

KOOTENAI METROPOLITAN PLANNING
ORGANIZATION

FINANCIAL STATEMENT
SEPTEMBER 30, 2013

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ORGANIZATION

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KOOTENAI METROPOLITAN PLANNING ORGANIZATION

September 30, 2013

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



MAGNUSON, McHUGH & COMPANY, P.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kootenai Metropolitan Planning Organization
Coeur d'Alene, ID 83814

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund, of Kootenai Metropolitan Planning Organization, as of and for the year ended September 30, 2013, which collectively comprise Kootenai Metropolitan Planning Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, of Kootenai Metropolitan Planning Organization, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONCLUDED)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2014 on our consideration of Kootenai Metropolitan Planning Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Kootenai Metropolitan Planning Organization's internal control over financial reporting and compliance.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh, & Co., P.A.

May 30, 2014

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kootenai Metropolitan Planning Organization

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2013

As management of Kootenai Metropolitan Planning Organization (the "Organization"), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of Kootenai Metropolitan Planning Organization for the fiscal year ended September 30, 2013.

The Organization adopts a budget in June for the subsequent year. The current year budget is updated as part of the subsequent year budget development process and approved by the KMPO Board.

FINANCIAL HIGHLIGHTS

At the end of the fiscal year, total net position was \$41,324, which is an increase of \$8,092 in the net position over 2012. A summary of the Organizations assets, liabilities and net assets follows:

Assets	\$63,053
Liabilities	<u>21,729</u>
Net position	<u>\$41,324</u>

Fiscal year program revenues totaled \$351,345 and expenses totaled \$343,253 on the statement of activities.

A detailed statement of activities which includes all revenues and expenses can be found on page 9 of the financial section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of not only this management's discussion and analysis, but two other kinds of statements that present different views of the Organization's financial activities.

- The statement of net position and statement of activities provide information on a government-wide basis. The statements present an aggregate view of the Organization's finances. Government-wide statements contain useful long-term information, as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on current financial resources. Since the Organization is a special Organization with only governmental funds, there are not significant differences between the fund financial statements and the statement of net position and statement of activities, other than the long-term information regarding compensated absences, which is not presented in the fund financial statements.

The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the Organization's financial activities and position. The notes provide additional information that is essential to fully understand the data provided in the government-wide financial statements. The notes to financial statements can be found beginning on page 14.

Required supplementary information and other supplementary information further explains and supports the financial statements by including a comparison of the Organization's budget data for the year and more detail of the expenditures.

Kootenai Metropolitan Planning Organization

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2013

Government-wide Statements

The government-wide statements report information about the Organization as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Organization's net position and how they have changed. Net position, the difference between the Organization's assets and liabilities, is one way to measure the Organization's financial position.

- Over time, increases or decreases in the Organization's net assets are one indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall financial condition of the Organization, additional non-financial factors, such as changes in the Organization's property tax base and the condition of its equipment, building, and other facilities should be considered.

In the government-wide financial statements, the Organization's activities are all classified as governmental activities, as the Organization has only governmental activities, and the general fund. The Organization owns office related equipment and furniture that was acquired in 2011, 2012 and 2013; however, leases its office space on a multi-year contract. The Organization's membership, which provides the annual local funding to support the Organization has been stable since 2003, when the Organization was established through a Joint Powers Agreement.

Fund Financial Statements

Since the Organization has only governmental funds, the fund financial statements provide similar information about the Organization's operations and financial position for the year ended September 30, 2013 as the government-wide statements. Funds are accounting devices the Organization uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements.

Governmental funds: All activities of the Organization are accounted for in one governmental fund, the general fund, which focus on: (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for funding future basic services. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Organization's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide reconciliations with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

Kootenai Metropolitan Planning Organization

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2013

FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The Organization's assets exceeded liabilities by \$41,324 as of September 30, 2013.

TABLE 1
STATEMENT OF NET POSITION
September 30, 2013 and 2012

	2012	2013
ASSETS		
Cash and cash equivalents	\$ 5,807	\$ 28,674
Accounts receivable	46,187	34,379
Total assets	<u>51,994</u>	<u>63,053</u>
LIABILITIES		
Accounts payable	4,993	5,539
Noncurrent liabilities:		
Due in more than one year	13,769	16,190
Total liabilities	<u>18,762</u>	<u>21,729</u>
NET POSITION		
Unrestricted	33,232	41,324
Total net position	<u>\$ 33,232</u>	<u>\$ 41,324</u>

Kootenai Metropolitan Planning Organization

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2013

FINANCIAL ANALYSIS (CONCLUDED)

Changes in Net Position

The Organization's total revenues for the fiscal year ended September 30, 2013 were \$351,345. The total expenses were \$343,253. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2013.

Table 2
CHANGES IN NET POSITION
September 30, 2013 and 2012

	2012	2013
REVENUES		
Program revenues:		
Operating grants and contributions	\$ 345,836	\$ 315,939
General revenues:		
Member assessments	40,883	35,406
Total revenues	<u>386,719</u>	<u>351,345</u>
EXPENSES		
Transportation planning services	<u>388,530</u>	<u>343,253</u>
Total expenses	<u>388,530</u>	<u>343,253</u>
Change in net position	<u>\$ (1,811)</u>	<u>\$ 8,092</u>

Governmental Funds

The Organization completed the year with a total governmental unassigned fund balance of \$57,514.

See page 21 for a detailed budget schedule.

As of September 30, 2013, revenues exceeded expenditures by \$8,092. This adjustment will be brought forward into the following year by amending the new budget. The Organization adopts a budget in June for the subsequent year and account balances are based on previous budgets and expected expenses for the coming year. No amendments were made to the fiscal year 2013 budget after the budget update in June 2013.

Kootenai Metropolitan Planning Organization

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2013

FACTORS BEARING ON THE ORGANIZATION'S FUTURE

The Organization operates largely on grant funding provided through the U.S. Department of Transportation as authorized by Congress in Federal transportation legislation referred to as MAP-21. Annual appropriations are provided to both the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) to support ongoing transportation planning in urbanized areas over 50,000 population as required by U.S.C. Title 23, Section 134. Local jurisdictions, highway districts, Idaho Transportation Department and the Coeur d' Alene Tribe participate in the Organization through annual assessments that are based on the Organizations adopted budget.

As with any organization that is established pursuant to Federal requirements and funded through annual Federal appropriations, funding levels can fluctuate based on the direction of Congress. Continued Federal emphasis on the efficient and effective movement of people and goods through strategic transportation investments, is expected to result in maintained levels of funding in the near and midterm. The stability of the Organization and the continued active participation by member participants and the community is expected to result stable local revenues necessary to match the annual Federal funding provided by the U.S. Department of Transportation.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial overview and report is designed to provide our taxpayers with a general overview of the Organization's finances and projected continued growth within the boundaries of the Organization and to demonstrate the Organization's accountability for the funds received and expenses incurred. If there are any questions about the report or more financial information is needed, please contact the Office located at 250 Northwest Boulevard, Suite 209, Coeur d'Alene, ID 83814 or contact by phone (208) 930-4164.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Kootenai Metropolitan Planning Organization

STATEMENT OF NET POSITION

September 30, 2013

ASSETS

Cash and cash equivalents	\$ 28,674
Accounts receivable	<u>34,379</u>
Total assets	<u>63,053</u>

LIABILITIES

Accounts payable	5,539
Noncurrent liabilities:	
Due in more than one year - compensated absences	<u>16,190</u>
Total liabilities	<u>21,729</u>

NET POSITION

Unrestricted	<u>41,324</u>
Total net position	<u>\$ 41,324</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Kootenai Metropolitan Planning Organization

STATEMENT OF ACTIVITIES For the year Ended September 30, 2013

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenues and Change in Net Assets Government Activities Total</u>
Governmental activities:			
General government			
Transportation planning services	\$ 343,253	\$ 315,939	\$ (27,314)
Total governmental activities	<u>\$ 343,253</u>	<u>\$ 315,939</u>	<u>(27,314)</u>
General revenues:			
Member assessments			<u>35,406</u>
Increase in net position			8,092
Net position beginning			<u>33,232</u>
Net position ending			<u>\$ 41,324</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Kootenai Metropolitan Planning Organization

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2013

ASSETS

Cash and cash equivalents	\$ 28,674
Accounts receivable	34,379
Total assets	<u>\$ 63,053</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 5,539
Total liabilities	<u>5,539</u>

Fund balances:

Unassigned	57,514
Total fund balances	<u>57,514</u>

Total liabilities and fund balances	<u>\$ 63,053</u>
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The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Kootenai Metropolitan Planning Organization

Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position September 30, 2013

Amounts reported for governmental activities in the statement of net assets
are different because:

Total fund balances - governmental funds	\$ 57,514
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(16,190)
Total net position	<u>\$ 41,324</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Kootenai Metropolitan Planning Organization

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the year Ended September 30, 2013

REVENUES

Grants	\$ 315,939
Member assessments	35,406
Total revenues	<u>351,345</u>

EXPENDITURES

Operating expenditures:	
Salaries and wages	208,681
Outside contract services	7,391
Payroll expense	18,501
Retirement	22,029
Benefits	32,570
Office rent and utilities	17,602
Travel	10,380
Membership and dues	6,930
Supplies	2,138
Telephone	3,146
Printing and copying	340
Insurance	2,065
Business expenses	18
Books subscriptions reference	1,036
Audit charges	7,300
Advertising	110
Postage	109
Total expenditures	<u>340,832</u>
Net change in fund balances	10,513
Fund balances - beginning	<u>47,001</u>
Fund balances - ending	<u>\$ 57,514</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Kootenai Metropolitan Planning Organization

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2013

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in Fund Balances - total governmental funds	\$ 10,513
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Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(2,421)
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Change in net position of governmental activities	<u>\$ 8,092</u>
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The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Kootenai Metropolitan Planning Organization

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kootenai Metropolitan Planning Organization (the "Organization") for the Coeur d'Alene Urbanized Area and for Kootenai County was created in 2003 as a separate Joint Powers Entity, separate and apart from any member political subdivision or public agency pursuant to the provisions of Idaho Code, Sections 67-2326 through 67-2333.

The accounting methods and procedures adopted by the Organization conform to generally accepted accounting principles as applied to governmental entities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Organization's basic financial statements.

Reporting Entity – A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Organization consists of all funds, departments, boards and agencies that are not legally separate from the Organization. There are no entities that would be considered component units of the Organization.

The financial statements of the Organization have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the Organization's accounting policies are described below:

B. Fund Accounting

The Organization uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Organization functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Organization has one governmental fund, the general fund.

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available for any purpose provided it is expended or transferred according to Idaho State law.

C. Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Organization as a whole. These statements include the financial activities of the primary government. The Organization has activities that are considered to be governmental as opposed to business-type activities.

(Continued)

Kootenai Metropolitan Planning Organization

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Organization's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Organization, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Organization.

Fund Financial Statements – Fund financial statements report detailed information about the Organization. The focus of governmental fund statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. The Organization maintains only a governmental type general fund.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Organization, available means expected to be received within 60 days of the fiscal year end.

(Continued)

Kootenai Metropolitan Planning Organization

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Non-exchange transactions, in which the Organization receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Organization must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Organization on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year then ended: property taxes available in advance, interest, grants, and rentals.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

E. Cash and Cash Equivalents

In the general fund, cash received by the Organization is pooled for investment purposes and is presented as "Cash and Cash Equivalents" on the financial statements.

For presentation in the financial statements, investments in the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Organization are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the non-current portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

(Continued)

Kootenai Metropolitan Planning Organization

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Balance Reserves

The Organization has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Organization is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Organization to classify and report amounts in the appropriate fund balance classifications. The Organization's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The Organization reports the following classifications:

Non-spendable Fund Balance — Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form—such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity.

Restricted Fund Balance — Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the Organization can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance — Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Directors. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board of Directors. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance — Assigned fund balances are amounts that are constrained by the Organization's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Director of Finance, or (b) an appointed body (e.g., a budget or finance committee) or official to which the Board of Directors have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Organization itself.

Unassigned Fund Balance — Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Organization's policy is first use restricted fund balance, then committed, then assigned, then unassigned when any of the above fund balance are available to use to satisfy an obligation.

(Continued)

Kootenai Metropolitan Planning Organization

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Net Position Flow Assumptions

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the Organization will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Organization's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

I. Compensated Absences

The Organization reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Organization will compensate the employees for the benefits through paid time off or some other means. The Organization records a liability for accumulated unused vacation time when earned for all employees who qualify. The total liability of \$16,190 is included in the government-wide financial statements as a non-current liability due in more than one year.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. 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.

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. The budget was not amended in the current fiscal year.

(Continued)

Kootenai Metropolitan Planning Organization

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONCLUDED)

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The Organization publishes a proposed budget for public review.
- b) Public hearings are set to obtain taxpayer comments.
- c) Prior to September 1, the budget is adopted by resolution of the Board of Directors and published.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

NOTE 3: CASH AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a policy for custodial credit risk. The carrying amount of the Organization's deposits and investments with financial institutions on September 30, 2013 was \$28,674 and the bank balance was \$39,173. The bank balance is on deposit with one financial institution and is recorded at cost. The bank balance is categorized as follows:

Amounts insured by the FDIC or other agencies	<u>\$39,173</u>
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Idaho State Code allows the Organization to invest idle monies in certain categories. No violations of those categories have occurred during the year.

NOTE 4: DEFINED BENEFIT PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, 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 in 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. After 5 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, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

(Continued)

Kootenai Metropolitan Planning Organization

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

NOTE 4: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

The actuarially determined contribution requirements of the Organization and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The Kootenai Metropolitan Planning Organization employer contributions required and paid was \$22,029 and \$20,438 for the years ended September 30, 2013 and 2012. This is the second year for Organization to be participants in PERSI.

NOTE 5: LONG-TERM DEBT

Changes in Long-term Liabilities

	<u>10/01/12</u>	<u>Increase</u>	<u>09/30/13</u>
<i>Government-type activities:</i>			
Compensated absences	\$ <u>13,769</u>	<u>\$2,421</u>	<u>\$16,190</u>

Compensated absences are paid form the general fund in the form of vacation pay. The entire balance of compensated absences is considered due within one year.

NOTE 6: RISK MANAGEMENT

The Organization 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 Organization contracts with an insurance company for property insurance and general liability insurance.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Kootenai Metropolitan Planning Organization

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

For the year Ended September 30, 2013

	*Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Grants	\$ 332,000	\$ 315,939	\$ (16,061)
Member assessments	35,378	35,406	28
Total revenues	<u>367,378</u>	<u>351,345</u>	<u>(16,033)</u>
EXPENDITURES			
Operating expenditures:			
Salaries and wages	209,170	208,681	489
Outside contract services	65,000	7,391	57,609
Payroll expense	22,513	18,501	4,012
Retirement	21,733	22,029	(296)
Benefits	30,311	32,570	(2,259)
Office rent and utilities	15,388	17,602	(2,214)
Travel	9,500	10,380	(880)
Membership and dues	7,350	6,930	420
Supplies	2,100	2,138	(38)
Telephone	2,700	3,146	(446)
Printing and copying	-	340	(340)
Facilities and equipment	2,100	486	1,614
Insurance	1,200	2,065	(865)
Business expenses	-	18	(18)
Books subscriptions reference	1,500	1,036	464
Audit charges	6,000	7,300	(1,300)
Advertising	500	110	390
Postage	250	109	141
Capital expenditures and debt service:			
Capital expenditures	5,000	-	5,000
Total expenditures	<u>402,315</u>	<u>340,832</u>	<u>61,483</u>
Net change in fund balances	(34,937)	10,513	45,450
Fund balances - beginning	<u>47,001</u>	<u>47,001</u>	<u>-</u>
Fund balances - ending	<u>\$ 12,064</u>	<u>\$ 57,514</u>	<u>\$ 45,450</u>

*The budget was not amended.

FINANCIAL SECTION

REPORT REQUIRED BY THE GAO

**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**

Independent Auditor's Report

To the Board of Directors
Kootenai Metropolitan Planning Organization
Coeur d'Alene, ID 83814

We have audited, 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, the financial statements of the governmental activities, each major fund, Kootenai Metropolitan Planning Organization as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Kootenai Metropolitan Planning Organization's basic financial statements, and have issued our report thereon dated June 3, 2014.

Internal Control over Financial Reporting

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

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

Our 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 (CONCLUDED)

Purpose of this Report

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

Magnuson, McHugh & Company, P.A.

MAGNUSON, MCHUGH & CO., P.A.

May 30, 2014