235,350		(15,000)	220,350
Total	\$1,137,578	\$4,427	(\$15,000)	\$1,127,005

	Balance 09/30/13	Additions	Deletions	Balance 09/30/14
Accumulated Depreciation:				
Buildings & Improvements	\$545,733	\$3,296		\$549,029
Machinery & Equipment	178,653	14,105	(15,000)	177,758
Total	\$724,386	\$17,401	(\$15,000)	\$726,787

NOTE D – SHORT-TERM DEBT

Short-term debt was issued to finance the acquisition for property that was funded by an Airport Improvement Grant. Summary activity in short-term debt is detailed as follows:

	Outstanding 9/30/2013	Debt Incurred	Debt Retired	Outstanding 9/30/2014
Short-Term Loans	\$0	\$301,529	\$301,529	\$0

**BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE E - LONG-TERM DEBT

All long-term debt is from governmental activities.

At September 30, 2014, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Outstanding 09/30/13</u>	<u>Debt Incurred</u>	<u>Debt Retired</u>	<u>Outstanding 09/30/14</u>
Capital Lease Obligations	\$1,154,680	\$80,697	\$138,599	\$1,096,778

The annual requirements to retire general long-term debt as of September 30, 2014 are as follows:

	<u>Principal</u>	<u>Sinking fund Requirement</u>
September 30, 2015	\$108,815	\$145,231
September 30, 2016	73,409	107,070
September 30, 2017	330,413	361,540
September 30, 2018	483,703	504,076
September 30, 2019	30,431	33,690
September 30, 2020 - 2021	70,007	72,687
	<u>\$1,096,778</u>	<u>\$1,224,294</u>

NOTE F - CAPITALIZED LEASES

The County has entered into capital leases for equipment and facilities under terms ranging to 120 months, which include a non-appropriation clause that allows the County to avoid incurring indebtedness obligating a future year's budget or revenues. Assets costing \$2,146,645 are recorded under capital leases, which carry interest rates of 4.45% to 6.1%. The leases are paid from the General Fund, Road and Bridge and Solid Waste Funds.

Future minimum payments under capital leases together with present value of the minimum lease payments at September 30, 2014 are:

September 30, 2015	\$145,231
September 30, 2016	107,070
September 30, 2017	361,540
September 30, 2018	504,076
September 30, 2019	33,690
September 30, 2020 - 2021	72,687
	<u>1,224,294</u>
Amount representing interest	127,516
Present value of minimum lease payments	<u>\$1,096,778</u>

NOTE G - RETIREMENT PLAN - GASB 27 DISCLOSURE

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

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

The plan contribution requirements of the County and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2014 the required contribution rates for general employees was 11.32% and 6.79% of covered payroll for Boundary County and its employees, respectively and 11.66% and 8.36% for police/fire fighter employees for Boundary County and its employees, respectively. The County's contributions required and paid were \$412,210, \$379,509 and \$369,921 for the three years ended September 30, 2014, 2013, and 2012 respectively.

NOTE H - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the County to concentrations of credit risk, consist of cash and cash equivalents. Exclusive of the State of Idaho Investment Pool, the County's investment in any one issuer does not represent a concentration of credit risk.

NOTE I - FUND EQUITY

Reservations or restrictions of fund equity of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Restricted for Landfill Closure:

This restriction was created to segregate the portion of the fund equity for landfill closure and post-closure care costs. The reservation was established to satisfy legal restrictions imposed by the State Department of Environmental Quality.

Donor-Restricted Funds:

Donor-restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or that arise as a result of operations. Restricted gifts and other restricted resources are recorded as additions to the appropriate restricted fund. Resources restricted by donors or grantors for specific operating purposes are reported in other revenue to the extent used within the period.

NOTE J - PROPERTY TAXES

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year-end, are accrued on the fund financial statements. Property tax revenues are recognized when levied, with appropriate accrual made at year-end on the government-wide financial statements. The County's property taxes, levied on the Thursday prior to the second Monday in September on a market value basis, are billed to the taxpayers in November. Half of the real, personal, and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Occupancy taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year.

Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion that meets the revenue recognition criteria is recognized as revenue on the fund financial statements.

Under State law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Boundary County bills and collects property taxes for other Tax Districts.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property; therefore, there is no material allowance for uncollectible taxes.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE K - ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund and special revenue funds. This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

NOTE L - CONTINGENCIES

In the normal course of operations, the County receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. There is then the possibility of potential liability as determined by a sponsoring organization audit, if such an audit would occur.

NOTE M – FAIR VALUE OF FINANCIAL INSTRUMENTS

The County's financial instruments are cash and cash equivalents, receivables, accounts payable, capital leases payable and long-term debt. The recorded values of cash and cash equivalents, receivables, and accounts payable approximate their fair value based on their short-term nature. The recorded values of capital leases and long-term debt approximate their fair values, as interest approximates market rates.

NOTE N - 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; injuries to employees; and natural disasters. The County is a member in the Idaho Counties Risk Management Program (ICRMP). ICRMP was created to provide risk management and insurance services to public entities in Idaho. ICRMP itself is a public entity. The County pays an annual premium for all risks of physical loss or damage to real and personal property, general liability, board legal liability and employee dishonesty. Under the terms of the ICRMP policy, Boundary County's liability is limited to the amount of annual financial membership contributions plus \$1,000 per occurrence deductible. The risk management is funded by an annual property tax tort levy, which has no maximum levy limit.

NOTE O - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and Federal laws and regulations require that Boundary County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, a liability is being recognized based on estimated future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$1,115,797 that is based on 59% usage (filled) of the landfill. It is estimated that an additional \$770,986 will be recognized as closure and post-closure care cost between the date of the balance sheet and the date the landfill is expected to be filled to capacity, which is estimated to be in 22 years. The estimated cost of \$1,886,783 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2014. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Federal laws and regulations require the County to adopt a mechanism to demonstrate financial assurance that funds necessary to meet the costs of closure and post-closure care will be available. The County's funding plan included establishing a landfill closure trust fund administered by the treasurer of Boundary County. The County intends to fund the trust annually in an amount to cover the full cost of closure. At September 30, 2014 the fund held cash and other assets in the amount of \$912,663. The cash is restricted as to use only for landfill closure and post-closure costs.

NOTE P – POST- EMPLOYMENT BENEFITS

The County has no material post-employment benefits other than the Public Employee Retirement Plan, which is explained in the pension plan note.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE Q – PRIOR PERIOD ADJUSTMENT

The County's financial statements for the year ended September 30, 2013 reported capital assets, net of depreciation that was understated by \$1,035,598. The understatement relates to the cost of bridges constructed in prior years that had not been added to the capital asset depreciation schedule.

The effect of the restatement on the financial statements as of and for the year ended September 30, 2013 are as follows:

	<u>As Previously</u>		<u>As Restated</u>
	<u>Reported</u>		<u>As Restated</u>
Statement of Net Position - Government-Wide:			
Capital assets, net of depreciation	\$10,432,499		\$11,468,097
Net Position, invested in capital assets, net of related debt	\$9,277,819		\$10,313,417
Statement of Activities - Government-Wide:			
Total net position, end of year - Government-Wide	\$13,842,681		\$14,878,279

NOTE R – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 10, 2015, the date the financial statements were available to be issued. Management has concluded that there are no subsequent events that justify disclosure.

NOTE S – RELATED-PARTY TRANSACTION

Boundary County acquired real estate, as part of the Airport Improvement Project, from a party directly related to a member of the Boundary County Commissioners. The real estate was appraised by a qualified independent appraiser prior to the purchase and the appraisal was examined by a review appraiser and the grantor agency. The total amount paid to the related party was \$221,575. No additional amounts are payable.

NOTE T – SEGMENT INFORMATION – ENTERPRISE FUNDS

Boundary County financial reports include one enterprise fund that is intended to be self-supporting through user fees charged to the public. The Community Restorium, which derives income from residential rental and related services, is reflected on these financial statements as an enterprise fund of the primary government.

Financial segment information as of and for the year ended September 30, 2014 is presented below:

Operating revenues	\$643,044
(Loss) from operations	(351,827)
Non-operating income	410,388
Changes in net assets	58,561
Net working capital	176,677
Total assets	594,513
Total current liabilities	17,618
Beginning net assets	518,334
Ending net assets	576,895
Cash (used) by operating activities	(324,691)
Cash provided by non-capital financing	409,392
Cash Used in Capital & Related Financing	(4,427)
Beginning cash and cash equivalents	85,485
Ending cash and cash equivalents	165,759

OTHER FINANCIAL INFORMATION

BOUNDARY COUNTY, IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - GENERAL FUND
For the year ended September 30, 2014

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Taxes	\$ 1,247,126	\$ 1,247,126	\$ 1,261,365	\$ 14,239
Fees & other non-tax revenues	142,260	154,609	240,227	85,618
Grants and receipts from other gov'ts	297,841	297,841	350,827	52,986
Other	28,000	28,000	45,436	17,436
Total Revenues	<u>1,715,227</u>	<u>1,727,576</u>	<u>1,897,855</u>	<u>170,279</u>
EXPENDITURES:				
Current::				
General government:				
Salaries	695,196	695,196	653,447	41,749
Benefits	531,630	531,630	423,321	108,309
Other	786,133	808,371	482,702	325,669
Public safety:				
Salaries	43,077	43,077	38,133	4,944
Benefits	41,925	41,925	39,804	2,121
Other	29,800	29,800	31,042	(1,242)
Capital Outlay	68,400	68,400	36,896	31,504
Debt Service	25,500	25,500	25,500	-
Total Expenditures	<u>2,221,661</u>	<u>2,243,899</u>	<u>1,730,845</u>	<u>513,054</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(506,434)	(516,323)	167,010	683,333
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	-	-	9	9
TOTAL CHANGE IN FUND BALANCE	<u>(506,434)</u>	<u>(516,323)</u>	<u>167,019</u>	<u>683,342</u>
FUND BALANCE - Beginning of year	<u>506,434</u>	<u>516,323</u>	<u>949,476</u>	<u>433,153</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,116,495</u>	<u>\$ 1,116,495</u>

BOUNDARY COUNTY , IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - ROAD & BRIDGE FUND
For the year ended September 30, 2014

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Fees & other non-tax revenues	\$ -	\$ -	\$ 50,668	\$ 50,668
Grants and receipts from other gov'ts	1,550,000	1,550,000	1,803,598	253,598
Other	-	-	1,456	1,456
Total Revenues	<u>1,550,000</u>	<u>1,550,000</u>	<u>1,855,722</u>	<u>305,722</u>
EXPENDITURES:				
Current:				
Roads & Bridges:				
Salaries	609,350	609,350	596,602	12,748
Benefits	465,100	465,100	453,216	11,884
Other	1,066,250	1,066,250	668,271	397,979
Capital Outlay	6,745	282,442	289,446	(7,004)
Debt Service	127,055	127,055	127,055	-
Total Expenditures	<u>2,274,500</u>	<u>2,550,197</u>	<u>2,134,590</u>	<u>415,607</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(724,500)	(1,000,197)	(278,868)	721,329
OTHER FINANCING SOURCES (USES):				
Debt Proceeds	-	80,697	80,697	-
Disposition of Fixed Assets	-	195,000	195,000	-
TOTAL CHANGE IN FUND BALANCE	<u>(724,500)</u>	<u>(724,500)</u>	<u>(3,171)</u>	<u>721,329</u>
FUND BALANCE - Beginning of year	<u>724,500</u>	<u>724,500</u>	<u>1,305,323</u>	<u>580,823</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302,152</u>	<u>\$ 1,302,152</u>

**BOUNDARY COUNTY, IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - JUSTICE FUND
For the year ended September 30, 2014**

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Taxes	\$ 1,610,747	\$ 1,610,747	\$ 1,630,346	\$ 19,599
Fees & other non-tax revenues	179,897	179,897	194,944	15,047
Grants and receipts from other gov'ts	649,581	649,581	927,247	277,666
Other	38,052	38,052	36,336	(1,716)
Total Revenues	<u>2,478,277</u>	<u>2,478,277</u>	<u>2,788,873</u>	<u>310,596</u>
EXPENDITURES:				
Current::				
Public safety:				
Salaries	1,224,396	1,224,396	1,206,883	17,513
Benefits	882,990	882,990	834,061	48,929
Other	682,271	682,271	452,733	229,538
Capital Outlay	80,500	80,500	66,754	13,746
Total Expenditures	<u>2,870,157</u>	<u>2,870,157</u>	<u>2,560,431</u>	<u>309,726</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(391,880)	(391,880)	228,442	620,322
FUND BALANCE - Beginning of year	<u>391,880</u>	<u>391,880</u>	<u>935,092</u>	<u>543,212</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,163,534</u>	<u>\$ 1,163,534</u>

BOUNDARY COUNTY , IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - SOLID WASTE FUND
For the year ended September 30, 2014

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Fees & other non-tax revenues	\$ 750,000	\$ 750,000	\$ 772,864	\$ 22,864
Other	-	-	14,886	14,886
Total Revenues	<u>750,000</u>	<u>750,000</u>	<u>787,750</u>	<u>37,750</u>
EXPENDITURES:				
Current:				
Sanitation:				
Salaries	311,988	311,988	297,542	14,446
Benefits	247,900	247,900	215,078	32,822
Other	173,692	173,692	138,959	34,733
Capital Outlay	61,500	61,500	11,848	49,652
Debt Service	17,558	17,558	17,558	-
Total Expenditures	<u>812,638</u>	<u>812,638</u>	<u>680,985</u>	<u>131,653</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(62,638)	(62,638)	106,765	169,403
FUND BALANCE - Beginning of year	<u>62,638</u>	<u>62,638</u>	<u>1,105,621</u>	<u>1,042,983</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,212,386</u>	<u>\$ 1,212,386</u>

ADDITIONAL AUDITOR'S REPORTS AND SCHEDULES

Leonard S. Schulte

Certified Public Accountant

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

Board of Commissioners
Boundary County
Bonners Ferry, Idaho 83805

Report on Compliance for Each Major Federal Program

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

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

My responsibility is to express an opinion on compliance for each of the County's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Boundary County, Idaho's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with 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 my 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, I do not express an opinion on the effectiveness of Boundary 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 a 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 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.

My 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. I did not identify any deficiencies in internal control over compliance that I considered 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 my 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.

Leonard S. Schulte

Leonard Schulte
January 10, 2015

Leonard S. Schulte

Certified Public Accountant

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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

Board of Commissioners
Boundary County
Bonners Ferry, Idaho 83805

I 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boundary County, Bonners Ferry, Idaho, as of and for the year ended September 30, 2014; and the notes to the financial statements, which collectively comprise the County's basic financial statements and have issued my report thereon dated January 10, 2015.

Internal Control over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 the County's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 10, 2015

Leonard S. Schulte

Leonard Schulte

BOUNDARY COUNTY, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2014

FEDERAL GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-through Grantors Number	Receipts/ Revenue	Disbursements/ Expenditures
<u>U.S. Dept. of Interior</u>				
Direct Assistance:				
Payment in Lieu of Taxes	15.226	826000287	\$ 362,097	\$ 362,097
<u>U.S. Dept. of Agriculture</u>				
Passed through State of Idaho:				
Schools & Roads Grants to State	10.665	826000287	1,235,815	1,235,815
Cooperative Forestry Assistance	10.664	VARIOUS	80,265	80,265
Forest Health Protection	10.680	VARIOUS	21,687	21,687
<u>U.S. Dept. of Housing and Urban Development</u>				
Passed through State of Idaho:				
Community Development Block Grant	14.228	B12DC160001	3,691	3,691
<u>U.S. Dept. of Homeland Security</u>				
Passed through the State of Idaho:				
Homeland Security Grant Program	97.067	VARIOUS	40,457	40,457
Emergency Management Performance Grants	97.042	VARIOUS	13,517	13,517
Pre-Disaster Mitigation	97.047	EMS2012PC002	2,500	2,500
<u>U.S. Dept. of Health & Human Services</u>				
Passed through the State of Idaho:				
CDC and Prevention/Investigation and Tech Asst	93.283	VARIOUS	3,912	3,912
<u>U.S. Dept. of Justice</u>				
Passed through State of Idaho:				
Juvenile Accountability Incentive Block Grant	16.523	VARIOUS	8,648	8,648
<u>U.S. Dept. of Transportation</u>				
Direct Assistance:				
Airport Improvement Program	20.106	3-16-0004-012	545,537	545,537
Total Federal Financial Assistance			\$ 2,318,126	\$ 2,318,126

Major Programs are Identified in Bold

BOUNDARY COUNTY, IDAHO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2014

SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards includes all federal financial assistance received and expended by the County including direct assistance and assistance passed through the State of Idaho.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boundary County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Major Programs

For purposes of distinguishing between Type A and Type B programs, the dollar threshold used was \$300,000.

3. Programs Tested

In accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" Boundary County met the criteria of a low-risk auditee.

U.S. Department of Agriculture:

Flow through State of Idaho:

Secure Payments to States and Counties Containing Federal Lands	CFDA # 10.665
U.S. Dept. of Interior – Direct Assistance Payment in Lieu of Taxes	CFDA # 15.226
U.S. Dept. of Transportation – FAA Direct Assistance Airport Improvement Program	CFDA # 20.106

4. Amount Provided to Subrecipient

Boundary County School District No. 101 was provided \$370,745 as a sub-recipient of the Secure Payments to States and Counties Containing Federal Lands CFDA #10.665 program.

**BOUNDARY COUNTY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2014**

Section I Summary of Auditors Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Non-compliance material to the financial statements noted?	No

Federal Awards

Internal control over compliance in major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, section .510(a)	No
Identification of major programs included:	
U.S. Dept. of Agriculture	
Secure Payments to States and Counties	
Containing Federal Lands	CFDA # 10.665
U.S. Dept. of Interior	
Payment in Lieu of Taxes	CFDA # 15.226
U.S. Dept. of Transportation	
Airport Improvement Program	CFDA # 20.106
Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000.
Auditee qualified as low-risk auditee?	Yes

**BOUNDARY COUNTY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2014**

Section II - Financial Statement Findings

None noted

Section III – Major Federal Award Programs Findings and Questioned Costs

None noted

SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

None noted