

BOUNDARY COUNTY, IDAHO

Bonnors Ferry, Idaho

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

September 30, 2017

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), and the discretely presented Ambulance District component unit of Boundary County as of and for the year ended September 30, 2017, 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, the aggregate remaining fund information of Boundary County and the discretely presented component unit as of September 30, 2017, 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, budgetary comparison information, the schedule of employer's share of net pension liability and the schedule of employer contributions 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 Boundary County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditure of federal awards 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 17, 2018 on my consideration of Boundary 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 Boundary County's internal control over financial reporting and compliance.

January 17, 2018

Leonard S. Schulte

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, 2017. 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 to the primary government of Boundary County with the Boundary County Ambulance District as a discretely presented component. None of the approximately 20 other taxing districts operating within its boundaries meet the standards for inclusion. 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 the operation of the Community Restorium.

Fiduciary Funds – The County holds funds in trust for other agencies and taxing districts. These assets are excluded 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 21-36.

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 37.

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	9/30/2017		9/30/2016	
	<u>Governmental Activities</u>	<u>Enterprise Activities</u>	<u>Governmental Activities</u>	<u>Enterprise Activities</u>
Current and other assets	\$7,556,510	\$424,917	\$7,073,640	\$343,493
Assets whose use is limited	1,034,038		972,060	
Capital assets	10,305,269	366,065	10,854,356	376,988
Total Assets	<u>18,895,817</u>	<u>790,982</u>	<u>18,900,056</u>	<u>720,481</u>
Deferred outflow of resources	383,892	58,022	1,285,989	193,778
Current liabilities	792,512	21,944	523,899	23,122
Long-term liabilities	3,402,168	272,739	4,220,177	350,002
Total Liabilities	<u>4,194,680</u>	<u>294,683</u>	<u>4,744,076</u>	<u>373,124</u>
Deferred inflows of resources	270,690	40,912	768,863	110,366
Net Position:				
Invested in capital assets, net of related debt	9,414,218	366,065	9,843,505	376,988
Restricted	1,034,038		972,060	
Unrestricted	4,366,083	147,344	3,857,541	53,781
Total Net Position	<u>\$14,814,339</u>	<u>\$513,409</u>	<u>\$14,673,106</u>	<u>\$430,769</u>

Governmental Activities

Total net position of the Governmental Activities of Boundary County is \$14,814,339 at September 30, 2017. Of this amount, \$9,414,218 is classified as investment in capital assets and \$1,034,038 is restricted for future land-fill closure costs. The remaining amount of \$4,366,083 is unrestricted. Total net position for the prior year was \$14,673,106 and the unrestricted amount was \$3,857,541.

Enterprise Activities

Net position at September 30, 2017 of the Business-type (Enterprise) Activities is \$513,409, of which \$366,065 is invested in capital assets and \$147,344 is unrestricted. Net position for the prior year was \$430,769, with the unrestricted balance of \$53,781.

Changes in Net Position	9/30/2017		9/30/2016	
	Governmental Activities	Enterprise Activities	Governmental Activities	Enterprise Activities
Program Revenues:				
Charges for Services	\$1,562,179	\$973,879	\$1,603,851	\$861,122
Grants & Contributions	2,615,520		3,407,685	971
General Revenues:				
Property taxes levied for General Purposes	4,716,135	260,397	4,548,742	347,968
Intergovernmental - Not Restricted	1,436,446	3,473	1,732,841	2,166
Interest and Investment Earnings	74,561		65,657	
Other	84,160		62,320	1,298
Total Revenues	<u>10,489,001</u>	<u>1,237,749</u>	<u>11,421,096</u>	<u>1,213,525</u>
Program Expenses:				
General government	2,584,952		2,578,513	
Public safety	3,759,136		3,602,834	
Streets	2,220,960		2,076,624	
Sanitation	913,251		874,761	
Health & welfare	486,569		433,816	
Recreation	265,564		232,200	
Education	82,646		102,361	
Interest on long-term debt	34,690		33,212	
Community Restorium		1,155,109		1,113,953
Total Expenses	<u>10,347,768</u>	<u>1,155,109</u>	<u>9,934,321</u>	<u>1,113,953</u>
Change in Net Position	<u>\$141,233</u>	<u>\$82,640</u>	<u>\$1,486,775</u>	<u>\$99,572</u>

Governmental Type Activities

Governmental Activities net position increased by \$141,233. A key element to the increase was the decrease in the PERSI net pension liability.

Business-type (Enterprise) Activities

Net Position of Business-type activities increased by \$82,640. The change is attributable to the increase in occupancy levels and rate adjustments. The property taxes for the operations of the Restorium decreased by \$87,571 even though the overall operating expenses for materials, supplies, food, and labor at the Restorium have increased.

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 \$8,074,818. The amount restricted to pay for future landfill closure and post-closure care costs is

\$1,034,038. 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 \$4,337,718. The remaining amount of \$2,703,062 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. The unassigned fund balance of the Current Expense Fund was \$2,703,062 at the end of the fiscal year. 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 96% of the total Current Expense Fund.

The fund balance of the Current Expense Fund increased \$817,597 during the current fiscal year. This increase in fund balance was due to additional excess revenues. Revenues increased by 10% and expenditures decreased by 10% compared to the previous year.

The Road and Bridge Fund, a major fund of the County, had a fund balance of \$1,304,046 at the end of the current fiscal year. This is a decrease of \$320,922 from the last fiscal year primarily due to the timing of road projects and a decrease in SRS funds from the federal government.

The Justice Fund, another major fund of the County, had a fund balance of \$1,589,340 at the end of the current fiscal year. This is an increase of \$92,156 from last fiscal year. This increase was a result of additional sales tax and increased property taxes.

The Solid Waste Fund is a major fund of the County and had an assigned fund balance of \$158,290 and restricted fund balance of \$1,034,038. Assigned fund balance increased \$62,235 and the restricted fund balance increased \$58,467. 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. The county is currently reviewing our future plan for solid waste disposal options, scales have been purchased to accurately record actual weighted volumes into the landfill.

Other non-major funds of the County had a fund balance at the end of the current fiscal year of \$1,286,042. This is a decrease of \$120,314 from the previous year. This decrease is a direct result of budgeted expenditures.

Capital Assets

At September 30, 2017, the County had \$10,305,269 invested in net capital assets for its governmental funds and \$366,065 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 3 on page 28 of this report.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Land	\$1,895,873	\$1,833,119	\$98,012	\$98,012	\$1,993,885	\$1,931,131
Buildings & Improvements	11,396,234	11,353,190	819,243	819,243	12,215,477	12,172,433
Assets not Depreciated	116,767	0	0	0	116,767	0
Machinery & Equip.	8,145,802	8,133,255	243,945	243,945	8,389,747	8,377,200
Total	\$21,554,676	\$21,319,564	\$1,161,200	\$1,161,200	\$22,715,876	\$22,480,764
Accum. Depreciation:	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Buildings & Improvements	\$5,186,477	\$4,750,889	\$587,946	\$578,507	\$5,774,423	\$5,329,396
Machinery & Equip.	6,062,930	5,714,319	207,189	205,705	6,270,119	5,920,024
Total	\$11,249,407	\$10,465,208	\$795,135	\$784,212	\$12,044,542	\$11,249,420

Capital Lease Obligations and Landfill Closure Long-Term Debt

Long-term liabilities for capital lease obligations and the estimated cost of landfill closure and post-closure care costs are detailed below. As of September 30, 2017, capital lease obligations were \$873,426, a decrease of \$117,141 to the prior year. The current maturities on capital lease obligations is \$550,010 compared to the prior current payable of \$347,209. An additional amount of \$323,416 is payable after one year. The net decrease of \$117,141 is the result of principal retired on existing debt. All lease obligations contain a non-appropriation clause. In addition, the estimated future liability for landfill closure and post-closure care costs at year-end was \$1,199,004, an increase of \$29,496 from the previous year. See Notes 16 to the financial statements on page 36.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Capital Leases	\$873,426	\$990,567	\$0	\$0	\$873,426	\$990,567
Landfill Closure	1,199,004	1,169,508			1,199,004	1,169,508
Total	\$2,072,430	\$2,160,075	\$0	\$0	\$2,072,430	\$2,160,075

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.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
Revenue						
Current Exp	\$2,211,922	\$2,559,162	\$347,240	\$1,811,675	\$2,353,064	\$541,389
Road & Bridge	2,395,808	1,711,729	-684,079	2,186,000	2,141,279	-44,721
Justice Fund	2,910,877	3,087,538	176,661	2,822,704	2,935,047	112,343
Solid Waste	815,225	858,218	42,993	781,300	827,449	46,149
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>2,017</u>	<u>2,017</u>	<u>2,017</u>	<u>2,016</u>	<u>2,016</u>	<u>2,016</u>
Expenditures						
Current Exp	\$3,546,043	\$1,877,742	\$1,668,301	\$2,833,366	\$2,074,892	\$758,474
Road & Bridge	3,439,651	1,896,476	1,543,175	2,335,000	1,784,231	550,769
Justice Fund	3,586,425	2,995,382	591,043	3,355,149	2,797,767	557,382
Solid Waste	886,550	858,475	28,075	891,135	840,337	50,798

Activity in our four major funds provided these ending results:

Current Expense Fund: The County budgeted to receive \$2,211,922 in various forms of revenue during the year. Actual revenues exceeded budget by \$347,240 with the major positive variance being in the fees charged for services in vehicle inspections, sales tax, PILT, grants and passports. Budgeted expenditures were in the amount of \$3,546,043 and actual expenditures were under that amount by \$1,668,301. 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 \$2,395,808 to fund operations during this fiscal year for the Road & Bridge fund. Actual revenue was under budget by \$684,079 primarily as a result of the reduction in federal funding in the form of SRS Funds. The County budgeted to expend \$3,439,651 in the Road & Bridge fund. Actual expenditures were \$1,543,175 less than budget as a result of projects that were anticipated, but were delayed until future years

Justice Fund: Revenues were over budget projections by \$176,661. This is a result of an increase in our sales tax and fees charged. For the year ending September 30, 2017, the County anticipated spending \$3,586,245 in efforts to provide public safety. Actual expenditures were under budget in the amount of \$591,043. Most of the unused budget authority was in the form of salaries and benefits, outside housing costs and capital.

Solid Waste: The actual fees for services and recycled materials were over budget projections by \$42,993. This was due to the county having to pay for a third party recycling costs associated with materials brought to the landfill. The County budgeted expenditures of \$886,550, with actual expenditures of \$858,475. The positive variance of \$28,075 was due to cost savings in wages, benefits and other expenditures.

Financial Highlights and Other Factors Affecting Future 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.

County Operations

- Boundary County has been awarded grants to purchase property for the approach to the airport's runway.
- 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 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.
- Annually, Boundary County funds an account to provide for the future anticipated needs of the solid waste landfill closure and post-closure care costs. As of September 30, 2017, the fund held cash in the landfill closure trust account in the amount of \$1,034,038.
- 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 which 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. Residents are charged a fee set by the Commissioners.
- 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.
- Boundary County is conducting a feasibility study for a sewer to service the 3 mile area of the county.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Boundary Ambulance District
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 7,195,469	\$ 405,042	\$ 7,600,511	129,478
Receivables, net of uncollectible	22,434	1,795	24,229	
Property taxes receivable, net	338,607	18,080	356,687	
Total Current Assets	<u>7,556,510</u>	<u>424,917</u>	<u>7,981,427</u>	<u>129,478</u>
Non-current Assets				
Capital assets, net of depreciation	8,292,629	268,053	8,560,682	-
Capital assets not being depreciated	2,012,640	98,012	2,110,652	-
Total Non-current Assets	<u>10,305,269</u>	<u>366,065</u>	<u>10,671,334</u>	<u>-</u>
Other Assets				
Assets whose use is limited	1,034,038	-	1,034,038	-
Total Other Assets	<u>1,034,038</u>	<u>-</u>	<u>1,034,038</u>	<u>-</u>
TOTAL ASSETS	<u>18,895,817</u>	<u>790,982</u>	<u>19,686,799</u>	<u>129,478</u>
Deferred Outflows of Resources	<u>383,892</u>	<u>58,022</u>	<u>441,914</u>	<u>-</u>
LIABILITIES				
Current Liabilities				
Accounts payable	114,994	9,784	124,778	-
Compensated absences	109,883	12,160	122,043	-
Accrued Interest	17,625	-	17,625	-
Current maturities, long-term debt	550,010	-	550,010	-
Total Current Liabilities	<u>792,512</u>	<u>21,944</u>	<u>814,456</u>	<u>-</u>
Non-current Liabilities				
Long-term debt, less current maturities	323,416	-	323,416	-
Net pension liability	1,804,531	272,739	2,077,270	-
Other post-employment benefits	75,217	-	75,217	-
Estimated landfill closure and post-closure care costs	1,199,004	-	1,199,004	-
Total Non-current Liabilities	<u>3,402,168</u>	<u>272,739</u>	<u>3,674,907</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,194,680</u>	<u>294,683</u>	<u>4,489,363</u>	<u>-</u>
Deferred Inflows of Resources	<u>270,690</u>	<u>40,912</u>	<u>311,602</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	9,414,218	366,065	9,780,283	-
Restricted for landfill closure	1,034,038	-	1,034,038	-
Unrestricted	4,366,083	147,344	4,513,427	129,478
TOTAL NET POSITION	<u>\$ 14,814,339</u>	<u>\$ 513,409</u>	<u>\$ 15,327,748</u>	<u>\$ 129,478</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the year ended September 30, 2017

Functions / Programs	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total	Component Unit Ambulance District
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government:								
Governmental Activities:								
General Government	\$ 2,584,952	\$ 232,242	\$ 478,598	\$ 179,521	\$ (1,694,591)	\$ -	\$ (1,694,591)	
Public Safety	3,759,136	260,472	318,693	49,325	(3,130,646)	-	(3,130,646)	
Roads & Bridges	2,220,960	151,608	1,559,440	-	(509,912)	-	(509,912)	
Sanitation	913,251	846,365	-	-	(66,886)	-	(66,886)	
Health & Welfare	486,569	38,963	-	-	(447,606)	-	(447,606)	
Recreation & Parks	265,564	32,529	29,943	-	(203,092)	-	(203,092)	
Education	82,646	-	-	-	(82,646)	-	(82,646)	
Interest on long-term debt	34,690	-	-	-	(34,690)	-	(34,690)	
Total Governmental Activities	<u>10,347,768</u>	<u>1,562,179</u>	<u>2,386,674</u>	<u>228,846</u>	<u>(6,170,069)</u>	<u>-</u>	<u>(6,170,069)</u>	
Business-type activities:								
Community Restorium	<u>1,155,109</u>	<u>973,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,230)</u>	<u>(181,230)</u>	
Total primary government	<u>\$ 11,502,877</u>	<u>\$ 2,536,058</u>	<u>\$ 2,386,674</u>	<u>\$ 228,846</u>	<u>(6,170,069)</u>	<u>(181,230)</u>	<u>(6,351,299)</u>	
Component Unit:								
Boundary Ambulance District	<u>\$ 339,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (339,580)</u>
General Revenues:								
Taxes:								
Property taxes levied for general purposes					4,716,135	260,397	4,976,532	381,319
Sales tax					795,283	2,135	797,418	-
Intergovernmental - not restricted					641,163	1,338	642,501	-
Interest and Investment earnings					74,561	-	74,561	-
Other					84,160	-	84,160	-
Total General Revenues					<u>6,311,302</u>	<u>263,870</u>	<u>6,575,172</u>	<u>381,319</u>
Change in net position					141,233	82,640	223,873	41,739
Net Position - Beginning					14,673,106	430,769	15,103,875	87,739
Net Position - Ending					<u>\$ 14,814,339</u>	<u>\$ 513,409</u>	<u>\$ 15,327,748</u>	<u>\$ 129,478</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	General Fund	Road & Bridge Fund	Justice Fund	Solid Waste	Other Non-major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,709,798	\$ 1,377,850	\$ 1,633,466	\$ 192,123	\$ 1,282,232	\$ 7,195,469
Receivables, net of uncollectible						
Property taxes	93,207	-	105,902	57,951	81,547	338,607
Other receivables	-	-	-	-	22,434	22,434
Assets whose use is limited:						
Restricted cash	-	-	-	1,034,038	-	1,034,038
Total Assets	<u>\$ 2,803,005</u>	<u>\$ 1,377,850</u>	<u>\$ 1,739,368</u>	<u>\$ 1,284,112</u>	<u>\$ 1,386,213</u>	<u>\$ 8,590,548</u>
LIABILITIES						
Accounts payable	\$ 7,274	\$ 46,681	\$ 7,380	\$ 34,861	\$ 18,798	\$ 114,994
Compensated absences	11,545	27,123	50,611	7,004	13,600	109,883
Total Liabilities	<u>18,819</u>	<u>73,804</u>	<u>57,991</u>	<u>41,865</u>	<u>32,398</u>	<u>224,877</u>
Deferred Inflows of Resources-						
Unavailable revenue - property tax	81,124	-	92,037	49,919	67,773	290,853
FUND BALANCE						
Restricted for Landfill closure	-	-	-	1,034,038	-	1,034,038
Restricted for grants					68,117	68,117
Assigned for general government	-	-	-	-	202,202	202,202
Assigned for roads and bridges	-	1,304,046	-	-	-	1,304,046
Assigned for public safety	-	-	1,589,340	-	331,412	1,920,752
Assigned for sanitation	-	-	-	158,290	-	158,290
Assigned for health & welfare	-	-	-	-	410,483	410,483
Assigned for recreation and parks	-	-	-	-	193,916	193,916
Assigned for education	-	-	-	-	79,912	79,912
Unassigned	2,703,062	-	-	-	-	2,703,062
Total Fund Balance	<u>2,703,062</u>	<u>1,304,046</u>	<u>1,589,340</u>	<u>1,192,328</u>	<u>1,286,042</u>	<u>8,074,818</u>
Total Liabilities and Fund Balance	<u>\$ 2,803,005</u>	<u>\$ 1,377,850</u>	<u>\$ 1,739,368</u>	<u>\$ 1,284,112</u>	<u>\$ 1,386,213</u>	<u>\$ 8,590,548</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, 2017**

Total fund balances - governmental funds **\$ 8,074,818**

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	\$ 21,554,676	
Accumulated depreciation is	<u>(11,249,407)</u>	10,305,269

Property taxes receivable not available soon enough after fiscal year-end to pay current period's expenditures, and therefore are unavailable in the funds.	290,853
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Deferred outflow of resources not recognized as current period expenditures	383,892
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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:

Accrued interest	(17,625)	
Capital lease payable	(873,426)	
Net Pension Liability	(1,804,531)	
Other post-employment benefits	(75,217)	
Landfill closure & post-closure care costs	<u>(1,199,004)</u>	(3,969,803)

Deferred Inflow of resources not recognized as current period revenues	<u>(270,690)</u>
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Total net position - governmental activities	<u><u>\$ 14,814,339</u></u>
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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, 2017

	General	Road & Bridge	Justice Fund	Solid Waste Fund	Other Non-Major Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 1,668,157	\$ -	\$ 1,775,240	\$ -	\$ 1,269,494	\$ 4,712,891
Fees & other non-tax revenues	193,023	146,471	195,438	841,490	156,822	1,533,244
Grants and receipts from other governments	640,268	1,559,365	1,069,691	-	789,136	4,058,460
Other	57,714	5,893	47,169	16,728	48,784	176,288
Total Revenues	2,559,162	1,711,729	3,087,538	858,218	2,264,236	10,480,883
EXPENDITURES:						
Current:						
General Government	1,742,866	-	-	-	564,929	2,307,795
Public Safety	83,628	-	2,867,260	-	669,008	3,619,896
Roads & Bridges	-	1,794,310	-	-	-	1,794,310
Sanitation	-	-	-	753,686	-	753,686
Health & Welfare	-	-	-	-	487,879	487,879
Recreation & Parks	-	-	-	-	237,030	237,030
Education	-	-	-	-	82,646	82,646
Capital Outlay	51,248	1,427	128,122	54,504	339,591	574,892
Debt Service Principal	-	77,354	-	38,034	12,752	128,140
Debt Service Interest	-	23,385	-	12,251	1,713	37,349
Total Expenditures	1,877,742	1,896,476	2,995,382	858,475	2,395,548	10,023,623
Excess (Deficiency) of Revenues over Expenditures	681,420	(184,747)	92,156	(257)	(131,312)	457,260
OTHER FINANCING SOURCES:						
Capital Lease Financing					11,000	11,000
Operating Transfers In (Out)	136,177	(136,175)			(2)	-
Net change in Fund Balance	817,597	(320,922)	92,156	(257)	(120,314)	468,260
Beginning of Year	1,885,465	1,624,968	1,497,184	1,192,585	1,406,356	7,606,558
FUND BALANCE, End of Year	\$ 2,703,062	\$ 1,304,046	\$ 1,589,340	\$ 1,192,328	\$ 1,286,042	\$ 8,074,818

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, 2017

Total net change in fund balances - governmental funds	\$ 468,260
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	(\$1,015,223)
Capitalized expenditures	<u>466,136</u>
	(549,087)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	128,140
Proceeds of capital leases are an other financing source in the governmental funds but are an increase in long-term debt in the statement of net position	(11,000)
Increase in landfill closure and post-closure care costs is only reflected as expense on the statement of net activities.	(29,496)
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.	8,120
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.	2,659
The cost of PERSI and OPEB retirement benefits in the Statement of Activities differs from the amount reported in the governmental funds because these costs are recognized as an expenditure in the governmental funds when the use of current financial resources is required. In the Statement Activities however, the PERSI and OPEB obligation is recognized based on the actuarial valuation, regardless of when paid. The accrual increased by this amount this year.	123,637
Change in net position of governmental funds	<u>\$ 141,233</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2017

	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,181	\$ 331,602
Taxes Receivable		364,057
Total Assets	<u>\$ 3,181</u>	<u>\$ 695,659</u>
LIABILITIES		
Accounts Payable	-	\$ 695,659
Total Liabilities	<u>-</u>	<u>\$ 695,659</u>
NET POSITION		
Held in Trust	<u>\$ 3,181</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended September 30, 2017

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Donations	\$ 555
Interest	14
Total Additions	<u>569</u>
REDEDUCTIONS:	
Expenditure - None	-
Total Deductions	<u>0</u>
Increase in Net Position	569
Net Position - beginning of year	2,612
Net Position - end of year	<u>\$ 3,181</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities	
	Community Restorium	Total
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 405,042	\$ 405,042
Receivables, net of uncollectible	1,795	1,795
Property taxes receivable, net	18,080	18,080
Total Current Assets	<u>424,917</u>	<u>424,917</u>
Non-current Assets		
Capital assets:		
Land	98,012	98,012
Buildings and Improvements	819,243	819,243
Machinery and Equipment	243,945	243,945
Less accumulated depreciation	<u>(795,135)</u>	<u>(795,135)</u>
Total Non-current Assets	<u>366,065</u>	<u>366,065</u>
TOTAL ASSETS	<u>790,982</u>	<u>790,982</u>
Deferred Outflows of Resources	<u>58,022</u>	<u>58,022</u>
LIABILITIES		
Current Liabilities		
Accounts payable	9,784	9,784
Compensated absences	12,160	12,160
Total Current Liabilities	<u>21,944</u>	<u>21,944</u>
Long-term Liabilities		
Net pension liability	<u>272,739</u>	<u>272,739</u>
TOTAL LIABILITIES	<u>294,683</u>	<u>294,683</u>
Deferred Inflows of Resources	<u>40,912</u>	<u>40,912</u>
NET POSITION		
Invested in capital assets, net of related debt	366,065	366,065
Unrestricted	<u>147,344</u>	<u>147,344</u>
TOTAL NET POSITION	<u>\$ 513,409</u>	<u>\$ 513,409</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, 2017

	Business-type Activities	
	Community Restorium	Total
OPERATING REVENUES		
Charges and fees, net	\$ 971,334	\$ 971,334
Other	2,545	2,545
Total Revenue	<u>973,879</u>	<u>973,879</u>
OPERATING EXPENSES		
Personal services	591,906	591,906
Materials and supplies	91,892	91,892
Heat, lights and power	35,323	35,323
Benefit payments	359,330	359,330
Repairs & maintenance	45,860	45,860
Other (dues, training, rents, etc.)	19,875	19,875
Depreciation	10,923	10,923
Total Expenses	<u>1,155,109</u>	<u>1,155,109</u>
Loss from Operations	<u>(181,230)</u>	<u>(181,230)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	260,397	260,397
Intergovernmental revenue	3,473	3,473
Total non-operating revenues & expense	<u>263,870</u>	<u>263,870</u>
Revenue over (under) expenses	82,640	82,640
NET POSITION		
Beginning of year	430,769	430,769
NET POSITION		
End of year	<u>\$ 513,409</u>	<u>\$ 513,409</u>

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, 2017

	Business-type Activities	
	Community Restorium	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 975,477	\$ 975,477
Cash received from other revenue	2,545	2,545
Cash paid for salaries and benefits	(960,802)	(960,802)
Cash paid for supplies, professional fees & other	(195,523)	(195,523)
Net Cash Used by Operating Activities	<u>(178,303)</u>	<u>(178,303)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
County taxes received	264,175	264,175
Receipts from other governments	3,473	3,473
Net Cash Provided by Non-Capital Financing	<u>267,648</u>	<u>267,648</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for additions to fixed assets	-	-
Net Cash Used in Capital & Related Financing	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	89,345	89,345
CASH AT BEGINNING OF YEAR	315,697	315,697
CASH AT END OF YEAR	<u>\$ 405,042</u>	<u>\$ 405,042</u>

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

(Loss) from Operations	\$ (181,230)	\$ (181,230)
Depreciation	10,923	10,923
(Increase) decrease in accounts receivable	4,143	4,143
Increase (decrease) in accts. payable	(2,573)	(2,573)
Increase (decrease) in accrued expenses	(9,566)	(9,566)
Net Cash Used by Operating Activities	<u>\$ (178,303)</u>	<u>\$ (178,303)</u>

The accompanying notes are an integral part of this statement.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Component Unit

In conformity with generally accepted accounting principles, the basic financial statements of the Boundary County Ambulance District have been included in the financial reporting entity as a discretely presented component unit, emphasizing its nature as a legally separate entity from the County. The component unit is presented as a separate column within the "basic" financial statements on the combined statements.

The Boundary County Ambulance District is included as a component unit because Boundary County Commissioners act as the governing board of the Ambulance District and maintain financial accountability.

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 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.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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.

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 Boundary 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, 2017

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.

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.

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
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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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until that time. In the government-wide statements, deferred outflows relate to the accounting for the net pension obligation in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

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 governmental 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. In the government-wide statements, deferred inflows relate to the accounting for the net pension obligation in accordance with GASB 68 Accounting and Financial Reporting for Pensions.

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.

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.

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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 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.

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 increased by \$5,565 during the year ended September 30, 2017.

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.

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.

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.

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.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
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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.

- Restricted fund balance reflects the portion of fund balance where limitations have been imposed by creditors, grantors, contributors or laws and regulations of other governments or limitations have been imposed by law through constitutional provisions or enabling legislation.
- 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.

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.

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.

Pensions

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

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS

At September 30, 2016, the County's cash on hand was \$250. The carrying amount of cash and deposits including proprietary and fiduciary funds was \$8,969,331 and the bank balance was \$9,542,841. The difference represents deposits in transit and outstanding warrants. The County has experienced a market loss of \$12,240 based on market value compared to original cost at year-end. Since the intent of management is to hold the securities to maturity, the loss has not been recorded.

The County's bank balances including fiduciary funds at September 30, 2017 consisted of the following:

Carrying value:

Cash and cash equivalents	\$7,195,469
Assets limited as to use	1,034,038
Proprietary funds cash & cash equivalents	405,042
Fiduciary funds cash & cash equivalents	334,783
	<u>\$8,969,332</u>
Bank value of Deposits	\$9,542,841
Uninsured and Uncollateralized Deposits	\$0
Uninsured Deposits Collateralized with Securities	
Held by the Pledging Financial Institution	\$8,311,056
Insured Deposits	\$1,231,785

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, 2017

NOTE 3 – CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2017 was as follows:

	Balance			Balance
	<u>09/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/17</u>
Governmental Capital Assets:				
Land	\$1,833,119	\$62,754	\$0	\$1,895,873
Buildings, Improvements & Infrastructure	11,353,190	74,610	(31,566)	11,396,234
Assets not being depreciated	0	116,767	0	116,767
Machinery & Equipment	8,133,255	212,005	(199,458)	8,145,802
Total	<u>\$21,319,564</u>	<u>\$466,136</u>	<u>(\$231,024)</u>	<u>\$21,554,676</u>

	Balance			Balance
	<u>09/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/17</u>
Accumulated Depreciation:				
Buildings, Improvements & Infrastructure	\$4,750,889	\$467,154	(\$31,566)	\$5,186,477
Machinery & Equipment	5,714,319	548,069	(199,458)	6,062,930
Total	<u>\$10,465,208</u>	<u>\$1,015,223</u>	<u>(\$231,024)</u>	<u>\$11,249,407</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$285,055
Public Safety	155,093
Streets	450,859
Sanitation	95,143
Parks	29,073
Total Depreciation Expense	<u>\$1,015,223</u>

Business-type capital asset activity for the year ended September 30, 2017 was as follows:

	Balance			Balance
	<u>9/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2017</u>
Business-type Capital Assets:				
Land	\$98,012	\$0	\$0	\$98,012
Buildings & Improvements	819,243	0	0	819,243
Machinery & Equipment	243,945	0	0	243,945
Total	<u>\$1,161,200</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,161,200</u>

	Balance			Balance
	<u>9/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2017</u>
Accumulated Depreciation:				
Buildings & Improvements	\$578,507	\$9,439	\$0	\$587,946
Machinery & Equipment	205,705	1,484	0	207,189
Total	<u>\$784,212</u>	<u>\$10,923</u>	<u>\$0</u>	<u>\$795,135</u>

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - LONG-TERM DEBT

All long-term debt is from governmental activities.

At September 30, 2017, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net Pension Liability	\$2,338,265		(\$530,775)	\$1,807,490	\$0
Capital Leases	990,567	11,000	(128,141)	873,426	550,010
Landfill Closure	1,169,508	29,496	0	1,199,004	0
Other Post-Employment Benefits	69,046	6,171	0	75,217	0
Governmental Activity Long-term Debt	\$4,567,386	\$46,667	(\$658,916)	\$3,955,137	\$550,010
Business-Type Activities:					
Net Pension Liability	\$350,002	\$0	(\$80,222)	\$269,780	\$0

NOTE 5 - 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 \$2,028,649 are recorded under capital leases, which carry interest rates of 2.86% 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, 2017 are:

	<u>Principal</u>	<u>Interest</u>	<u>Sinking fund Requirement</u>
September 30, 2018	\$550,010	\$26,673	\$576,683
September 30, 2019	91,611	10,032	101,643
September 30, 2020	109,731	7,150	116,881
September 30, 2021	66,465	3,717	70,182
September 30, 2022	55,609	1,674	57,283
September 30, 2023	0	0	0
	\$873,426	\$49,246	\$922,672

NOTE 6 – 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.

BOUNDARY COUNTY, IDAHO
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NOTE 7 – PENSION PLAN

Plan Description

The County contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and the highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% police and firefighters. The County's employer contributions were \$464,650, \$439,039 and \$420,193 for the years ended June 30, 2017, 2016 and 2015, respectively.

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

At September 30, 2017, the County reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions in the Base Plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, Boundary County's proportion was .001321563 percent.

For the year ended September 30, 2017, the County recognized pension expense of \$463,598. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BOUNDARY COUNTY, IDAHO
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$287,767	\$187,145
Changes in assumptions or other inputs	38,415	
Net difference between projected and actual earnings on pension plan investments		124,457
County's contributions subsequent to the measurement date	115,732	
TOTAL	<u>\$441,914</u>	<u>\$311,602</u>

\$115,732 reported as deferred outflows of resources related to pensions resulting from County contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016 the beginning of the measurement period ended June 30, 2017 is 4.9 years and 5.5 years for the measurement period June 30, 2016.

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

Year ended

06/30/18	(\$112,928)
06/30/19	195,160
06/30/20	55,376
06/30/21	(123,029)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

**BOUNDARY COUNTY, IDAHO
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An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
	Expected	Expected	Expected	
Total Fund	Return	Inflation	Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses	7.10%

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Disc. Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$4,828,003	\$2,077,270	(\$208,662)
	\$4,828,003	\$2,077,270	(\$208,662)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payable to the Pension Plan

At year end all County legally required employer contributions and employee withheld contributions were paid.

NOTE 8 - 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.

NOTE 9 - 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 10 – OTHER POST- EMPLOYMENT BENEFITS

Plan Description. Boundary County's Post-Retirement Healthcare Plan is administered by the Government Employee Retirement Plan (GemPlan). GemPlan provides medical, dental, and vision coverage for eligible retirees and eligible dependents. Eligible retirees include employees who are age 55 or older and have completed 20 years of continuous service with Boundary County or is an elected official who has completed 5 years of continuous service with Boundary County. Early retirees are eligible for coverage until the early retiree is eligible for Medicare.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Funding Policy. The County had not established a fund to supplement the costs for the OPEB obligation. The required contribution is made on a pay-as-you-go basis. Retirees are required to pay COBRA premium rates.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on a closed basis. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. All County funds contribute to liquidating the obligation.

Annual required contribution	\$18,406
Interest on net OPEB obligation	2,417
Adjustment to annual required contribution	(3,690)
Annual OPEB cost (expense)	17,133
Estimated employer contributions	(10,962)
Increase in net OPEB obligation	6,171
Net OPEB obligation, September 30, 2016	69,046
Net OPEB obligation, September 30, 2017	\$75,217

The three year disclosure of Boundary County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is shown in the table below:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Expense (AOE)</u>	<u>Estimated Contribution as a Percentage of AOE</u>	<u>Net OPEB Obligation at End of Year</u>
September 30, 2015	\$13,217	55%	\$59,445
September 30, 2016	\$17,310	44.5%	\$69,046
September 30, 2017	\$18,406	42%	\$75,217

Funded Status and Funding Progress. As of October 1, 2015, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability (AAL) for benefits was \$148,652 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$148,652. The covered payroll (annual payroll of active employees covered by the plan) was \$3,427,406 and the ratio of the UAAL to the covered payroll was 4.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projection of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

In the actuarial valuation of October 1, 2015, the most recent available, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions include a 3.5% investment rate of return and the County will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 50% of eligible retirees will actually participate in the future retiree medical benefit and 25% of their dependents will participate in the plan. Health care cost trend rates for medical is 7.25% for the current year grading to 5% over the next 10 years. The UAAL is amortized as a level percentage of the projected payrolls over a 30-year period on a closed basis. No payroll or post-retirement benefit increases were assumed.

A separate report may be obtained through written request to the GemPlan, 1575 Baldy Ave, Pocatello, Idaho 83201 or by calling (208) 237-9696.

NOTE 11 - 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 appropriable 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 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 17, 2018, the date the financial statements were available to be issued. Management has concluded that there are no subsequent events that justify disclosure.

NOTE 13 - 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 14 - 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.

BOUNDARY COUNTY, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 15 - 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 16 - 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 \$1,199,004 that is based on 62% usage (filled) of the landfill. It is estimated that an additional \$709,254 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 \$1,908,258 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, 2017. 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, 2017 the fund held cash and other assets in the amount of \$1,034,038. The County expended \$4,750 of the funds in 2017. The cash is restricted as to use only for landfill closure and post-closure costs.

NOTE 17 – 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, 2017 is presented below:

Operating revenues	\$973,879
(Loss) from operations	(181,230)
Non-operating income	263,870
Changes in net assets	82,640
Net working capital	402,973
Total assets	790,982
Total current liabilities	21,944
Beginning net position	430,769
Ending net position	513,409
Cash (used) by operating activities	(178,303)
Cash provided by non-capital financing	267,648
Cash Used in Capital & Related Financing	0
Beginning cash and cash equivalents	315,697
Ending cash and cash equivalents	405,042

OTHER FINANCIAL INFORMATION

BOUNDARY COUNTY, IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - GENERAL FUND
For the year ended September 30, 2017

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Taxes	\$ 1,638,428	\$ 1,638,428	\$ 1,668,157	\$ 29,729
Fees & other non-tax revenues	145,565	145,565	193,023	47,458
Grants and receipts from other gov'ts	238,243	239,037	640,268	401,231
Other	188,892	188,892	57,714	(131,178)
Total Revenues	<u>2,211,128</u>	<u>2,211,922</u>	<u>2,559,162</u>	<u>347,240</u>
EXPENDITURES:				
Current::				
General government:				
Salaries	799,700	799,700	744,217	55,483
Benefits	540,770	540,770	455,651	85,119
Other	1,203,192	1,203,984	542,998	660,986
Public safety:				
Salaries	56,139	56,139	45,950	10,189
Benefits	36,650	36,650	20,539	16,111
Other	33,600	33,600	17,139	16,461
Capital Outlay	875,200	875,200	51,248	823,952
Debt Service	-	-	-	-
Total Expenditures	<u>3,545,251</u>	<u>3,546,043</u>	<u>1,877,742</u>	<u>1,668,301</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(1,334,123)</u>	<u>(1,334,121)</u>	<u>681,420</u>	<u>2,015,541</u>
TOTAL CHANGE IN FUND BALANCE	(1,334,123)	(1,334,121)	681,420	2,015,541
Operating Transfer In (Out)	-	-	136,177	136,177
FUND BALANCE - Beginning of year	<u>1,334,123</u>	<u>1,334,121</u>	<u>1,885,465</u>	<u>551,344</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,703,062</u>	<u>\$ 2,703,062</u>

BOUNDARY COUNTY , IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - ROAD & BRIDGE FUND
For the year ended September 30, 2017

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Fees & other non-tax revenues	\$ 235,000	\$ 271,010	\$ 146,471	\$ (124,539)
Grants and receipts from other gov'ts	2,124,798	2,124,798	1,559,365	(565,433)
Other	-	-	5,893	5,893
Total Revenues	<u>2,359,798</u>	<u>2,395,808</u>	<u>1,711,729</u>	<u>(684,079)</u>
EXPENDITURES:				
Current:				
Roads & Bridges:				
Salaries	690,110	690,110	675,994	14,116
Benefits	500,100	500,100	475,797	24,303
Other	1,887,931	1,923,941	642,519	1,281,422
Capital Outlay	325,500	325,500	1,427	324,073
Debt Service	-	-	100,739	(100,739)
Total Expenditures	<u>3,403,641</u>	<u>3,439,651</u>	<u>1,896,476</u>	<u>1,543,175</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(1,043,843)</u>	<u>(1,043,843)</u>	<u>(184,747)</u>	<u>859,096</u>
TOTAL CHANGE IN FUND BALANCE	(1,043,843)	(1,043,843)	(184,747)	859,096
Operating Transfers In (out)	-	-	(136,175)	(136,175)
FUND BALANCE - Beginning of year	<u>1,043,843</u>	<u>1,043,843</u>	<u>1,624,968</u>	<u>581,125</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,304,046</u>	<u>\$ 1,304,046</u>

**BOUNDARY COUNTY, IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - JUSTICE FUND
For the year ended September 30, 2017**

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Taxes	\$ 1,733,093	\$ 1,733,093	\$ 1,775,240	\$ 42,147
Fees & other non-tax revenues	178,000	178,000	195,438	17,438
Grants and receipts from other gov'ts	948,104	954,784	1,069,691	114,907
Other	45,000	45,000	47,169	2,169
Total Revenues	<u>2,904,197</u>	<u>2,910,877</u>	<u>3,087,538</u>	<u>176,661</u>
EXPENDITURES:				
Current::				
Public safety:				
Salaries	1,475,365	1,475,365	1,387,173	88,192
Benefits	1,051,300	1,051,300	954,821	96,479
Other	863,580	863,580	525,266	338,314
Capital Outlay	189,500	196,180	128,122	68,058
Total Expenditures	<u>3,579,745</u>	<u>3,586,425</u>	<u>2,995,382</u>	<u>591,043</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(675,548)	(675,548)	92,156	767,704
FUND BALANCE - Beginning of year	<u>675,548</u>	<u>675,548</u>	<u>1,497,184</u>	<u>821,636</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,589,340</u>	<u>\$ 1,589,340</u>

BOUNDARY COUNTY , IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE - SOLID WASTE FUND
For the year ended September 30, 2017

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Fees & other non-tax revenues	\$ 815,225	\$ 815,225	\$ 841,490	\$ 26,265
Other	-	-	16,728	16,728
Total Revenues	<u>815,225</u>	<u>815,225</u>	<u>858,218</u>	<u>42,993</u>
EXPENDITURES:				
Current:				
Sanitation:				
Salaries	352,000	352,000	327,952	24,048
Benefits	232,500	232,500	213,486	19,014
Other	231,050	231,050	212,248	18,802
Capital Outlay	71,000	71,000	54,504	16,496
Debt Service	-	-	50,285	(50,285)
Total Expenditures	<u>886,550</u>	<u>886,550</u>	<u>858,475</u>	<u>28,075</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(71,325)	(71,325)	(257)	71,068
FUND BALANCE - Beginning of year	<u>71,325</u>	<u>71,325</u>	<u>1,192,585</u>	<u>1,121,260</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,192,328</u>	<u>\$ 1,192,328</u>

BOUNDARY COUNTY

**Schedule of Employer's Share of Net Pension Liability
 PERSI – Base Plan
 Last 10 – Fiscal Years ***

	2017	2016	2015
District's portion of the net pension liability	0.001321563	0.001326129	0.001325237
District's proportionate share of the net pension liability	\$2,077,270	\$2,688,267	\$1,745,122
District's covered-employee payroll	\$4,082,019	\$3,869,827	\$3,691,376
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	50.89%	69.47%	47.28%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%

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

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

**Schedule of Employer Contributions
 PERSI – Base Plan
 Last 10 – Fiscal Years ***

	2017	2016	2015
Statutorily required contribution	\$468,773	\$448,376	\$419,279
Contributions in relation to the statutorily required contribution	\$468,773	\$448,376	\$419,279
Contribution deficiency (excess)	\$0	\$0	\$0
District's covered-employee payroll	\$4,118,441	\$3,939,320	\$3,683,229
Contributions as a percentage of covered-employee payroll	11.38%	11.38%	11.38%

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

Data is reported as of September 30 (measurement data).

ADDITIONAL AUDITOR'S REPORTS AND SCHEDULES

Leonard S. Schulte

Certified Public Accountant

P.O. Box 266 Bonners Ferry, ID 83805

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 *OMB 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Boundary 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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'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, 2017.

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 the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leonard S. Schulte

Leonard Schulte
January 17, 2018

Leonard S. Schulte

Certified Public Accountant

P.O. Box 266 Bonners Ferry, ID 83805

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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, 2017; and the notes to the financial statements, which collectively comprise the County's basic financial statements and have issued my report thereon dated January 17, 2018.

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.

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 Boundary 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 17, 2018

Leonard S. Schulte

Leonard Schulte

BOUNDARY COUNTY, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2017

FEDERAL GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-through Grantors Number	Disbursements/ Expenditures
<u>U.S. Dept. of Interior</u>			
Direct Assistance:			
Payment in Lieu of Taxes	15.226	none	524,047
National Wildlife Refuge Fund	15.659	none	9,469
<u>U.S. Dept. of Agriculture</u>			
Passed through State of Idaho:			
Schools & Roads Grants to State	10.665	none	226,924
Cooperative Forestry Assistance	10.664	14-DG-11010000-013	92,412
Cooperative Forestry Assistance	10.664	15-DG-11010000-013	48,874
<u>U.S. Dept. of Homeland Security</u>			
Passed through the State of Idaho:			
Homeland Security Grant Program	97.067	EMW2015SS00091	33,764
Homeland Security Grant Program	97.067	EMW2016SS00028	24,168
Emergency Management Performance Grants	97.042	EMS2016EP00004S01	13,632
Boating Safety Financial Assistance	97.012	14.01.16	4,300
<u>U.S. Dept. of Health & Human Services</u>			
Passed through the State of Idaho:			
Epidemiology & Laboratory Capacity for Infectious Diseases	93.323	6U50CK000424-03	3,936
<u>U.S. Dept. of Transportation</u>			
Direct Assistance:			
Airport Improvement Program	20.106	AIP 3-16-0004-014-2016	92,680
Airport Improvement Program	21.106	AIP 3-16-0004-015-2017	86,841
Total Federal Financial Assistance			\$ 1,161,047

BOUNDARY COUNTY, IDAHO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2017

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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 \$750,000.

3. Programs Tested

In accordance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Boundary County met the criteria of a low-risk auditee

U.S. Department of Interior:

Direct assistance

Payment in Lieu of Taxes

CFDA # 15.226

4. Amount Provided to Sub-recipient

Boundary County School District No. 101 was provided \$68,077 as a sub-recipient of the Secure Payments to States and Counties Containing Federal Lands CFDA #10.665 program.

5. Indirect Cost

Boundary County did not elect to use the 10% de minimis indirect cost rate.

**BOUNDARY COUNTY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2017**

Section I Summary of Auditors Results

Financial Statements

Type of auditor's report issued:	Unmodified
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?	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with the Uniform Guidance Title 2 CFR 200	No
Identification of major programs included:	
U.S. Dept. of Interior	
Payment in Lieu of Taxes	CFDA # 15.226
Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Auditee qualified as low-risk auditee?	Yes

**BOUNDARY COUNTY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2017**

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