

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

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

**September 30, 2010**

**BOUNDARY COUNTY**

**BONNERS FERRY, IDAHO**

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-10
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Statement of Net Assets	11
Government-Wide Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	17
Statement of Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Assets - All Proprietary Funds	19
Statement of Cash Flows - All Proprietary Funds	20
Notes to Financial Statements	21-34
<b><u>OTHER FINANCIAL INFORMATION</u></b>	
Budget Comparison Schedules	35-38
<b><u>ADDITIONAL AUDITOR'S REPORTS AND SCHEDULES</u></b>	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance with OMB Circular A-133	39-40
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements in Accordance with Government Auditing Standards	41-42
Schedule of Expenditures of Federal Awards	43
Notes to Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs	45-46
Summary Schedule of Prior Findings and Questioned Costs	46

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### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Boundary County  
Bonnors Ferry, Idaho 83805

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, Bonnors Ferry, Idaho, as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Boundary Community Hospital, which represent 100 percent of the assets, net assets and revenues of the component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for Boundary Community Hospital, is based on the report of the other auditors.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Boundary County as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 11, 2011 on my consideration of Boundary County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to 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 inquires 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 information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide assurance.

The accompanying financial statements have been prepared assuming that Boundary Community Hospital, which represents 100 percent of the assets, net assets and revenues of the component unit, will continue as a going concern. As discussed in Note Q to the financial statements, the Hospital's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boundary County's financial statements as a whole. 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 financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

January 11, 2011

Leonard S. 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, 2010. 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 Assets 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 Assets and the Statement of Activities**

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

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

## **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 Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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 in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 12 - 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 21-34.

**Other Information.** In addition to the basic financial statements, this report also presents certain *required supplementary information* concerning Boundary County’s progress in funding its obligations. These notes can be found starting on page 35.

### **Governmental-wide Financial Analysis**

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 is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. This same situation held true for the prior fiscal year.

**Net Assets**

	9/30/2009		9/30/2010	
	Governmental Activities	Enterprise Activities	Governmental Activities	Enterprise Activities
Current and other assets	\$4,701,345	\$103,850	\$4,552,905	\$73,794
Assets whose use is limited	615,153	0	660,860	
Capital assets	6,429,307	260,640	7,004,435	241,894
Total Assets	<u>11,745,805</u>	<u>364,490</u>	<u>12,218,200</u>	<u>315,688</u>
Current liabilities	443,065	8,224	591,053	11,872
Long-term liabilities	1,796,505		1,483,841	
Total Liabilities	<u>2,239,570</u>	<u>8,224</u>	<u>2,074,894</u>	<u>11,872</u>
Net Assets:				
Invested in capital assets, net of related debt	5,459,056	260,640	6,117,176	241,894
Restricted	615,153		660,860	
Unrestricted	3,432,026	95,626	3,365,270	61,922
Total Net Assets	<u>\$9,506,235</u>	<u>\$356,266</u>	<u>\$10,143,306</u>	<u>\$303,816</u>

**Governmental Type Activities** - Governmental Activities net assets increased by \$637,071. A key element to the growth was the \$575,128 increase in capital assets primarily attributable to the receipt of Federal and State grants/awards. The majority of these funds were expended for the purchase of rolling stock for Road and Bridge, Solid Waste, Sheriff Departments and the Airport Improvement Project.

**Changes in Net Assets**

	9/30/2009		9/30/2010	
	Governmental Activities	Enterprise Activities	Governmental Activities	Enterprise Activities
<b>Program Revenues:</b>				
Charges for Services	\$2,190,811	\$481,491	\$1,660,708	\$472,560
Grants & Contributions	3,695,298		3,349,058	
<b>General Revenues:</b>				
Property taxes levied for General Purposes	3,895,121	207,499	4,034,284	291,202
Intergovernmental - Not Restricted to Specific Purposes	1,067,213	48,124	1,194,523	30,974
Interest and Investment Earnings	103,955		47,215	
Other	6,507	6,100	23,550	
Transfer In (Out)	(105)	105		
<b>Total Revenues</b>	<u>10,958,800</u>	<u>743,319</u>	<u>10,309,338</u>	<u>794,736</u>
<b>Program Expenses:</b>				
General government	2,134,332		2,185,125	
Public safety	3,490,144		3,147,591	
Streets	2,372,532		2,441,531	
Sanitation	793,244		708,801	
Health & welfare	730,153		911,298	
Recreation	193,062		149,891	
Education	87,500		81,391	
Interest on long-term debt	55,114		46,639	
Community restorium		886,310		847,186
<b>Total Expenses</b>	<u>9,856,081</u>	<u>886,310</u>	<u>9,672,267</u>	<u>847,186</u>
<b>Change in Net Assets</b>	<u>\$1,102,719</u>	<u>(\$142,991)</u>	<u>\$637,071</u>	<u>(\$52,450)</u>

***Business-type (Enterprise) Activities.*** Net Assets of Business-type activities decreased by \$52,450. The decrease is attributable to a decline in occupancy of the Community Restorium. In 2010, the Board of Commissioners conducted a review of rates. The review was made for the purpose of setting rates to be reflective of current operating costs for materials, supplies, food, and labor in order to maintain the operation and condition of the facility. Effective June 2010 rates were increased as a result of the study. The Board of Commissioners will review such expenses on an annual basis to determine if rates need to be changed.

**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, unreserved 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 \$4,730,603. Approximately 86 percent of this total amount (\$4,069,743) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed to pay future landfill closure and post-closure care costs.

The Current Expense Fund (General Fund) is the chief operating fund of Boundary County. At the end of fiscal year, unreserved fund balance of the Current Expense Fund was \$691,333. As a measure of the Current Expense Fund's liquidity, it may be useful to compare this unreserved fund balance to total fund expenditures. Unreserved fund balance represents 41 percent of total Current Expense Fund expenditures.

The fund balance of the Current Expense Fund decreased \$64,548 during the current fiscal year. This decrease in fund balance was anticipated during the budget process. Revenues decreased by 7% and expenditures decreased by 6% as compared to the previous year.

The Road and Bridge Fund, a major fund of the County, had an unreserved fund balance of \$1,692,435 at the end of the current fiscal year. This is an increase of \$19,530 from the last fiscal year primarily due to the timing of road projects and the increase of federal programs primarily related to the Secure Rural Schools funding.

The Justice Fund, another major fund of the County, had an unreserved fund balance of \$798,595 at the end of the current fiscal year. This is an increase of \$19,282 from last fiscal year. This increase was a result of budget items not being fully expended during the year.

The Solid Waste Fund is a major fund of the County and had an unreserved fund balance of \$347,137 and reserved fund balance of \$660,860 an increase of \$79,940 and \$45,707 respectively. The increase in reserved fund balance is part of the County's funding plan to provide resources for the future estimated cost of landfill closure and post-closure care.

Other non - major funds of the County had an unreserved fund balance at the end of the current fiscal year of \$540,243. This is a decrease of \$89,998 from the previous year primarily due to the reduction of services used and requested, along with some state funds being reduced.

### **Capital Assets**

At September 30, 2010, the County had \$7,004,435 invested in net capital assets for its governmental funds and \$241,894 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 pages 27-28 of this report.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
Land	\$648,339	\$648,339	\$98,012	\$98,012	\$746,351	\$746,351
Buildings & Improvements	5,046,320	5,625,713	547,842	579,642	5,594,162	6,205,355
Assets not Depreciated	508,997	62,020	31,800		540,797	62,020
Machinery & Equip.	5,980,087	6,896,318	250,350	250,350	6,230,437	7,146,668
Total	<u>\$12,183,743</u>	<u>\$13,232,390</u>	<u>\$928,004</u>	<u>\$928,004</u>	<u>\$13,111,747</u>	<u>\$14,160,394</u>
Accum. Depreciation:	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
Buildings & Improvements	\$1,832,111	\$2,036,269	\$538,689	\$540,315	\$2,370,800	\$2,576,584
Machinery & Equip.	3,922,325	4,191,686	128,675	145,795	4,051,000	4,337,481
	<u>\$5,754,436</u>	<u>\$6,227,955</u>	<u>\$667,364</u>	<u>\$686,110</u>	<u>\$6,421,800</u>	<u>\$6,914,065</u>

### **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, 2010, our *Government -Wide Statement of Net Assets* reflects the current maturities of long-term debt in the amount of \$484,503 compared to the prior current payable of \$185,585. An additional amount of \$452,756 is payable after one year, compared to the prior year of \$784,666. The net decrease in the amount of \$82,992 is the result of \$185,585 principal retired on existing debt and a new lease obligation for road and bridge equipment in the amount of \$102,593. All lease obligations contain a non-appropriation clause. In addition, the estimated future liability for landfill closure and post closure care costs at 9-30-10 was \$1,031,085, an increase of \$19,246 to the previous year. See Notes D, E and O to the financial statements on pages 28, 29 and 31 respectively.

Capital leases outstanding:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
Capital Leases	<u>\$970,251</u>	<u>\$887,259</u>	<u>\$0</u>	<u>\$0</u>	<u>\$970,251</u>	<u>\$887,259</u>

### **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.

For the fiscal year ended September 30, 2010, there were no funds for which expenditures exceeded appropriations. There were also no funds with a deficit fund balance.

Activity in our four major funds provided these ending results:

*Current Expense Fund:* The County budgeted to receive \$1,547,517 in various forms of revenue during the year. Actual revenues exceeded budget by \$65,502 with the major positive variance being in the fees charged for services in vehicle inspections, Homeland Security, grants and passports. Budgeted expenditures were in the amount of \$2,030,574 and actual expenditures were under that amount by \$352,996. The savings were due decreases in general expenditures, capital improvements that have been delayed or canceled, and reductions in grant matches.

*Road & Bridge Fund:* The County budgeted revenue of \$4,164,011 to fund operations during this fiscal year. Actual revenue was less than budget by \$1,586,956 due to a decline in operating and capital grants. The County budgeted to expend \$4,164,011 in the Road & Bridge fund. Actual expenditures were \$1,503,893 less than anticipated. Expenditures were under budget as a result of Federal Aid projects that were anticipated, but were delayed until a future year. It is anticipated that the federal projects will be rescheduled until the years of 2010-2011.

*Justice Fund:* Revenues were under budget projections by \$26,205. For the year ending September 30, 2010, the County Commissioners anticipated \$60,000 earnings from investments, except income from restricted assets, for the Justice Fund. Actual investment earnings were \$31,508 as a result of reduced rates. The County anticipated spending \$2,828,119 in efforts to provide public safety. Actual expenditures were under budget in the amount of \$419,958. Most of the unused budget authority was in the form of salaries, benefits, and juvenile housing expenses.

*Solid Waste:* The actual fees for services and recycled materials exceeded the budget projection by \$29,534. The County budgeted expenditures of \$803,560, with actual expenditures of \$707,447. The positive variance of \$96,113 was due to cost savings in wages and benefits, a reduction in fuel consumption and savings in the cost of goods and services.

	Budget 2009	Actual 2009	Variance 2009	Budget 2010	Actual 2010	Variance 2010
<b>Revenue</b>						
Current Exp	1,600,999	1,719,547	118,548	1,547,517	1,613,019	65,502
Road & Bridge	3,911,116	3,027,469	(883,647)	4,164,011	2,577,055	(1,586,956)
Justice Fund	2,438,431	2,506,752	68,321	2,453,648	2,427,443	(26,205)
Solid Waste	984,807	1,042,767	57,960	803,560	833,094	29,534

	Budget 2009	Actual 2009	Variance 2009	Budget 2010	Actual 2010	Variance 2010
<b>Expenditures</b>						
Current Exp	2,066,720	1,787,470	279,250	2,030,574	1,677,578	352,996
Road & Bridge	4,496,725	3,125,986	1,370,739	4,164,011	2,660,118	1,503,893
Justice Fund	2,856,778	2,453,843	402,935	2,828,119	2,408,161	419,958
Solid Waste	1,036,190	910,399	125,791	803,560	707,447	96,113

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

**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, satellite North Idaho College facility, Headstart facility, hospital up-grades and improvements, airport runway and hanger up-grades, improvement to area boat launches, 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 grew 10.9 percent from 9,871 to 10,951. In 1990 to 2000 the population percent increased 20%. Data for the 2010 U.S. Census information will not be released for the county until March 2011.

Entity	1970	1980	1990	2000	2010
Boundary County	5,484	7,289	8,332	9,871	10,951
Moyie Springs	203	386	415	656	727
Bonnors Ferry	1,909	1,906	2,193	2,515	2,596

**Per Capita Income:** 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. Unemployment was reported at 14.9% for October 2010. Per capita income for Boundary County latest profile in 2008 was \$24,382, per capita income for the state of Idaho was \$32,994 and for the United States \$40,166.

**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 that 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. 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 and most recently a project called the River Walk. The city continues to expand their projects with the plan for sidewalks along Alderson Lane to the two schools in that area. 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, Safeways, Harvest Foods, 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), Idaho Forest Group, and Idaho Educational Services.

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 extend the runway at the county’s airport; currently there is 4000 feet of 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 is continually updating the Emergency Operation Plan to be prepared, should an emergency occur.
- Boundary County has leased additional facilities to house the operations of our sheriff department office. 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 Sept. 30, 2010, the fund held cash in the amount of \$660,860 to fund a landfill closure trust account.
- Boundary County was awarded a grant, to partner with North Idaho College to bring a College Outreach Center to the community this facility opened during 2006. This facility continues to grow and expand.
- Boundary County received state funds for the protection of wild land fire mitigation.
- Boundary County received HAVA Grant funds to improve access to public places of voting.
- Boundary County approved an emergency communication fee for an emergency telephone system commonly known as 911. Along with the continuance of updating road names and address this will enhance emergency services to Boundary County.
- Boundary County was awarded a grant for improved boat launch sites along the Kootenai River.
- Boundary County continues to be awarded a grant for the staff person for the Economic Development Council.
- Boundary County continues to improve our elder care home, the Restorium facility can house up to 32 residents.
- 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 ASSETS**  
**September 30, 2010**

	Primary Government			Component Unit 12/31/2009
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$4,160,231	\$41,386	\$4,201,617	\$21,893
Receivables, net of uncollectibles		9,339	9,339	1,544,926
Property taxes receivable, net	392,674	23,069	415,743	
Inventories				104,012
Prepaid expenses and other				88,779
Total Current Assets	4,552,905	73,794	4,626,699	1,759,610
<b>Non-current Assets</b>				
Capital assets, net of depreciation	7,004,435	241,894	7,246,329	2,287,750
Total Non-current Assets	7,004,435	241,894	7,246,329	2,287,750
<b>Other Assets</b>				
Assets whose use is limited	660,860		660,860	125,626
Land not used in operations				345,541
	660,860	0	660,860	471,167
<b>TOTAL ASSETS</b>	<b>12,218,200</b>	<b>315,688</b>	<b>12,533,888</b>	<b>4,518,527</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	45,027	4,532	49,559	1,059,158
Accrued payroll and related liabilities				82,438
Notes & loans payable				596,244
Compensated absences	98,507	7,340	105,847	245,284
Accrued Interest	13,016		13,016	
Current maturities, long-term debt	434,503		434,503	128,698
Total Current Liabilities	591,053	11,872	602,925	2,111,822
<b>Non-current Liabilities</b>				
Long-term debt, less current maturities	452,756		452,756	137,538
Estimated landfill closure and post-closure care costs	1,031,085		1,031,085	
Total Non-current Liabilities	1,483,841	0	1,483,841	137,538
<b>TOTAL LIABILITIES</b>	<b>2,074,894</b>	<b>11,872</b>	<b>2,086,766</b>	<b>2,249,360</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,117,176	241,894	6,359,070	2,021,514
Restricted for capital acquisitions	660,860		660,860	125,626
Unrestricted	3,365,270	61,922	3,427,192	122,027
<b>TOTAL NET ASSETS</b>	<b>\$10,143,306</b>	<b>\$303,816</b>	<b>\$10,447,122</b>	<b>\$2,269,167</b>

See accompanying notes to financial statements



**BOUNDARY COUNTY, IDAHO**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2010**

	General Fund	Road & Bridge Fund	Justice Fund	Solid Waste	Other Non-major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$702,014	\$1,722,895	\$822,935	\$341,804	\$570,583	\$4,160,231
Receivables, net of uncollectible						
Property taxes	88,826		123,937	70,887	109,024	392,674
Assets whose use is limited:						
Restricted cash				660,860		660,860
<b>Total Assets</b>	<b>790,840</b>	<b>1,722,895</b>	<b>946,872</b>	<b>1,073,551</b>	<b>679,607</b>	<b>5,213,765</b>
<b>LIABILITIES</b>						
Accounts payable	7,338	6,050	3,448		28,191	45,027
Deferred revenue	76,837		107,229	60,658	94,904	339,628
Compensated absences	15,332	24,410	37,600	4,896	16,269	98,507
<b>Total Liabilities</b>	<b>99,507</b>	<b>30,460</b>	<b>148,277</b>	<b>65,554</b>	<b>139,364</b>	<b>483,162</b>
<b>FUND BALANCE</b>						
Reserved for:						
Landfill closure				660,860		660,860
Unreserved	691,333	1,692,435	798,595	347,137	540,243	4,069,743
<b>Total Fund Balance</b>	<b>691,333</b>	<b>1,692,435</b>	<b>798,595</b>	<b>1,007,997</b>	<b>540,243</b>	<b>4,730,603</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$790,840</b>	<b>\$1,722,895</b>	<b>\$946,872</b>	<b>\$1,073,551</b>	<b>\$679,607</b>	<b>\$5,213,765</b>

See accompanying notes to financial statements

**BOUNDARY COUNTY , IDAHO**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**September 30, 2010**

**Total fund balances - governmental funds** \$4,730,603

Amounts reported for governmental activities in the statement of net assets 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	\$13,232,390	
Accumulated depreciation is	<u>(6,227,955)</u>	
		7,004,435

Property taxes receivable not available soon enough after fiscal year-end to pay current period's expenditures, and therefore are deferred in the funds.	339,628
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Long-term liabilities, including bonds payable and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital lease payable	(887,259)
Landfill closure & post-closure care costs	(1,031,085)
Accrued interest	<u>(13,016)</u>

**Total net assets - governmental activities** \$10,143,306

See accompanying notes to financial statements

**BOUNDARY COUNTY, IDAHO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2010**

	<u>General</u>	<u>Road &amp; Bridge</u>	<u>Justice Fund</u>	<u>Solid Waste Fund</u>	<u>Other Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>						
Taxes	\$1,107,267		\$1,560,104		\$1,380,180	\$4,047,551
Fees & other non-tax revenues	166,886	146,507	182,870	812,631	271,811	1,580,705
Grants and receipts from other governments	301,199	2,419,637	650,561		1,170,279	4,541,676
Other	37,667	10,911	33,908	20,463	51,519	154,468
<b>Total Revenues</b>	<b>1,613,019</b>	<b>2,577,055</b>	<b>2,427,443</b>	<b>833,094</b>	<b>2,873,789</b>	<b>10,324,400</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	1,532,855				466,730	1,999,585
Public Safety	111,409		2,322,109		633,740	3,067,258
Roads & Bridges		2,045,926				2,045,926
Sanitation				629,142		629,142
Health & Welfare					911,298	911,298
Recreation & Parks					136,759	136,759
Education					81,391	81,391
Capital Outlay	5,362	453,834	86,052	33,977	730,926	1,310,151
Debt Service Principal	22,170	121,326		39,260	2,829	185,585
Debt Service Interest	5,782	39,032		5,068	103	49,985
<b>Total Expenditures</b>	<b>1,677,578</b>	<b>2,660,118</b>	<b>2,408,161</b>	<b>707,447</b>	<b>2,963,776</b>	<b>10,417,080</b>
Excess (Deficiency) of Revenues over Expenditures	(64,559)	(83,063)	19,282	125,647	(89,987)	(92,680)
Other financing sources (uses):						
Debt proceeds		102,593				102,593
Operating Transfer In (Out)	11				(11)	0
<b>Total Change in Fund Balance</b>	<b>(64,548)</b>	<b>19,530</b>	<b>19,282</b>	<b>125,647</b>	<b>(89,998)</b>	<b>9,913</b>
<b>FUND BALANCE,</b> Beginning of Year	<b>755,881</b>	<b>1,672,905</b>	<b>779,313</b>	<b>882,350</b>	<b>630,241</b>	<b>4,720,690</b>
<b>FUND BALANCE,</b> End of Year	<b>\$691,333</b>	<b>\$1,692,435</b>	<b>\$798,595</b>	<b>\$1,007,997</b>	<b>\$540,243</b>	<b>\$4,730,603</b>

See accompanying notes to financial statements

**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, 2010**

**Total net change in fund balances - governmental funds** \$9,913

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	(623,192)	
Capitalized expenditures	<u>1,198,320</u>	575,128

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	185,585
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Proceeds from capital lease obligations is an other revenue source on the governmental funds but increases long-term debt on the statement of net assets.	(102,593)
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Increase in landfill closure and post-closure care costs is only reflected as expense on the statement of net activities.	(19,246)
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Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.	(15,062)
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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 bonds.	3,346
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<b>Change in net assets of governmental funds</b>	<u><u>\$637,071</u></u>
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See accompanying notes to financial statements

**BOUNDARY COUNTY, IDAHO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2010**

	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$9,791	\$415,418
Taxes Receivable		301,776
Other Receivable		969
Total Assets	<hr/> 9,791 <hr/>	<hr/> \$718,163 <hr/> <hr/>
<b>LIABILITIES</b>		
Accounts Payable		718,163
Total Liabilities	<hr/> 0 <hr/>	<hr/> \$718,163 <hr/> <hr/>
<b>NET ASSETS</b>		
Held in Trust	<hr/> \$9,791 <hr/> <hr/>	

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the year ended September 30, 2010**

	<b>Private Purpose Trusts</b>
	<hr/>
<b>ADDITIONS:</b>	
Donations	\$120
Interest	26
Total Additions	<hr/> 146
<b>DEDUCTIONS:</b>	
Expenditure	2,401
Total Deductions	<hr/> 2,401
Net Assets - beginning of year	<hr/> 12,046
Net Assets - end of year	<hr/> \$9,791 <hr/> <hr/>

See accompanying notes to financial statements

**BOUNDARY COUNTY, IDAHO**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

September 30, 2010

Component Unit as of December 31, 2009

	Business-type Activities	Primary Government Total	Component Unit
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$41,386	\$41,386	\$21,893
Receivables, net of uncollectible	9,339	9,339	1,544,926
Property taxes receivable, net	23,069	23,069	
Inventories			104,012
Prepaid expenses			88,779
Total Current Assets	<u>73,794</u>	<u>73,794</u>	<u>1,759,610</u>
<b>Non-current Assets</b>			
Capital assets:			
Land, Buildings and Improvements	677,654	677,654	7,099,647
Machinery and Equipment	250,350	250,350	3,129,414
Less accumulated depreciation	<u>(686,110)</u>	<u>(686,110)</u>	<u>(7,941,311)</u>
Total Non-current Assets	<u>241,894</u>	<u>241,894</u>	<u>2,287,750</u>
<b>Other Assets</b>			
Assets whose use is limited			125,626
Land not used in operations			345,541
	<u>0</u>	<u>0</u>	<u>471,167</u>
<b>TOTAL ASSETS</b>	<u>315,688</u>	<u>315,688</u>	<u>4,518,527</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	4,532	4,532	1,059,158
Accrued payroll and related liabilities			82,438
Notes & loans payable			596,244
Compensated absences	7,340	7,340	245,284
Current maturities, long-term debt			128,698
Total Current Liabilities	<u>11,872</u>	<u>11,872</u>	<u>2,111,822</u>
<b>Non-current Liabilities</b>			
Long-term debt, less current maturities			137,538
Total Non-current Liabilities	<u>0</u>	<u>0</u>	<u>137,538</u>
<b>TOTAL LIABILITIES</b>	<u>11,872</u>	<u>11,872</u>	<u>2,249,360</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	241,894	241,894	2,021,514
Restricted: For capital acquisitions			125,626
Unrestricted	<u>61,922</u>	<u>61,922</u>	<u>122,027</u>
<b>TOTAL NET ASSETS</b>	<u>\$303,816</u>	<u>\$303,816</u>	<u>\$2,269,167</u>

See accompanying notes to financial statements

**BOUNDARY COUNTY, IDAHO**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**ALL PROPRIETARY FUNDS - ENTERPRISE FUNDS**  
**For the year ended September 30, 2010**  
Component Unit for the year ended December 31, 2009

	<u>Business -Type Activities</u>	<u>Primary Government Total</u>	<u>Component Unit</u>
<b>OPERATING REVENUES</b>			
Charges and fees, net	\$471,513	\$471,513	\$9,536,357
Other	1,047	1,047	55,646
<b>Total Revenue</b>	<b>472,560</b>	<b>472,560</b>	<b>9,592,003</b>
<b>OPERATING EXPENSES</b>			
Personal services	453,511	453,511	5,373,389
Professional fees			664,586
Materials and supplies	77,485	77,485	893,210
Heat, lights and power	30,817	30,817	189,865
Benefit payments	242,710	242,710	1,124,693
Other purchased services			656,730
Repairs & maintenance	18,995	18,995	319,511
Other (dues, training, rents, etc.)	4,922	4,922	265,949
Depreciation	18,746	18,746	546,589
Insurance			177,387
<b>Total Expenses</b>	<b>847,186</b>	<b>847,186</b>	<b>10,211,909</b>
<b>Loss from Operations</b>	<b>(374,626)</b>	<b>(374,626)</b>	<b>(619,906)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Property taxes	291,202	291,202	488,681
Interest income			569
Interest expense			(54,255)
Rental income			48,413
Non-capital grants & contributions	30,974	30,974	145,910
<b>Total non-operating revenues &amp; expense</b>	<b>322,176</b>	<b>322,176</b>	<b>629,318</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(52,450)</b>	<b>(52,450)</b>	<b>9,412</b>
<b>NET ASSETS</b>			
Beginning of year	356,266	356,266	2,259,755
<b>NET ASSETS</b>			
<b>End of year</b>	<b>\$303,816</b>	<b>\$303,816</b>	<b>\$2,269,167</b>

See accompanying notes to financial statements

**BOUNDARY COUNTY, IDAHO**  
**STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS**  
**For the year ended September 30, 2010**

Component Unit for the year ended December 31, 2009

	<b>Business-Type Activities</b>	<b>Primary Government Total</b>	<b>Component Unit</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received for services	\$471,514	\$471,514	\$9,829,073
Cash received from other revenue	1,047	1,047	55,646
Cash paid for salaries and benefits	(697,106)	(697,106)	(6,760,582)
Cash paid for supplies, professional fees & other	(127,686)	(127,686)	(3,252,095)
Net Cash Used by Operating Activities	(352,231)	(352,231)	(127,958)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
County taxes received	294,322	294,322	488,681
Non-capital grants and contributions	30,974	30,974	145,910
Interest paid			(28,612)
Net Cash Provided by Non-Capital Financing	325,296	325,296	605,979
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Payments for additions to fixed assets			(392,437)
Principal payments on long-term debt			(192,338)
Rental income received			48,413
Interest paid on long-term debt			(25,644)
Net Cash Used in Capital & Related Financing	0	0	(562,006)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received			569
Net Cash Provided by Investing Activities	0	0	569
INCREASE (DECREASE) IN CASH	(26,935)	(26,935)	(83,416)
CASH AT BEGINNING OF YEAR	68,321	68,321	230,933
CASH AT END OF YEAR	\$41,386	\$41,386	\$147,517
<b>Reconciliation of Excess / (Deficiency) Revenues over Expenses to Net Cash Used in Operating Activities:</b>			
(Loss) from Operations	(\$374,626)	(\$374,626)	(\$619,906)
Depreciation	18,746	18,746	546,589
(Increase) decrease in accounts receivable	1	1	(93,905)
(Increase) decrease in inventories			(3,018)
(Increase) decrease in other current assets			43,570
Increase (decrease) in accts. payable and notes	4,532	4,532	261,212
Increase (decrease) in accrued expenses	(884)	(884)	(262,500)
Net Cash Used by Operating Activities	(\$352,231)	(\$352,231)	(\$127,958)

See accompanying notes to financial statements

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Financial Reporting Entity:**

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

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

**2. Component Unit**

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as a discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from Boundary County. Also see Note R.

The component unit column in the combined financial statements reports the audited financial data of Boundary Community Hospital for its year-end December 31, 2009. The auditor's report for year ended December 31, 2009 expressed an unqualified opinion with a going concern comment. Complete financial statements of the component unit can be obtained directly from their administrative office at 6640 Kaniksu Street, Bonners Ferry, ID 83805-7532.

**3. Basic Financial Statements – Government-Wide Statements**

The Government-wide financial statements consist of the statement of net assets and statement of activities that report information about the County and its component unit. These statements include the financial activities of the overall government, except 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 Assets 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 assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities when both restricted and unrestricted are available.

## BOUNDARY COUNTY, IDAHO

### NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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

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

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

#### 4. Basic Financial Statements – Fund Financial Statements

The financial transactions of the County are recorded in individual funds to report the financial position and results of operations of the County. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, 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). The non-major funds are displayed individually in the combining 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 District Court.
- The Solid Waste Fund is a special revenue fund used to account for the activities related to the operation, maintenance and expenditures at the County landfill.

## **BOUNDARY COUNTY, IDAHO**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

#### *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.

#### 5. 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 Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in accrual below.

#### Basis of Accounting - Accrual

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

#### Basis of Accounting - Modified Accrual

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

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

## BOUNDARY COUNTY, IDAHO

### NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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.

#### 6. 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 interest 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.

#### 7. Restricted Assets

Certain assets are classified as restricted on the government-wide financial statements and the governmental-type balance sheets because their use is limited by applicable regulations imposed by other governmental agencies.

#### 8. 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 collectibility of the accounts involved.

#### 9. Fixed Assets

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

##### *Fund Financial Statements*

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

##### *Government-Wide Statements*

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

Depreciation of all exhaustible fixed assets is recorded as an allocable expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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.

## BOUNDARY COUNTY, IDAHO

### NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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.

#### 10. Compensated Absences

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The entire liability for these compensated absences is recorded as a current debt in the government-wide statements and in the governmental and proprietary funds based on historical trends. The current liability increased by \$8,211 during the year ended September 30, 2010.

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.

*Deferred Compensation* – GASB Statement No. 32 rescinded prior standards and established new accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governmental employers. The County is in compliance with the IRC regulation. All assets and income of the County's 457 plan are held in a trust, custodial account or annuity contract as described in IRC Section 457(g) for the exclusive benefit of the plan participants and their beneficiaries. The County has no liability for losses under the plan and currently makes no matching contributions.

#### 11. 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.

#### 12. Equity Classifications

##### *Government-wide Statements*

Equity is classified as net assets 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 net assets – 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 net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

##### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

## **BOUNDARY COUNTY, IDAHO**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

#### **13. 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.

#### **14. 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.

### **NOTE B - CASH AND INVESTMENTS**

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.

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

**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.

**Cash and Investment Balances**

At September 30, 2010, the County's cash on hand was \$250. The carrying amount of cash and deposits was \$4,862,477 and the bank balance was \$6,044,658. The difference represents deposits in transit and outstanding warrants.

The County's bank balances including fiduciary funds at September 30, 2010 consisted of the following:

Carrying value:

Cash and cash equivalents	\$4,201,617
Assets limited as to use	660,860
	<u>\$4,862,477</u>

Bank value of Deposits	\$6,044,658
Uninsured and Uncollateralized Deposits	\$97,796
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	\$4,872,465
Insured Deposits	\$1,074,397

**NOTE C – CAPITAL ASSETS**

Governmental capital asset activity for the year ended September 30, 2010 was as follows:

	Balance			Balance
Governmental Capital Assets:	<u>9/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2010</u>
Land	\$648,339			\$648,339
Buildings, Improvements & Infrastructure	5,046,320	579,393		5,625,713
Assets not being depreciated	508,997	(446,977)		62,020
Machinery & Equipment	5,980,087	1,065,904	(149,673)	6,896,318
Total	<u>\$12,183,743</u>	<u>\$1,198,320</u>	<u>(\$149,673)</u>	<u>\$13,232,390</u>

	Balance			Balance
Accumulated Depreciation:	<u>9/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2010</u>
Buildings, Improvements & Infrastructure	\$1,832,111	\$205,242		\$2,037,353
Machinery & Equipment	3,922,325	417,950	(149,673)	4,190,602
Total	<u>\$5,002,333</u>	<u>\$623,192</u>	<u>(\$149,673)</u>	<u>\$6,227,955</u>

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

Business-type capital asset activity for the year ended September 30, 2010 was as follows:

	Balance			Balance
Business-type Capital Assets:	<u>9/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2010</u>
Land	\$98,012			\$98,012
Buildings & Improvements	547,842			547,842
Assets not being depreciated	31,800			31,800
Machinery & Equipment	250,350			250,350
Total	<u>\$843,907</u>	<u>\$0</u>	<u>\$0</u>	<u>\$928,004</u>

	Balance			Balance
Accumulated Depreciation:	<u>9/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2010</u>
Buildings & Improvements	\$538,689	\$1,626		\$540,315
Machinery & Equipment	128,675	17,120		145,795
Total	<u>\$635,947</u>	<u>\$18,746</u>	<u>\$0</u>	<u>\$686,110</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$179,758
Public Safety	80,333
Streets	289,556
Sanitation	60,413
Parks	13,132
Total Depreciation Expense	<u>\$623,192</u>

**NOTE D - LONG-TERM DEBT**

All long-term debt is from governmental activities.

At September 30, 2010, the governmental long-term debt of the financial reporting entity consisted of the following:

	Outstanding	Debt	Debt	Outstanding
	<u>9/30/2009</u>	<u>Incurred</u>	<u>Retired</u>	<u>9/30/2010</u>
Capital Lease Obligations	<u>\$970,251</u>	<u>\$102,593</u>	<u>\$185,585</u>	<u>\$887,259</u>

The annual requirements to retire general long-term debt as of September 30, 2010 are as follows:

	Principal	Sinking fund
	<u>Requirement</u>	<u>Requirement</u>
September 30, 2011	\$434,503	\$476,199
September 30, 2012	237,716	261,756
September 30, 2013	93,678	104,629
September 30, 2014	81,394	87,368
September 30, 2015	39,968	41,727
	<u>\$887,259</u>	<u>\$971,679</u>

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

**NOTE E - 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 \$1,851,129 are recorded under capital leases, which carry interest rates of 4.45% to 6.1%. The leases are paid from the General Fund, Road and Bridge Fund and Parks Fund.

Future minimum payments under capital leases together with present value of the minimum lease payments at September 30, 2010 are:

September 30, 2011	\$476,199
September 30, 2012	261,756
September 30, 2013	104,629
September 30, 2014	87,368
September 30, 2015	<u>41,727</u>
	\$971,679
Amount representing interest	<u>84,420</u>
Present value of minimum lease payments	<u><u>\$887,259</u></u>

**NOTE F - RETIREMENT PLAN - GASB 27 DISCLOSURE**

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

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

The plan contribution requirements of the County and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2010 the required contribution rates for general employees was 10.39% and 6.23% of covered payroll for Boundary County and its employees, respectively and 10.73% and 7.65% for police/fire fighter employees for Boundary County and its employees, respectively. The County's contributions required and paid were \$378,732, \$362,025, and \$360,333 for the three years ended September 30, 2010, 2009, and 2008 respectively.

**NOTE G - 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.

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

**NOTE H - 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 I - FUND EQUITY**

Reservations or restrictions of fund equity of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not 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 J - PROPERTY TAX CALENDAR**

Property tax notices are mailed to the taxpayers of the amount due on real property before the fourth Monday of November and of the tax due on personal property during November. Half of the taxes are due on or before the 20th of December and the remaining half is due on or before the 20th of June. If either installment is not paid, a penalty and interest is added.

After personal property tax becomes delinquent the County Treasurer has the responsibility for issuing warrants of distraint. The warrants are directed to the County Sheriff to sell a sufficient amount of the taxpayer's property to pay the delinquent tax plus fees and other costs.

Real property taxes not paid when due must be entered on the real property assessment roll as delinquent on the first day of January of the succeeding year. The delinquency entry constitutes a lien on the property, and entitles the county to a tax deed.

**NOTE K - 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. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

**NOTE L - POST EMPLOYMENT BENEFITS**

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

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

**NOTE M- TRANSFERS BETWEEN FUNDS**

Following are details of operating transfers between funds:

	<u>Transfer In</u>	<u>Transfer Out</u>	
General Fund	\$11		To Close Bond & Special Funds
Other Non-Major Funds		11	To Close Bond & Special Funds
Totals	<u>\$11</u>	<u>\$11</u>	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with statutory or budgeting authorizations.

**NOTE N - RISK MANAGEMENT**

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

**NOTE O - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS**

State and Federal laws and regulations require that Boundary County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, a liability is being recognized based on estimated future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$1,031,085 that is based on 55% usage (filled) of the landfill. It is estimated that an additional \$829,865 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 25 years. The estimated cost of \$1,860,950 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, 2010. 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, 2010 the fund held cash in the amount of \$660,860. The cash is restricted as to use only for landfill closure and post-closure costs.

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

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

**BOUNDARY COUNTY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE Q – DISCLOSURES SPECIFICALLY RELATING TO COMPONENT UNIT**

**Nature of Operations**

Boundary Community Hospital is owned and operated as a division of Boundary County, Idaho. Only those activities directly related to the operation of the Hospital are included in its financial statements. The Hospital is located in Bonners Ferry, Idaho and operates a licensed 20-bed acute care hospital and a 36-bed nursing home. The Hospital provides inpatient, outpatient, emergency care, and skilled nursing services for residents of Boundary County, Idaho. The Board of County Commissioners appoints the Hospital Board members. The Hospital may not issue debt without the County's approval. The Hospital is exempt from federal and state income tax. Complete financial statements and disclosures for the component unit can be obtained directly from their administrative office at 6640 Kaniksu Street, Bonners Ferry, ID 83805-7532.

Condensed Financial Data for the years December 31 2009 with comparative data for 2008:

<b>Boundary Community Hospital Net Assets</b>	<b><u>12/31/2009</u></b>	<b><u>12/31/2008</u></b>
Current and other assets	\$1,759,610	\$1,763,612
Assets whose use is limited	471,167	497,226
Capital assets	<u>2,287,750</u>	<u>2,441,904</u>
Total Assets	<u>4,518,527</u>	<u>4,702,742</u>
Current liabilities	2,111,822	2,177,311
Long-term liabilities	<u>137,538</u>	<u>265,676</u>
Total Liabilities	<u>2,249,360</u>	<u>2,442,987</u>
Net Assets:		
Invested in capital assets, net of related debt	2,021,514	2,027,441
Restricted	125,626	151,685
Unrestricted	<u>122,027</u>	<u>80,629</u>
Total Net Assets	<u><u>\$2,269,167</u></u>	<u><u>\$2,259,755</u></u>
<b>Boundary Community Hospital Changes in Net Assets</b>	<b><u>12/31/2009</u></b>	<b><u>12/31/2008</u></b>
<b>Operating Revenues:</b>		
Charges for Services, net	\$9,536,133	\$9,492,278
Other Operating	55,870	39,035
<b>Non Operating revenues</b>		
Property taxes	488,681	138,000
Other	<u>140,637</u>	<u>107,430</u>
<b>Total Revenues</b>	<u><b>10,221,321</b></u>	<u><b>9,776,743</b></u>
<b>Expenses</b>		
Operating expenses	9,665,320	9,563,582
Depreciation	<u>546,589</u>	<u>542,709</u>
<b>Total Expenses</b>	<u><b>10,211,909</b></u>	<u><b>10,106,291</b></u>
<b>Decrease in Net Assets</b>	<u><b>\$9,412</b></u>	<u><b>(\$329,548)</b></u>

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

**Significant Accounting Policies Specifically Related to the Component Unit**

1. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using economic resource measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

2. Accounts Receivable

Receivables arising from patient service revenues are reduced by an allowance for uncollectible accounts and contractual adjustments, based on experience, third-party contractual arrangements, and any unusual circumstances that may affect the ability of patients to meet their obligations. Accounts deemed uncollectible are charged against this allowance.

3. Inventories

Inventories are valued at cost on the first-in-first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

4. Property, Buildings, and Equipment

Property, buildings, and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operations as incurred, betterments and major renewals are capitalized. When such assets are disposed of, then related costs and accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is classified in non-operating gains and losses. Depreciation and amortization have been computed on the straight-line method over the estimated useful service lives of the assets. Donated items are recorded at fair market value at the date of the contribution and are subsequently considered as being on the basis of cost.

5. Going Concern

The Hospital has shown significant losses during the last eight years. The operating losses are due to decreased utilization in several departments, vastly rising patient bad debts, major purchases of capital assets and increases in salaries to remain competitive within the healthcare industry.

Various administrative and operational enhancements have been made, the effect of which, has been to improve the decrease in net assets from approximately (\$740,000) in 2004, to (\$330,000) in 2008 and showed an increase in net assets of \$9,412 in 2009. In May of 2008, the Boundary County voters approved a \$670,000 property tax levy to be received in 2009 and 2010.

However, as a consequence of the repeated operating losses, substantial doubt exists concerning the Hospital's ability to continue as a going concern. The accompanying financial statements do not include adjustments that might result from the outcome of this uncertainty.

**BOUNDARY COUNTY, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

**6. Notes and Loans Payable**

The Hospital has various long-term debt obligations in the amount of \$266,236 all of which are collateralized by equipment, land or buildings. The current portion of the long-term debt is \$128,698. In addition, a line of credit is outstanding in the amount of \$173,007, a tax anticipation note for \$335,000, and a short-term note in the amount of \$88,237.

**7. Net Assets**

Net Assets of the Hospital are classified in three components. *Net Assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the hospital, including amounts deposited with trustees as required by revenue bonds indentures, if any. *Unrestricted net assets* are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

## **OTHER FINANCIAL INFORMATION**

**BOUNDARY COUNTY, IDHAO**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE - GENERAL FUND**

**For the year ended September 30, 2010**

REVENUES:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
Taxes	\$1,077,890	\$1,077,890	\$1,107,267	\$29,377
Fees & other non-tax revenues	141,570	141,570	166,886	25,316
Grants and receipts from other gov'ts	300,712	302,557	301,199	(1,358)
Other	25,500	25,500	37,667	12,167
Total Revenues	<u>1,545,672</u>	<u>1,547,517</u>	<u>1,613,019</u>	<u>65,502</u>
EXPENDITURES:				
Current::				
General government:				
Salaries	715,004	715,004	692,565	22,439
Benefits	432,011	432,011	396,081	35,930
Other	697,174	697,174	444,207	252,967
Public safety:				
Salaries	31,770	31,770	27,020	4,750
Benefits	34,860	34,860	33,718	1,142
Other	46,710	48,555	50,672	(2,117)
Capital Outlay	71,200	71,200	5,363	65,837
Debt Service	0	0	27,952	(27,952)
Total Expenditures	<u>2,028,729</u>	<u>2,030,574</u>	<u>1,677,578</u>	<u>352,996</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(483,057)	(483,057)	(64,559)	418,498
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	0	0	11	11
TOTAL CHANGE IN FUND BALANCE	<u>(483,057)</u>	<u>(483,057)</u>	<u>(64,548)</u>	<u>418,509</u>
FUND BALANCE - Beginning of year	<u>483,057</u>	<u>483,057</u>	<u>755,881</u>	<u>272,824</u>
FUND BALANCE - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$691,333</u>	<u>\$691,333</u>

**BOUNDARY COUNTY , IDAHO**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE - ROAD & BRIDGE FUND**

**For the year ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
REVENUES:				
Fees & other non-tax revenues	\$28,000	\$51,991	\$146,507	\$94,516
Grants and receipts from other gov'ts	4,104,020	4,104,020	2,419,637	(1,684,383)
Other	8,000	8,000	10,911	2,911
Total Revenues	<u>4,140,020</u>	<u>4,164,011</u>	<u>2,577,055</u>	<u>(1,586,956)</u>
EXPENDITURES:				
Current:				
Roads & Bridges:				
Salaries	671,180	671,180	635,293	35,887
Benefits	435,540	435,540	409,904	25,636
Other	2,337,300	2,361,291	1,000,729	1,360,562
Capital Outlay	696,000	696,000	453,834	242,166
Debt Service	0	0	160,358	(160,358)
Total Expenditures	<u>4,140,020</u>	<u>4,164,011</u>	<u>2,660,118</u>	<u>1,503,893</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	0	0	(83,063)	(83,063)
OTHER FINANCING SOURCES (USES):				
Debt proceeds	0	0	102,593	102,593
TOTAL CHANGE IN FUND BALANCE	<u>0</u>	<u>0</u>	<u>19,530</u>	<u>19,530</u>
FUND BALANCE - Beginning of year	<u>0</u>	<u>0</u>	<u>1,672,905</u>	<u>1,672,905</u>
FUND BALANCE - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$1,692,435</u>	<u>\$1,692,435</u>

**BOUNDARY COUNTY, IDAHO**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE - JUSTICE FUND**

**For the year ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable- (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$1,510,670	\$1,510,670	\$1,560,104	\$49,434
Fees & other non-tax revenues	168,845	168,845	182,870	14,025
Grants and receipts from other gov'ts	700,081	710,081	650,561	(59,520)
Other	64,052	64,052	33,908	(30,144)
Total Revenues	<u>2,443,648</u>	<u>2,453,648</u>	<u>2,427,443</u>	<u>(26,205)</u>
<b>EXPENDITURES:</b>				
Current::				
Public safety:				
Salaries	1,215,162	1,220,262	1,159,688	60,574
Benefits	784,066	784,066	701,327	82,739
Other	714,991	714,991	461,094	253,897
Capital Outlay	103,900	108,800	86,052	22,748
Total Expenditures	<u>2,818,119</u>	<u>2,828,119</u>	<u>2,408,161</u>	<u>419,958</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(374,471)	(374,471)	19,282	393,753
FUND BALANCE - Beginning of year	<u>374,471</u>	<u>374,471</u>	<u>779,313</u>	<u>404,842</u>
FUND BALANCE - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$798,595</u>	<u>\$798,595</u>

**BOUNDARY COUNTY , IDAHO**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE - SOLID WASTE FUND**

**For the year ended September 30, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable- (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Fees & other non-tax revenues	\$803,560	\$803,560	\$812,631	\$9,071
Other	0	0	20,463	20,463
<b>Total Revenues</b>	<b>803,560</b>	<b>803,560</b>	<b>833,094</b>	<b>29,534</b>
<b>EXPENDITURES:</b>				
Current:				
Sanitation:				
Salaries	322,710	322,710	262,514	60,196
Benefits	219,700	219,700	181,521	38,179
Other	210,150	210,150	185,107	25,043
Capital Outlay	51,000	51,000	33,977	17,023
Debt Service	0	0	44,328	(44,328)
<b>Total Expenditures</b>	<b>803,560</b>	<b>803,560</b>	<b>707,447</b>	<b>96,113</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>125,647</b>	<b>125,647</b>
<b>FUND BALANCE - Beginning of year</b>	<b>0</b>	<b>0</b>	<b>882,350</b>	<b>882,350</b>
<b>FUND BALANCE - End of year</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,007,997</b>	<b>\$1,007,997</b>

**ADDITIONAL AUDITOR'S REPORTS AND SCHEDULES**

# LEONARD S. SCHULTE

## CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 266

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Bonnors Ferry, ID 83805

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners  
Boundary County  
Bonnors Ferry, Idaho 83805

#### **Compliance**

I have audited Boundary County's 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, 2010. Boundary County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Boundary County's management. My responsibility is to express an opinion on Boundary County's compliance based on my audit.

I did not audit the financial statements of Boundary Community Hospital, included in Boundary County's financial statements as a discretely presented component unit. This component unit did not receive federal awards. Those financial statements were audited by other auditors whose report thereon dated July 28, 2010, has been furnished to me, and my opinion on the basic financial statements, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

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 Boundary 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. My audit does not provide a legal determination on Boundary County's compliance with those requirements.

In my opinion, Boundary County complied, in all material respects, with the 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, 2010.

### **Internal Control Over Compliance**

The management of Boundary County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Boundary County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Boundary County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 11, 2011

Leonard S. Schulte

# LEONARD S. SCHULTE

## CERTIFIED PUBLIC ACCOUNTANT

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### 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 County Commissioners  
Boundary County  
Bonnors Ferry, Idaho 83805

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boundary County of Bonnors Ferry, Idaho, as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued my report thereon dated January 11, 2011. My report was modified to include a reference to other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I did not audit the financial statements of Boundary Community Hospital, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon, dated July 28, 2010, has been furnished to me, and my opinion on the basic financial statements insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

#### **Internal Control over Financial Reporting**

In planning and performing my audit, I considered Boundary County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Boundary County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as identified above.

### **Compliance and Other Matters**

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

I noted certain matters that I reported to management of Boundary County, Idaho in a separate letter dated January 11, 2011.

This report is intended solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 11, 2011

Leonard S. Schulte

**BOUNDARY COUNTY, IDAHO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2010**

FEDERAL GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-through Grantors Number	Receipts/ Revenue	Disbursements/ Expenditures
<u>U.S. Dept. of Interior</u>				
Direct Assistance:				
Payment in Lieu of Taxes	15.226	826000287	\$156,802	\$156,802
<u>U.S. Dept. of Agriculture</u>				
Passed through State of Idaho:				
<b>Secure Payments for States &amp; Counties Containing Federal Land</b>	<b>10.665</b>	<b>826000287</b>	<b>1,989,470</b>	<b>1,989,470</b>
Cooperative Forestry Assistance	10.664	VARIOUS	150,568	150,568
ARRA - Wildland Fire Management	10.688	09-DG-1101821B1	53,351	53,351
<u>U.S. Dept. of Homeland Security</u>				
Passed through the State of Idaho:				
Homeland Security Grant Program	97.067	826000287	29,828	29,828
Boating Safety Financial Assistance	97.012	14.01.16	7,185	7,185
Emergency Management Performance Grants	97.042	826000287	9,219	9,219
<u>U.S. Dept. of Health &amp; Human Services</u>				
Passed through the State of Idaho:				
Health Care Financing Research	93.779	11-P-20198	1,000	1,000
<u>U.S. Dept. of Justice</u>				
Passed through State of Idaho:				
Juvenile Accountability Incentive Block Grant	16.523	N/A	4,400	4,400
<u>U.S. Dept. of Transportation</u>				
Direct Assistance:				
<b>Airport Improvement Program</b>	<b>20.106</b>	<b>3-16-0004-007,8 &amp; 9</b>	<b>518,884</b>	<b>518,884</b>
<b>Total Federal Financial Assistance</b>			<b>\$2,920,707</b>	<b>\$2,920,707</b>

**Major Federal Programs are Identified in Bold**

# BOUNDARY COUNTY, IDAHO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS SEPTEMBER 30, 2010

### 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:

U.S. Dept of Agriculture

Secure Payments to States and Counties  
Containing Federal Lands

CFDA # 10.665

U.S. Dept of Transportation

Airport Improvement Program

CFDA # 20.106

**BOUNDARY COUNTY, IDAHO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended September 30, 2010**

**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 Transportation	
Airport Improvement Program	CFDA # 20.106
Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000.
Auditee qualified as low-risk auditee?	Yes

**BOUNDARY COUNTY, IDAHO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2010**

**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