

**BOUNDARY COUNTY, IDAHO**  
Bonners Ferry, Idaho

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

**September 30, 2015**

**BOUNDARY COUNTY**

**BONNERS FERRY, IDAHO**

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### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Boundary County  
Bonners Ferry, Idaho 83805

#### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Boundary County, Idaho, (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

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

#### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2015, 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.

### **Change in Accounting Principle**

As discussed in Notes 1 and 6 to the financial statements, the County has adopted the provision GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position at September 30, 2014. My opinions are not modified with respect to this matter.

### **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 the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 December 30, 2015 on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

December 30, 2015

*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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the accompanying notes, which are a part of this financial report.

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

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

## **Statement of Net Position and the Statement of Activities**

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

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

## **Overview of Boundary County's Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish between functions of the County that are principally supported by taxes and intergovernmental revenues (Governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government and administration, public safety, streets, sanitation, health and welfare, parks and recreation, and education. The business-type activities are the Restorium. The government-wide financial statement can be found on pages 11 & 12 of this report.

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

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

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

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

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

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

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

**Notes to Financial Statements.** For an overview of Boundary County and its operations, one should refer to the *Notes*, which are an integral part of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-35.

**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 36.

### **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**

	<b>9/30/2015</b>		<b>9/30/2014</b>	
	Governmental Activities	Enterprise Activities	Governmental Activities	Enterprise Activities
Current and other assets	\$6,022,579	\$227,531	\$5,458,647	\$194,295
Assets whose use is limited	975,571		912,663	
Capital assets	10,338,107	384,968	10,973,493	400,218
<b>Total Assets</b>	<b>17,336,257</b>	<b>612,499</b>	<b>17,344,803</b>	<b>594,513</b>
Deferred outflow of resources	706,209	103,292	0	0
Current liabilities	220,808	18,287	298,203	17,618
Long-term liabilities	3,653,328	222,677	2,103,760	
<b>Total Liabilities</b>	<b>3,874,136</b>	<b>240,964</b>	<b>2,401,963</b>	<b>17,618</b>
Deferred inflows of resources	981,999	143,630	0	0
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	9,234,206	384,968	9,855,942	400,218
Restricted	975,571		912,663	
Unrestricted	2,976,554	(53,771)	4,174,235	176,677
<b>Total Net Position</b>	<b>\$13,186,331</b>	<b>\$331,197</b>	<b>\$14,942,840</b>	<b>\$576,895</b>

**Governmental Type Activities** - Governmental Activities net position decreased by \$1,756,509, primarily due to implementation of GASB No. 68 restating prior years for the net pension liability (see notes 1 and 6).

**Changes in Net Position**

	<b>9/30/2015</b>		<b>9/30/2014</b>	
	Governmental Activities	Enterprise Activities	Governmental Activities	Enterprise Activities
<b>Program Revenues:</b>				
Charges for Services	\$1,526,853	\$703,389	\$1,508,084	\$643,044
Grants & Contributions	2,298,630		2,791,662	3,691
<b>General Revenues:</b>				
Property taxes levied for General Purposes	4,422,366	332,850	4,245,672	395,904
Intergovernmental - Not Restricted	1,447,452	3,466	1,418,407	10,793
Interest and Investment Earnings	46,607		47,424	
Other	79,313		63,787	
<b>Total Revenues</b>	<b>9,821,221</b>	<b>1,039,705</b>	<b>10,075,036</b>	<b>1,053,432</b>
<b>Program Expenses:</b>				
General government	2,540,782		2,375,636	
Public safety	3,251,653		3,311,017	
Streets	2,184,874		2,145,273	
Sanitation	866,952		785,252	
Health & welfare	565,375		549,962	
Recreation	240,886		216,087	
Education	91,588		70,725	
Interest on long-term debt	37,385		38,189	
Unallocated PERSI expense and change in NPL	(86,370)			
Community restorium		1,009,755		994,871
<b>Total Expenses</b>	<b>9,693,125</b>	<b>1,009,755</b>	<b>9,492,141</b>	<b>994,871</b>
<b>Change in Net Position</b>	<b>\$128,096</b>	<b>\$29,950</b>	<b>\$582,895</b>	<b>\$58,561</b>

***Business-type (Enterprise) Activities.*** Net Position of Business-type activities increased by \$29,950. The change is attributable to the increase in room rates, to be reflective of similar business rates in the community. The property taxes for the operations of the Restorium decreased and the overall operating expenses for materials, supplies, food, and labor at the Restorium 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 \$6,598,167. The amount restricted to pay for future landfill closure and post-closure care costs is \$975,571. 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 \$4,015,303. The remaining amount of \$1,607,293 represents the unassigned fund balance. Unassigned fund balance is the residual classification in the County's general fund.

The Current Expense Fund (General Fund) is the chief operating fund of Boundary County. At the end of fiscal year, unassigned fund balance of the Current Expense Fund was \$1,607,293. 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 90% of total Current Expense Fund expenditures.

The fund balance of the Current Expense Fund increased \$490,798 during the current fiscal year. This increase in fund balance was due to additional revenues. Revenues increased by 20% and expenditures increased by 3% compared to the previous year.

The Road and Bridge Fund, a major fund of the County, had a fund balance of \$1,267,920 at the end of the current fiscal year. This is a decrease of \$34,232 from the last fiscal year primarily due to the timing of road projects and a decrease of federal programs primarily related to the Secure Rural Schools funding.

The Justice Fund, another major fund of the County, had a fund balance of \$1,354,904 at the end of the current fiscal year. This is an increase of \$191,370 from last fiscal year. This increase was a result of reallocation of sales tax and increased property taxes.

The Solid Waste Fund is a major fund of the County and had an assigned fund balance of \$1,205,473 and restricted fund balance of \$975,571. Assigned fund balance decreased \$6,913 and the restricted fund balance increased \$62,908. 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.

Other non-major funds of the County had a fund balance at the end of the current fiscal year of \$1,162,577. This is an increase of \$73,066 from the previous year. This increase is a direct result of budgeted expenditures not being expended.

**Capital Assets**

At September 30, 2015, the County had \$10,338,107 invested in net capital assets for its governmental funds and \$384,968 in business-type activity funds. This investment includes land, buildings, building contents, park facilities, road and bridge equipment, sheriff and jail equipment, airports, and mobile equipment. Additional information on capital assets can be found in Note C on page 28 of this report.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Land	\$1,222,668	\$1,222,668	\$98,012	\$98,012	\$1,320,680	\$1,320,680
Buildings & Improvements	10,862,930	10,825,464	819,243	808,643	11,682,173	11,634,107
Assets not Depreciated	46,373	0	0	0	46,373	0
Machinery & Equip.	7,735,129	7,720,114	240,350	220,350	7,975,479	7,940,464
<b>Total</b>	<b>\$19,867,100</b>	<b>\$19,768,246</b>	<b>\$1,157,605</b>	<b>\$1,127,005</b>	<b>\$21,024,705</b>	<b>\$20,895,251</b>
Accum. Depreciation:	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Buildings & Improvements	\$4,299,068	\$3,855,318	\$549,029	\$549,029	\$4,848,097	\$4,404,347
Machinery & Equip.	5,229,925	4,939,435	223,608	177,758	5,453,533	5,117,193
<b>Total</b>	<b>\$9,528,993</b>	<b>\$8,794,753</b>	<b>\$772,637</b>	<b>\$726,787</b>	<b>\$10,301,630</b>	<b>\$9,521,540</b>

**Long Term Debt**

Our long-term liabilities are comprised of capital lease obligations and the estimated cost of landfill closure and post-closure care costs. As of September 30, 2015, our *Government -Wide Statement of Net Position* reflects the current maturities of long-term debt in the amount of \$91,084 compared to the prior current payable of \$108,815. An additional amount of \$990,567 is payable after one year, compared to the prior year of \$987,963. The net decrease in the amount of \$15,127 is the result of \$119,677 principal retired on existing debt and new lease obligations for road & bridge equipment in the amount of \$104,550. All lease obligations contain a non-appropriation clause. In addition, the estimated future liability for landfill closure and post closure care costs at 9-30-15 was \$1,140,316, an increase of \$24,519 from the previous year. See Notes 17 to the financial statements on page 35.

Capital leases outstanding:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Capital Leases	\$1,081,651	\$1,096,778	\$0	\$0	\$1,081,651	\$1,096,778

**Budget Variations**

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

**Activity in our four major funds provided these ending results:**

*Current Expense Fund:* The County budgeted to receive \$1,832,145 in various forms of revenue during the year. Actual revenues exceeded budget by \$448,374 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 \$2,429,039 and actual expenditures were under that amount by \$639,318. The savings were due to decreases in general expenditures, delayed or canceled capital improvements, and the decrease in insurance premiums.

*Road & Bridge Fund:* The County budgeted revenue of \$1,507,551 to fund operations during this fiscal year. Actual revenue exceeded budget by \$321,885. The County budgeted to expend \$2,378,026 in the Road & Bridge fund. Actual expenditures were \$241,809 less than anticipated. Expenditures were under budget as a result of projects that were anticipated, but were delayed until future years.

*Justice Fund:* Revenues were over budget projections by \$123,742. This is a result of an increase in our sales tax and fees charged. For the year ending September 30, 2015, the County anticipated spending \$3,068,873 in efforts to provide public safety. Actual expenditures were under budget in the amount of \$557,015. Most of the unused budget authority was in the form of salaries and benefits and outside housing costs.

*Solid Waste:* The actual fees for services and recycled materials were over budget projections by \$11,206. This was due in large part to the efforts of recycling. The County budgeted expenditures of \$882,050, with actual expenditures of \$764,119. The positive variance of \$117,931 was due to cost savings in wages, benefits and other expenditures.

	Budget 2015	Actual 2015	Variance 2015	Budget 2014	Actual 2014	Variance 2014
<b>Revenue</b>						
Current Exp	1,832,145	2,280,519	448,374	1,727,576	1,897,855	170,279
Road & Bridge	1,507,551	1,829,436	321,885	1,825,697	1,855,722	30,025
Justice Fund	2,579,486	2,703,228	123,742	2,478,277	2,788,873	310,596
Solid Waste	746,000	757,206	11,206	750,000	787,750	37,750
<b>Expenditures</b>						
Current Exp	2,429,039	1,789,721	639,318	2,243,899	1,730,845	513,054
Road & Bridge	2,378,026	2,136,217	241,809	2,550,197	2,134,590	415,607
Justice Fund	3,068,873	2,511,858	557,015	2,870,157	2,560,431	309,726
Solid Waste	882,050	764,119	117,931	812,638	680,985	131,653

**Economic and Other Factors Affecting Next Year's Operations:**

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

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

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

Entity	1970	1980	1990	2000	2015
Boundary County	5,484	7,289	8,332	9,871	10,979
Moyie Springs	203	386	415	656	718
Bonnors Ferry	1,909	1,906	2,193	2,515	2,543

**Per Capita Income:** Historically wages in Boundary County tend to be lower than in most of the United States, reflected partly by the county’s lower cost of living. The median household income of Boundary County residents was \$37,003. Currently Boundary County’s unemployment as of December 2015 was at 5.1%. The State of Idaho’s unemployment rate comparable is 4.0%.

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

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

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

**Retail Trade:**

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

The City of Bonnors Ferry created an urban renewal district to enhance an area south of town and to create better opportunities for retail trade. This endeavor resulted in the construction of an additional retail grocery store with the completion of the store in June 2012. This new retail market employs between 75-90 employees. 2016-2017 looks forward to the construction of a Shopko store for the county.

Boundary County is home to 20 +/- taxing districts each of which elects its own governing board and has the authority to levy taxes. Many of these taxing districts have experienced significant growth and an increase on the demand for services that such growth generates.

## County Operations

- Boundary County has been awarded grants to purchase property for the approach to the airport's runway.
- Boundary County received funding through Homeland Security to obtain the necessary equipment and supplies should there be an attack on our County's soil. Boundary County completed updating the Emergency Operation Plan to be prepared, should an emergency occur in 2013.
- Boundary County has leased additional facilities to house the operations of our sheriff department and probation offices. This will enable us to provide better physical facilities to those offices while allowing the drivers license and staffing at the sheriff office to expand.
- Boundary County is allocating monies each year for the future anticipated needs of the solid wastes within the county. At September 30, 2015, the fund held cash in the amount of \$975,571 to fund a landfill closure trust account.
- Boundary County is requesting that all citizens recycle.
- Boundary County was awarded a grant, to partner with North Idaho College to bring a College Outreach Center to the community this facility opened during 2006. This facility continues to grow and expand.
- Boundary County Library offers a FAB Lab for the county residents to use.
- Boundary County received state funds for the protection of wild land fire mitigation.
- Boundary County received HAVA Grant funds to improve access to public places of voting.
- Boundary County approved an emergency communication fee for an emergency telephone system commonly known as 911. Along with the continuance of updating road names and address this will enhance emergency services to Boundary County.
- Boundary County was awarded a grant for improved boat launch sites along the Kootenai River.
- Boundary County continues to be awarded a grant for the staff person for the Economic Development Council.
- Boundary County continues to improve our elder care home, the Restorium facility can house up to 35 residents.
- Boundary County completed the Energy Efficiency Conservation Block grants to improve efficiency in the county's Hospital, Restorium and the City of Bonners Ferry's fire station.
- Boundary County established an Ambulance Service District for the county during 2012.
- Boundary County offers many programs to the residents Extension Services offered through the University of Idaho, 4-H programs, Cooperative Weed Control, NACo Prescription Drug Discount Card Program, Court Assistance, Boating Safety Programs, Fire Mitigation, Parks and Recreation programs, just to mention a few.

### **Requests for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

**BOUNDARY COUNTY, IDAHO**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**September 30, 2015**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,697,372	\$ 190,228	\$ 5,887,600
Receivables, net of uncollectible	-	15,036	15,036
Property taxes receivable, net	325,207	22,267	347,474
Total Current Assets	<u>6,022,579</u>	<u>227,531</u>	<u>6,250,110</u>
<b>Non-current Assets</b>			
Capital assets, net of depreciation	9,069,066	286,956	9,356,022
Capital assets not being depreciated	1,269,041	98,012	1,367,053
Total Non-current Assets	<u>10,338,107</u>	<u>384,968</u>	<u>10,723,075</u>
<b>Other Assets</b>			
Assets whose use is limited	975,571	-	975,571
Total Other Assets	<u>975,571</u>	<u>-</u>	<u>975,571</u>
<b>TOTAL ASSETS</b>	<u>17,336,257</u>	<u>612,499</u>	<u>17,948,756</u>
Deferred Outflows of Resources	<u>706,209</u>	<u>103,292</u>	<u>809,501</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	11,642	4,220	15,862
Compensated absences	95,832	14,067	109,899
Accrued Interest	22,250	-	22,250
Current maturities, long-term debt	91,084	-	91,084
Total Current Liabilities	<u>220,808</u>	<u>18,287</u>	<u>239,095</u>
<b>Non-current Liabilities</b>			
Long-term debt, less current maturities	990,567	-	990,567
Net pension liability	1,522,445	222,677	1,745,122
Estimated landfill closure and post-closure care costs	1,140,316	-	1,140,316
Total Non-current Liabilities	<u>3,653,328</u>	<u>222,677</u>	<u>3,876,005</u>
<b>TOTAL LIABILITIES</b>	<u>3,874,136</u>	<u>240,964</u>	<u>4,115,100</u>
Deferred Inflows of Resources	<u>981,999</u>	<u>143,630</u>	<u>1,125,629</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	9,234,206	384,968	9,619,174
Restricted for landfill closure	975,571	-	975,571
Unrestricted	2,976,554	(53,771)	2,922,783
<b>TOTAL NET POSITION</b>	<u>\$ 13,186,331</u>	<u>\$ 331,197</u>	<u>\$ 13,517,528</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, 2015

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 2,540,782	\$ 342,593	\$ 98,552	\$ 153,226	\$ (1,946,411)
Public Safety	3,251,653	287,720	235,353	-	(2,728,580)
Roads & Bridges	2,184,874	79,392	1,749,939	-	(355,543)
Sanitation	866,952	738,620	-	-	(128,332)
Health & Welfare	565,375	50,110	-	-	(515,265)
Recreation & Parks	240,886	28,418	17,165	44,395	(150,908)
Education	91,588	-	-	-	(91,588)
Interest on long-term debt	37,385	-	-	-	(37,385)
Unallocated actual PERSI expense	(23,974)	-	-	-	23,974
Change in GASB NPL	(62,396)	-	-	-	62,396
Total Governmental Activities	<u>9,693,125</u>	<u>1,526,853</u>	<u>2,101,009</u>	<u>197,621</u>	<u>(5,867,642)</u>
<b>Business-type activities:</b>					
Community Restorium	<u>1,009,755</u>	<u>703,389</u>	<u>-</u>	<u>-</u>	<u>(306,366)</u>
Totals	<u>\$ 10,702,880</u>	<u>\$ 2,230,242</u>	<u>\$ 2,101,009</u>	<u>\$ 197,621</u>	<u>\$ (6,174,008)</u>

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in Net Position:</b>			
Net (expense) revenue	<u>\$ (5,867,642)</u>	<u>\$ (306,366)</u>	<u>\$ (6,174,008)</u>
General Revenues:			
Taxes:			
Property taxes levied for general purposes	4,422,366	332,850	4,755,216
Sales tax	717,342	-	717,342
Intergovernmental - not restricted	730,110	3,466	733,576
Interest and Investment earnings	46,607	-	46,607
Other	13,383	-	13,383
Gain on disposition of equipment	65,930	-	65,930
Total General Revenues	<u>5,995,738</u>	<u>336,316</u>	<u>6,332,054</u>
<b>Change in net position</b>	<u>128,096</u>	<u>29,950</u>	<u>158,046</u>
<b>Net Position - Beginning</b>	<u>14,942,840</u>	<u>576,895</u>	<u>15,519,735</u>
Prior Period Adjustment	(1,884,605)	(275,648)	(2,160,253)
<b>Net Position - Ending</b>	<u>\$ 13,186,331</u>	<u>\$ 331,197</u>	<u>\$ 13,517,528</u>

The accompanying notes are an integral part of this statement.

**BOUNDARY COUNTY, IDAHO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2015**

	General Fund	Road & Bridge Fund	Justice Fund	Solid Waste	Other Non-major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,611,601	\$ 1,300,661	\$ 1,384,542	\$ 231,121	\$ 1,169,447	\$ 5,697,372
Receivables, net of uncollectible						
Property taxes	83,067	-	105,439	49,748	86,953	325,207
Assets whose use is limited:						
Restricted cash	-	-	-	975,571	-	975,571
Total Assets	<u>\$ 1,694,668</u>	<u>\$ 1,300,661</u>	<u>\$ 1,489,981</u>	<u>\$ 1,256,440</u>	<u>\$ 1,256,400</u>	<u>\$ 6,998,150</u>
<b>LIABILITIES</b>						
Accounts payable	2,413	7,569	900	760	-	11,642
Compensated absences	10,046	25,172	39,198	6,015	15,401	95,832
Total Liabilities	<u>12,459</u>	<u>32,741</u>	<u>40,098</u>	<u>6,775</u>	<u>15,401</u>	<u>107,474</u>
Deferred Inflows of Resources-						
Unavailable revenue - property tax	74,916	-	94,979	44,192	78,422	292,509
<b>FUND BALANCE</b>						
Restricted for Landfill closure	-	-	-	975,571	-	975,571
Assigned for general government	-	-	-	-	252,919	252,919
Assigned for roads and bridges	-	1,267,920	-	-	-	1,267,920
Assigned for public safety	-	-	1,354,904	-	441,349	1,796,253
Assigned for sanitation	-	-	-	229,902	-	229,902
Assigned for health & welfare	-	-	-	-	260,371	260,371
Assigned for recreation and parks	-	-	-	-	141,362	141,362
Assigned for education	-	-	-	-	66,576	66,576
Unassigned	1,607,293	-	-	-	-	1,607,293
Total Fund Balance	<u>1,607,293</u>	<u>1,267,920</u>	<u>1,354,904</u>	<u>1,205,473</u>	<u>1,162,577</u>	<u>6,598,167</u>
Total Liabilities and Fund Balance	<u>\$ 1,694,668</u>	<u>\$ 1,300,661</u>	<u>\$ 1,489,981</u>	<u>\$ 1,256,440</u>	<u>\$ 1,256,400</u>	<u>\$ 6,998,150</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, 2015**

<b>Total fund balances - governmental funds</b>		<b>\$ 6,598,167</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of the capital assets is	\$ 19,867,100	
Accumulated depreciation is	<u>(9,528,993)</u>	10,338,107
Property taxes receivable not available soon enough after fiscal year-end to pay current period's expenditures, and therefore are unavailable in the funds.		292,509
Deferred outflow of resources not recognized as current period expenditures		706,209
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	(22,250)	
Capital lease payable	(1,081,651)	
Landfill closure & post-closure care costs	(1,140,316)	
Net Pension Liability	<u>(1,522,445)</u>	(3,766,662)
Deferred Inflow of resources not recognized as current period revenues		<u>(981,999)</u>
<b>Total net position assets - governmental activities</b>		<b><u>\$ 13,186,331</u></b>

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, 2015**

	General	Road & Bridge	Justice Fund	Solid Waste Fund	Other Non-Major Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 1,363,123	\$ -	\$ 1,682,664	\$ -	\$ 1,397,045	\$ 4,442,832
Fees & other non-tax revenues	255,441	79,120	201,111	744,269	303,430	1,583,371
Grants and receipts from other governments	603,145	1,749,939	796,617	-	391,916	3,541,617
Other	58,810	376	22,836	12,937	118,620	213,579
<b>Total Revenues</b>	<b>2,280,519</b>	<b>1,829,435</b>	<b>2,703,228</b>	<b>757,206</b>	<b>2,211,011</b>	<b>9,781,399</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	1,634,110	-	-	-	528,777	2,162,887
Public Safety	95,151	-	2,447,656	-	546,552	3,089,359
Roads & Bridges	-	1,728,444	-	-	-	1,728,444
Sanitation	-	-	-	738,072	-	738,072
Health & Welfare	-	-	-	-	564,884	564,884
Recreation & Parks	-	-	-	-	192,234	192,234
Education	-	-	-	-	91,588	91,588
Capital Outlay	42,597	295,574	64,202	8,489	205,945	616,807
Debt Service Principal	17,833	87,398	-	8,567	5,879	119,677
Debt Service Interest	30	24,801	-	8,991	2,086	35,908
<b>Total Expenditures</b>	<b>1,789,721</b>	<b>2,136,217</b>	<b>2,511,858</b>	<b>764,119</b>	<b>2,137,945</b>	<b>9,339,860</b>
Excess (Deficiency) of Revenues over Expenditures	490,798	(306,782)	191,370	(6,913)	73,066	441,539
Other financing sources (uses):						
Debt proceeds	-	104,550	-	-	-	104,550
Disposition of fixed assets	-	168,000	-	-	-	168,000
<b>Total Change in Fund Balance</b>	<b>490,798</b>	<b>(34,232)</b>	<b>191,370</b>	<b>(6,913)</b>	<b>73,066</b>	<b>714,089</b>
<b>FUND BALANCE,</b> Beginning of Year	<b>1,116,495</b>	<b>1,302,152</b>	<b>1,163,534</b>	<b>1,212,386</b>	<b>1,089,511</b>	<b>5,884,078</b>
<b>FUND BALANCE,</b> End of Year	<b>\$ 1,607,293</b>	<b>\$ 1,267,920</b>	<b>\$ 1,354,904</b>	<b>\$ 1,205,473</b>	<b>\$ 1,162,577</b>	<b>\$ 6,598,167</b>

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, 2015**

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 714,089</b>
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	(940,266)
Capitalized expenditures	<u>406,950</u>
	(533,316)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	119,677
Proceeds from capital lease obligations is an other revenue source of the governmental funds but increases long-term debt on the statement of net position.	(104,550)
Transactions involving capital assets such as sales and other dispositions are reported in the Statement of Activities but the proceeds from dispositions are reported in the governmental funds.	(102,070)
Increase in landfill closure and post-closure care costs is only reflected as expense on the statement of net activities.	(24,519)
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.	(26,108)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the expense accrues, regardless of when it is due. The additional interest in the statement of activities is accrued interest on leases.	(1,477)
The cost of PERSI 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 obligation is recognized based on the actuarial valuation, regardless of when paid. The accrual decreased by this amount this year.	86,370
<b>Change in net position of governmental funds</b>	<b><u>\$ 128,096</u></b>

The accompanying notes are an integral part of this statement.

**BOUNDARY COUNTY, IDAHO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**September 30, 2015**

	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 78,549	\$ 427,723
Taxes Receivable		307,514
Total Assets	<u>\$ 78,549</u>	<u>\$ 735,237</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 735,237
Total Liabilities	<u>-</u>	<u>\$ 735,237</u>
<b>NET POSITION</b>		
Held in Trust	<u>\$ 78,549</u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the year ended September 30, 2015**

	<u>Private Purpose Trusts</u>
<b>ADDITIONS:</b>	
Property taxes - Ambulance District	\$ 276,530
County agent	28,179
Donations	375
Interest	4
Total Additions	<u>305,088</u>
<b>REDEDUCTIONS:</b>	
Expenditure - Restorium	389
Expenditure - County Agent	28,649
Expenditure - Ambulance service	240,027
Total Deductions	<u>269,065</u>
Net Position - beginning of year	<u>42,526</u>
Net Position - end of year	<u>\$ 78,549</u>

The accompanying notes are an integral part of this statement.

**BOUNDARY COUNTY, IDAHO**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**September 30, 2015**

	<b>Business-type Activities</b>	
	<b>Community Restorium</b>	<b>Total</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 190,228	\$ 190,228
Receivables, net of uncollectible	15,036	15,036
Property taxes receivable, net	22,267	22,267
Total Current Assets	<u>227,531</u>	<u>227,531</u>
<b>Non-current Assets</b>		
Capital assets:		
Land	98,012	98,012
Buildings and Improvements	819,243	819,243
Machinery and Equipment	240,350	240,350
Less accumulated depreciation	<u>(772,637)</u>	<u>(772,637)</u>
Total Non-current Assets	<u>384,968</u>	<u>384,968</u>
<b>TOTAL ASSETS</b>	<u>612,499</u>	<u>612,499</u>
Deferred Outflows of Resources	<u>103,292</u>	<u>103,292</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	4,220	4,220
Compensated absences	14,067	14,067
Total Current Liabilities	<u>18,287</u>	<u>18,287</u>
<b>TOTAL LIABILITIES</b>	<u>18,287</u>	<u>18,287</u>
Deferred Inflows of Resources	<u>143,630</u>	<u>143,630</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	384,968	384,968
Unrestricted	<u>(53,771)</u>	<u>(53,771)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 331,197</u>	<u>\$ 331,197</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, 2015**

	<b>Business-type Activities</b>	
	<b>Community Restorium</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges and fees, net	\$ 698,108	\$ 698,108
Other	5,281	5,281
Total Revenue	<u>703,389</u>	<u>703,389</u>
<b>OPERATING EXPENSES</b>		
Personal services	510,592	510,592
Materials and supplies	83,187	83,187
Heat, lights and power	34,645	34,645
Benefit payments	319,923	319,923
Repairs & maintenance	26,181	26,181
Other (dues, training, rents, etc.)	9,377	9,377
Depreciation	25,850	25,850
Total Expenses	<u>1,009,755</u>	<u>1,009,755</u>
Loss from Operations	<u>(306,366)</u>	<u>(306,366)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Property taxes	332,850	332,850
Intergovernmental revenue	3,466	3,466
Total non-operating revenues & expense	<u>336,316</u>	<u>336,316</u>
Revenue over (under) expenses	29,950	29,950
<b>NET POSITION</b>		
Beginning of year	576,895	576,895
Prior Period Adjustment	(275,648)	(275,648)
<b>NET POSITION</b>		
End of year	<u>\$ 331,197</u>	<u>\$ 331,197</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, 2015

	<b>Business-type Activities</b>	
	<b>Community Restorium</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received for services	\$ 683,918	\$ 683,918
Cash received from other revenue	5,282	5,282
Cash paid for salaries and benefits	(840,244)	(840,244)
Cash paid for supplies, professional fees & other	(155,626)	(155,626)
Net Cash Used by Operating Activities	<u>(306,670)</u>	<u>(306,670)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
County taxes received	338,273	338,273
Receipts from other governments	3,466	3,466
Net Cash Provided by Non-Capital Financing	<u>341,739</u>	<u>341,739</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments for additions to fixed assets	(10,600)	(10,600)
Net Cash Used in Capital & Related Financing	<u>(10,600)</u>	<u>(10,600)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>24,469</b>	<b>24,469</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>165,759</b>	<b>165,759</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 190,228</b>	<b>\$ 190,228</b>
 <u>Reconciliation of Excess / (Deficiency) Revenues over Expenses to Net Cash Used in Operating Activities:</u>		
(Loss) from Operations	\$ (306,366)	\$ (306,366)
Depreciation	25,850	25,850
(Increase) decrease in accounts receivable	(14,191)	(14,191)
Increase (decrease) in accts. payable	(2,236)	(2,236)
Increase (decrease) in accrued expenses	(9,727)	(9,727)
Net Cash Used by Operating Activities	<u>\$ (306,670)</u>	<u>\$ (306,670)</u>

The accompanying notes are an integral part of this statement.

**BOUNDARY COUNTY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

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

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

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

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

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

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

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

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

Basic Financial Statements – Fund Financial Statements

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

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

The following fund types are used by the County:

*Governmental Fund Types*

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

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

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*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.

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.

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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 government fund financial statements, property taxes that are delinquent are recorded as deferred inflow of resources - unavailable revenue, since they are not available within 60 days of the fiscal year end. 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.

*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.

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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 decreased by \$7,454 during the year ended September 30, 2015.

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.

*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.

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

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

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 1<sup>st</sup> and ends September 30<sup>th</sup>.

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.

Recently Issued and Adopted Accounting Pronouncements

During the year ended September 30, 2015 the County implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement 27*. GASB No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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.

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**NOTE 2 - CASH AND INVESTMENTS**

At September 30, 2015, the County's cash on hand was \$250. The carrying amount of cash and deposits including proprietary and fiduciary funds was \$7,369,443 and the bank balance was \$7,767,091. The difference represents deposits in transit and outstanding warrants. The County has experienced a market gain of \$8,410 based on market value compared to original cost at year-end. Since the intent of management is to hold the securities to maturity, gain has not been recorded.

The County's bank balances including fiduciary funds at September 30, 2015 consisted of the following:

Carrying value:

Cash and cash equivalents	\$5,697,372
Assets limited as to use	975,571
Proprietary funds cash & cash equivalents	190,228
Fiduciary funds cash & cash equivalents	<u>506,272</u>
	<u>\$7,369,443</u>

Bank value of Deposits	\$7,767,091
Uninsured and Uncollateralized Deposits	\$0
Uninsured Deposits Collateralized with Securities	
Held by the Pledging Financial Institution	\$6,175,848
Insured Deposits	\$1,591,243

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.

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**NOTE 3 – CAPITAL ASSETS**

Governmental capital asset activity for the year ended September 30, 2015 was as follows:

	Balance			Balance
	<u>09/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/15</u>
Governmental Capital Assets:				
Land	\$1,222,668	\$0	\$0	\$1,222,668
Buildings, Improvements & Infrastructure	10,825,464	37,466	0	10,862,930
Assets not being depreciated	0	46,373	0	46,373
Machinery & Equipment	7,720,114	323,111	(308,096)	7,735,129
Total	<u>\$19,768,246</u>	<u>\$406,950</u>	<u>(\$308,096)</u>	<u>\$19,867,100</u>

	Balance			Balance
	<u>09/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/15</u>
Accumulated Depreciation:				
Buildings, Improvements & Infrastructure	\$3,855,318	\$443,750	\$0	\$4,299,068
Machinery & Equipment	4,939,435	496,516	(206,026)	5,229,925
Total	<u>\$8,794,753</u>	<u>\$940,266</u>	<u>(\$206,026)</u>	<u>\$9,528,993</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$246,554
Public Safety	133,703
Streets	433,406
Sanitation	102,461
Parks	24,142
Total Depreciation Expense	<u>\$940,266</u>

Business-type capital asset activity for the year ended September 30, 2015 was as follows:

	Balance			Balance
	<u>09/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/15</u>
Business-type Capital Assets:				
Land	\$98,012	\$0	\$0	\$98,012
Buildings & Improvements	808,643	10,600	0	819,243
Machinery & Equipment	220,350	20,000	0	240,350
Total	<u>\$1,127,005</u>	<u>\$30,600</u>	<u>\$0</u>	<u>\$1,157,605</u>

	Balance			Balance
	<u>09/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/15</u>
Accumulated Depreciation:				
Buildings & Improvements	\$549,029	\$0	\$0	\$549,029
Machinery & Equipment	177,758	45,850	0	223,608
Total	<u>\$726,787</u>	<u>\$45,850</u>	<u>\$0</u>	<u>\$772,637</u>

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**NOTE 4 - LONG-TERM DEBT**

All long-term debt is from governmental activities.

At September 30, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Outstanding</u> <u>09/30/14</u>	<u>Debt</u> <u>Incurred</u>	<u>Debt</u> <u>Retired</u>	<u>Outstanding</u> <u>09/30/15</u>
Capital Lease Obligations	\$1,096,778	\$104,550	\$119,677	\$1,081,651

The annual requirements to retire general long-term debt as of September 30, 2015 are as follows:

	<u>Principal</u>	<u>Sinking fund</u> <u>Requirement</u>
September 30, 2016	\$91,084	\$126,262
September 30, 2017	347,209	380,732
September 30, 2018	501,048	523,268
September 30, 2019	48,341	52,882
September 30, 2020	65,148	68,119
September 30, 2021-2022	28,821	29,944
	<u>\$1,081,651</u>	<u>\$1,181,207</u>

**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 \$2,013,649 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, 2015 are:

September 30, 2016	\$126,262
September 30, 2017	380,732
September 30, 2018	523,268
September 30, 2019	52,882
September 30, 2020	68,119
September 30, 2021-2022	29,944
	<u>1,181,207</u>
Amount representing interest	<u>99,556</u>
Present value of minimum lease payments	<u>\$1,081,651</u>

**NOTE 6 – 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](http://www.persi.idaho.gov).

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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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Members:

Active plan members	67,008
Retirees and beneficiaries currently receiving benefits	42,657
Terminated employees entitles to but not yet receiving benefits	<u>11,859</u>
Total	<u><u>121,524</u></u>

*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% (72%) of the employer rate. As of June 30, 2015 it was 6.79% 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 contributions were \$ 418,667 for the year ended September 30, 2015.

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

At September 30, 2015, the County reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions in the Base Plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the County's proportion was .001325237 percent.

For the year ended September 30, 2015, the County recognized pension expense (revenue) of (\$347,737). At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience		\$209,203
Changes in assumptions or other inputs	\$63,555	
Net difference between projected and actual earnings on pension plan investments		916,426
Changes in the County's proportion and differences between the County's contributions and the County's proportionate contributions	642,253	
County's contributions subsequent to the measurement date	103,693	
TOTAL	\$809,501	\$1,125,629

\$103,693 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, 2016.

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, 2014 the beginning of the measurement period ended June 30, 2015 is 5.6 years.

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:

06/30/16	(\$179,013)
06/30/17	(179,013)
06/30/18	(179,013)
06/30/19	129,932
06/30/20	(12,714)

*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 July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**BOUNDARY COUNTY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

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

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

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

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the 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, 2014.

<b>Asset Class</b>	<b>INDEX</b>	<b>TARGET ALLOCATION</b>	<b>LONG-TERM EXPECTED REAL RATE OF RETURN</b>
	Barclays		
Core Fixed Income	Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
<b>Actuarial Assumptions</b>			
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%
<b>Long-Term Expected Rate of Return, Net of Investment Expenses</b>			<b>7.10%</b>

*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.

**BOUNDARY COUNTY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

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

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

	<b>1% Decrease (6.10%)</b>	<b>Current Disc. Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
Employer's proportionate share of the net pension liability (asset)	\$4,250,482	\$1,745,122	(\$337,753)

*Pension plan fiduciary net position*

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

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

**NOTE 7 - 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 8 - 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 9 – POST- EMPLOYMENT BENEFITS**

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

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

During the year the County implemented GASB No. 68 *Accounting and Financial Reporting for Pensions*. As required by GASB No. 68, the County's governmental funds and enterprise funds net position were restated by \$1,884,605 and \$275,648, respectively, to reflect the prior year net pension liability and related deferred outflows from pension contributions made subsequent to the measurement date.

**BOUNDARY COUNTY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

**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 December 30, 2015, 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.

**NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**NOTE 16 - 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.

**BOUNDARY COUNTY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 17 - 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 \$1,140,316 that is based on 60% usage (filled) of the landfill. It is estimated that an additional \$753,419 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 \$1,893,735 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, 2015. 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, 2015 the fund held cash and other assets in the amount of \$975,571. The cash is restricted as to use only for landfill closure and post-closure costs.

**NOTE 18 – 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, 2015 is presented below:

Operating revenues	\$703,389
(Loss) from operations	(306,366)
Non-operating income	336,316
Changes in net assets	29,950
Net working capital	209,244
Total assets	612,499
Total current liabilities	18,287
Beginning net assets, restated	301,247
Ending net assets	331,197
Cash (used) by operating activities	(306,670)
Cash provided by non-capital financing	341,739
Cash Used in Capital & Related Financing	(10,600)
Beginning cash and cash equivalents	165,759
Ending cash and cash equivalents	190,228

## **OTHER FINANCIAL INFORMATION**

**BOUNDARY COUNTY, IDAHO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET COMPARISON SCHEDULE - GENERAL FUND**  
**For the year ended September 30, 2015**

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Taxes	\$ 1,329,343	\$ 1,329,343	\$ 1,363,123	\$ 33,780
Fees & other non-tax revenues	220,906	237,204	255,441	18,237
Grants and receipts from other gov'ts	211,403	228,903	603,145	374,242
Other	29,100	36,695	58,810	22,115
Total Revenues	<u>1,790,752</u>	<u>1,832,145</u>	<u>2,280,519</u>	<u>448,374</u>
EXPENDITURES:				
Current::				
General government:				
Salaries	701,945	701,945	664,190	37,755
Benefits	512,835	512,835	429,817	83,018
Other	937,605	979,001	540,103	438,898
Public safety:				
Salaries	45,188	45,188	40,240	4,948
Benefits	44,970	44,970	40,656	4,314
Other	30,900	30,900	14,255	16,645
Capital Outlay	114,200	114,200	42,597	71,603
Debt Service	-	-	17,863	(17,863)
Total Expenditures	<u>2,387,643</u>	<u>2,429,039</u>	<u>1,789,721</u>	<u>639,318</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(596,891)</u>	<u>(596,894)</u>	<u>490,798</u>	<u>1,087,692</u>
TOTAL CHANGE IN FUND BALANCE	(596,891)	(596,894)	490,798	1,087,692
FUND BALANCE - Beginning of year	<u>596,891</u>	<u>596,894</u>	<u>1,116,495</u>	<u>519,601</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,607,293</u>	<u>\$ 1,607,293</u>

**BOUNDARY COUNTY , IDAHO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET COMPARISON SCHEDULE - ROAD & BRIDGE FUND**  
**For the year ended September 30, 2015**

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Fees & other non-tax revenues	\$ -	\$ -	\$ 79,120	\$ 79,120
Grants and receipts from other gov'ts	1,491,000	1,491,000	1,749,939	258,939
Other	-	16,551	376	(16,175)
Total Revenues	<u>1,491,000</u>	<u>1,507,551</u>	<u>1,829,435</u>	<u>321,884</u>
EXPENDITURES:				
Current:				
Roads & Bridges:				
Salaries	626,025	626,025	573,567	52,458
Benefits	482,200	482,200	412,698	69,502
Other	1,111,250	1,127,801	742,179	385,622
Capital Outlay	142,000	142,000	295,544	(153,544)
Debt Service	-	-	112,229	(112,229)
Total Expenditures	<u>2,361,475</u>	<u>2,378,026</u>	<u>2,136,217</u>	<u>241,809</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(870,475)	(870,475)	(306,782)	563,693
OTHER FINANCING SOURCES (USES):				
Debt Proceeds	-	-	104,550	104,550
Disposition of Fixed Assets	-	-	168,000	168,000
TOTAL CHANGE IN FUND BALANCE	<u>(870,475)</u>	<u>(870,475)</u>	<u>(34,232)</u>	<u>836,243</u>
FUND BALANCE - Beginning of year	<u>870,475</u>	<u>870,475</u>	<u>1,302,152</u>	<u>431,677</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,267,920</u>	<u>\$ 1,267,920</u>

**BOUNDARY COUNTY, IDAHO  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE - JUSTICE FUND  
For the year ended September 30, 2015**

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Taxes	\$ 1,636,997	\$ 1,636,997	\$ 1,682,664	\$ 45,667
Fees & other non-tax revenues	152,400	152,400	201,111	48,711
Grants and receipts from other gov'ts	763,628	763,628	796,617	32,989
Other	22,000	26,461	22,836	(3,625)
Total Revenues	<u>2,575,025</u>	<u>2,579,486</u>	<u>2,703,228</u>	<u>123,742</u>
EXPENDITURES:				
Current::				
Public safety:				
Salaries	1,312,551	1,312,551	1,222,624	89,927
Benefits	942,900	942,900	852,819	90,081
Other	723,661	728,122	372,213	355,909
Capital Outlay	85,300	85,300	64,202	21,098
Total Expenditures	<u>3,064,412</u>	<u>3,068,873</u>	<u>2,511,858</u>	<u>557,015</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(489,387)	(489,387)	191,370	680,757
FUND BALANCE - Beginning of year	<u>489,387</u>	<u>489,387</u>	<u>1,163,534</u>	<u>674,147</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,354,904</u>	<u>\$ 1,354,904</u>

**BOUNDARY COUNTY , IDAHO  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE - SOLID WASTE FUND  
For the year ended September 30, 2015**

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Fees & other non-tax revenues	\$ 746,000	\$ 746,000	\$ 744,269	\$ (1,731)
Other	-	-	12,937	12,937
Total Revenues	<u>746,000</u>	<u>746,000</u>	<u>757,206</u>	<u>11,206</u>
EXPENDITURES:				
Current:				
Sanitation:				
Salaries	318,000	318,000	299,774	18,226
Benefits	228,000	228,000	213,227	14,773
Other	274,550	274,550	225,071	49,479
Capital Outlay	61,500	61,500	8,489	53,011
Debt Service	-	-	17,558	(17,558)
Total Expenditures	<u>882,050</u>	<u>882,050</u>	<u>764,119</u>	<u>117,931</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(136,050)	(136,050)	(6,913)	129,137
FUND BALANCE - Beginning of year	<u>136,050</u>	<u>136,050</u>	<u>1,212,386</u>	<u>1,076,336</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,205,473</u>	<u>\$ 1,205,473</u>

**BOUNDARY COUNTY, IDAHO**

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

	<u>2015</u>
County's portion of the net pension liability	0.001325237
County's proportionate share of the net pension liability	\$1,745,122
County's covered-employee payroll	\$3,683,229
County's proportional share of the net pension liability as a percentage of its covered-employee payroll	46.93%
Plan fiduciary net position as a percentage of the total pension liability	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 District will present information for those years for which information is available.

Data reported is measured as of July 1, 2015 (measurement date)

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

	<u>2015</u>
Statutorily required contribution	\$433,488
Contributions in relation to the statutorily required contribution	(\$425,720)
Contribution deficiency (excess)	\$7,768
County's covered-employee payroll	\$3,683,229
Contributions as a percentage of covered-employee payroll	11.51%

\* 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 District will present information for those years for which information is available.

**ADDITIONAL AUDITOR'S REPORTS AND SCHEDULES**

# Leonard S. Schulte

## Certified Public Accountant

P.O. Box 266 Bonners Ferry, ID 83805

Telephone (208) 267-5551 Fax (208) 267-6109

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

Board of Commissioners  
Boundary County  
Bonners Ferry, Idaho 83805

#### **Report on Compliance for Each Major Federal Program**

I have audited Boundary County, Idaho's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Boundary County's major federal programs for the year ended September 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

#### **Opinion on Each Major Federal Program**

In my opinion, Boundary County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

## **Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Boundary County, Idaho's internal control over compliance.

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

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

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

*Leonard S. Schulte*

Leonard Schulte  
December 30, 2015

Leonard S. Schulte

Certified Public Accountant

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

Board of Commissioners  
Boundary County  
Bonners Ferry, Idaho 83805

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

Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of this Report

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

December 30, 2015

*Leonard S. Schulte*

Leonard Schulte

**BOUNDARY COUNTY, IDAHO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2015**

FEDERAL GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-through Grantors Number	Disbursements/ Expenditures
<u>U.S. Dept. of Interior</u>			
Direct Assistance:			
<b>Payment in Lieu of Taxes</b>	<b>15.226</b>	<b>826000287</b>	<b>\$ 340,552</b>
National Wildlife Refuge Fund	15.659	826000287	9,469
<u>U.S. Dept. of Agriculture</u>			
Passed through State of Idaho:			
<b>Schools &amp; Roads Grants to State</b>	<b>10.665</b>	<b>826000287</b>	<b>1,083,459</b>
Cooperative Forestry Assistance	10.664	VARIOUS	50,474
<u>U.S. Dept. of Homeland Security</u>			
Passed through the State of Idaho:			
Homeland Security Grant Program	97.067	VARIOUS	42,166
Emergency Management Performance Grants	97.042	VARIOUS	14,960
Pre-Disaster Mitigation	97.047	2013JBFX0007	1,500
<u>U.S. Dept. of Health &amp; Human Services</u>			
Passed through the State of Idaho:			
Epidemiology & Laboratory Capacity for Infectious Diseases	93.323	3U5CK000424-01S1	3,651
<u>U.S. Dept. of Justice</u>			
Passed through State of Idaho:			
Juvenile Accountability Incentive Block Grant	16.523	VARIOUS	2,500
<u>U.S. Dept. of Transportation</u>			
Direct Assistance:			
Airport Improvement Program	20.106	VARIOUS	97,653
<b>Total Federal Financial Assistance</b>			<b>\$ 1,646,384</b>

**Major Programs are Identified in Bold**

**BOUNDARY COUNTY, IDAHO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2015**

SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Presentation

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

2. Major Programs

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

3. Programs Tested

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

U.S. Department of Agriculture:

Flow through State of Idaho:

Secure Payments to States and Counties  
Containing Federal Lands

CFDA # 10.665

U.S. Dept. of Interior – Direct Assistance

Payment in Lieu of Taxes

CFDA # 15.226

4. Amount Provided to Subrecipient

Boundary County School District No. 101 was provided \$325,038 as a sub-recipient of the Secure Payments to States and Counties Containing Federal Lands CFDA #10.665 program.

**BOUNDARY COUNTY, IDAHO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended September 30, 2015**

**Section I Summary of Auditors Results**

Financial Statements

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

Federal Awards

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

**BOUNDARY COUNTY, IDAHO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended September 30, 2015**

**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