

**Welcome to tonight's City Council meeting!**

The elected officials of the City of Bonners Ferry are appreciative of an involved constituency. Testimony from the public is encouraged concerning issues when addressed under the Public Hearing portion of the agenda. Any individual who wishes may address the council on any issue, whether on the agenda or not, during the Public Comments period. Normal business will preclude public participation during the business portion of the meeting with the discretion left to the Mayor and Council.

**Vision Statement**

Bonners Ferry, "The Friendliest City", strives to achieve balanced growth, builds on community strengths, respects natural resources, promotes excellence in Government, and values quality of life.

**AGENDA**

**CITY COUNCIL MEETING**

**Bonners Ferry City Hall**

**7232 Main Street**

**267-3105**

**August 19, 2014**

**6:00 p.m. Water/Sewer Presentation**

**7:00 p.m. Regular Meeting**

**PLEDGE OF ALLEGIANCE**

**PUBLIC HEARING**

**PUBLIC COMMENTS**

Each speaker will be allowed a maximum of five minutes, unless repeat testimony is requested by the Mayor/Council

**GUESTS**

**REPORTS**

Police/Fire/City Administrator/Economic Development Coordinator/Urban Renewal District

**CONSENT AGENDA**

1. Call to Order/Roll Call
2. Approval of Bills and Payroll
3. Treasurer's Report
4. Approval of August 5, 2014 Council Meeting Minutes and August 8, 2014 Special Council Meeting Minutes

**OLD BUSINESS**

5. Water – Discuss Northside Rectangular Tank (attachment)

**NEW BUSINESS**

6. City – Discuss Gem Grant for Library Fab Lab
7. Fire – Authorize Mayor to Sign Commercial Lease Agreement with Boundary Volunteer Ambulance for Use of the Fire Hall (attachment)
8. Electric – Authorize Mayor to Sign Agreement with Bonneville Power Administration for Purchase of Moyie Substation Equipment (attachment)
9. Electric – Authorize Mayor to Sign Log Purchase Agreement with Alta Forest Products (attachment)
10. Electric – Authorize Mayor to Sign Contract with Kim DeRubertis for Moyie Hydro Water Ingress Review and Repair Proposal (attachment)

11. Electric – Authorize Mayor to Sign Contract with Fulton Construction for Moyie Hydro Concrete Work
12. Street – Authorize Expenditure for Dump Trucks (attachment)
13. Golf – Set Parameters for Used Rough Mower Purchase (attachment)
14. City – Select Fiscal Year 2014 Auditor (attachment)

**EXECUTIVE SESSION PURSUANT TO IDAHO CODE 67-2345, SUBSECTION 1**

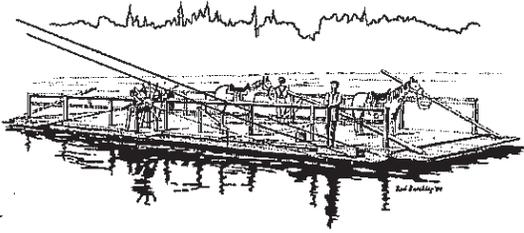
Consider hiring a public officer, employee, staff member or individual agent.

- (a) Consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student.
- (b) Conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency.
- (c) Consider records that are exempt from disclosure as provided in chapter 3, title 9, Idaho Code.
- (d) Consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations.
- (e) Communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated.
- (f) Engage in communications with a representative of the public agency's risk manager or insurance provider to discuss the adjustment of a pending claim or prevention of a claim imminently likely to be filed.

**ADJOURNMENT**

**NEXT MEETING DATE**

**INFORMATION**



# MEMO

CITY OF BONNERS FERRY  
CITY ADMINISTRATOR

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Date: 27 November 2013  
To: City Council  
From: Stephen Boorman, City Administrator  
Subject: Sewer System Capital Improvements.

The recently completed Sewer Master Plan identified a number of recommended capital projects for our sewer system. The Capital Improvement Plan (CIP) from the plan is attached.

When financing a CIP there are really two methods. First is "revenue financing", increasing rates so that the projects can be done with acquired financial reserves. Second is "bonding", for an Idaho municipality this means a bond election and then borrowing the money. For a sewer revenue bond the threshold is 50% approval. If the citizens approve the bond the money can be borrowed from the source the City Council feels is in the best interest of the City. The common ones are, the open bond market, DEQ, USDA Rural Development, Idaho State Bond Bank, or a commercial financial institution (bank).

One major component of financing a CIP is the rate structure. With this there is a chicken-and-egg issue. A good rate structure is based on the CIP and desired method of funding it and how you fund the CIP is based on what is rate structure is desired. In practice these are arrived at through an iterative process.

After giving this significant thought, we would like to propose the following plan of action:

- Dec 2013 – January 2014      Council sets a preliminary CIP program
- January – February      COSA and rate study completed
- March – April      Review the CIP in light of the rate impact  
Implement rate increase as appropriate.
- August 2014      If required have a bond election
- Summer 2015      Construction of treatment improvements and sewer  
bridge refurbishment
- 2015 forward      Invest approximately \$250,000 per year in CIP for  
lift stations and line replacement

#### CIP Program straw horse

- Highest priority      Sewer bridge and treatment  
Estimated Cost      \$3 Million  
Funding      Bonding

- Second priority  
Estimated Cost  
Funding  
Lift Station Improvements  
\$3 Million over 10-15 years  
Revenue financing
- Third priority  
Estimated Cost  
Funding  
Pipe replacement  
\$700,000 over 10-15 years  
Revenue financing

Note: It is our view that incremental improvements can be made to the lift station over time that will provide a better return on investment than a single large replacement program.

*SJB*

## A. GENERAL

It is the goal of the City of Bonners Ferry to maintain adequate levels of assets in reserve for the below purposes. These levels are reflective of the risk for general government and each enterprise fund. The amounts listed are for reference during the budgeting process and will vary year to year. For departments with below the recommended levels it is expected that it will take a number of years to reach the target levels.

Following are the categories used to determine a desired reserve level for each department. They are derived from the attached spread sheet and rounded to the nearest \$50,000.

1. Cash flow for payroll and other normal expenses. This is set at 25% of the annual operating budget, which is 90 days of cash flow.
2. Mechanical failures that may occur during the year. Amount set at the value of the most expensive single mechanical device.
3. Storms, flooding, and acts of God. This the replacement/repair cost of the infrastructure identified that could be damaged by storm or earthquake.
4. Bond Reserves. For enterprise departments that have a bond this amount is generally required by the lending agency or bond agreement. This amount varies over the life of the bond and is set at the highest required amount.
5. Rate Stabilization. This amount is designed to allow stable rates from year to year based on the variability of revenues. This is particularly relevant due to the City's hydroelectric projects variability in generation.
6. Capital Investment Fund. This amount is designed to capture one year of average revenue financed capital improvements.

Below are the budget target levels for each fund and depending on events in each fund they may or may not be met in any given year.

General Government	\$750,000
Electric Department	\$4,200,000
Water Department	\$1,400,000
Sewer Department	\$1,000,000
Garbage	\$30,000

Note 1: One additional factor for General Government contingency is for above normal labor expenses for the fire department and street department during bad fire or snow years.

Reserve Fund Calculation

1. Cash flow for payroll and other normal expenses. Set at 25% of operating budget
2. Mechanical failures that may occur during the year. Set at largest single mechanical item.
3. Storms, flooding, fires, and acts of God.
4. Bond Reserves.
5. Rate Stabilization
6. Capital Investment Fund

Category	Cash Flow	Mechanical	Acts of God	Bond	Rate Stab.	Capital	Total	Feb-14
General Government	\$ 431,425	\$ 125,000	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 756,425	\$ 382,004.00
Electric Distribution	\$ 624,246	\$ 400,000	\$ 750,000	\$ -	\$ 250,000	\$ 100,000	\$ 4,224,246	\$ 5,525,530.00
Power Plant	\$ -	\$ 750,000	\$ 750,000	\$ 250,000	\$ 250,000	\$ 100,000	\$ 1,398,180	\$ 505,322.00
Water	\$ 268,180	\$ 500,000	\$ 250,000	\$ 180,000	\$ 100,000	\$ 100,000	\$ 1,043,093	\$ 521,374.00
Sewer	\$ 118,093	\$ 125,000	\$ 500,000	\$ -	\$ 50,000	\$ 250,000	\$ 33,125	\$ 16,647.00
Garbage	\$ 33,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Mechanical Values	Annual Operating Budget*	Largest mechanical item.	Acts of God
General Government	\$ 1,725,698	Front End Loader	Levee Failure
Electric Distribution	\$ 2,496,985	Moyie - Substation Transformer	Moyie - North Bench Feeder
Power Plant	\$ -	Generator Major Rebuild	Dam earthquake damage
Water	\$ 1,072,718	Tank Failure	Myrtle Creek Intake
Sewer	\$ 472,372	Lift station Failure	Lagoon Pond Failure
Garbage	\$ 132,500	n/a	n/a

\*Annual Operating Budget is 2014 annual budget less contingency, south hill slough, and power purchases.

# Water System Update

City of Bonners Ferry

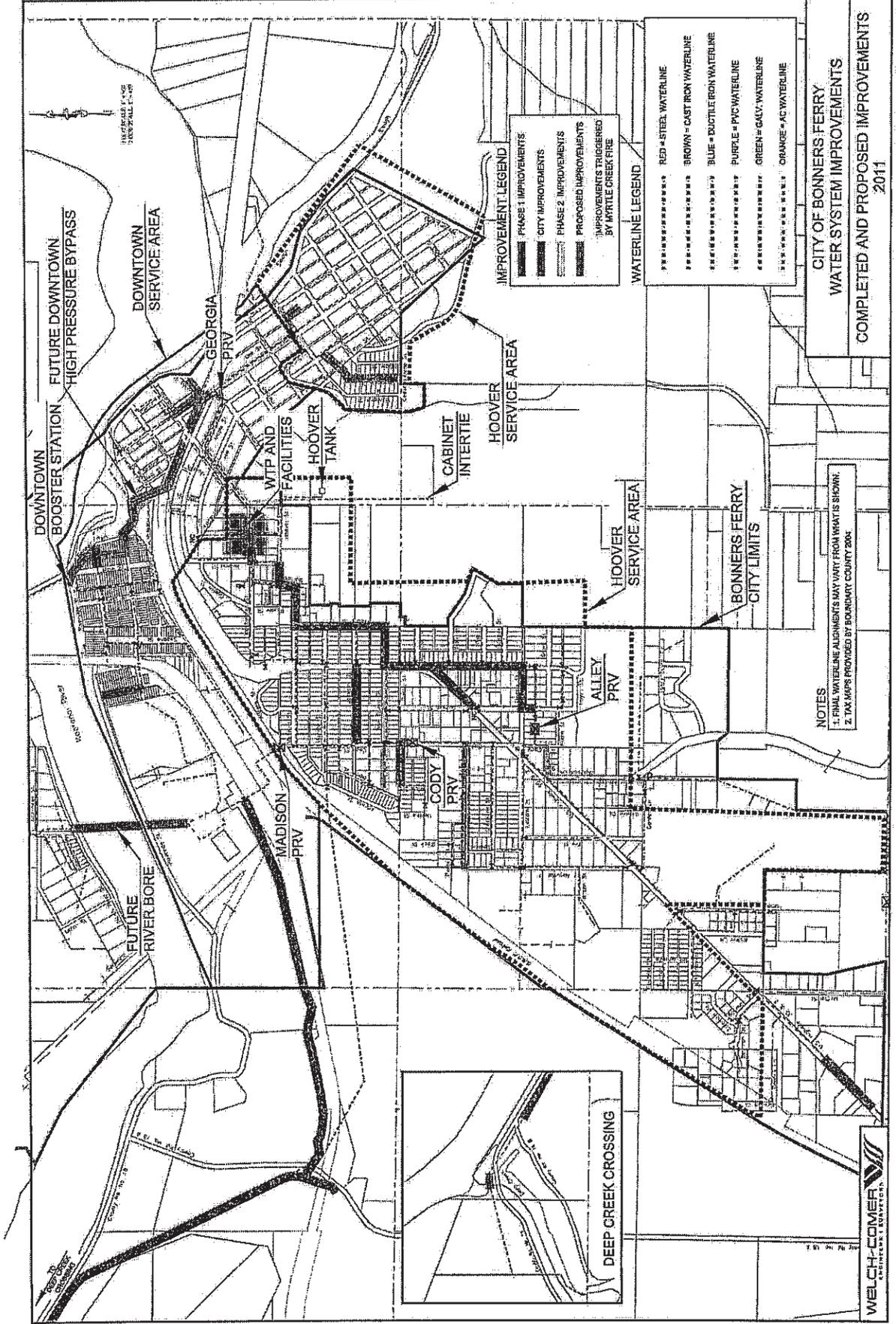
August 12, 2014

**WELCH-COMER**  
ENGINEERS | SURVEYORS



City of Bonners Ferry







# 2003 – 2013 Improvements Triggered by Fire

Completion Year	Project Name	Scope of Project	Project Cost	Purpose of Project
	Kootenai River Line		\$177,919.63	Provide sufficient capacity to utilize Kootenai River pumps
	Cabinet Mt. Intertie		\$215,017.77	Back up source
	Myrtle Creek Fire		\$19,306.79	Watershed/intake improvements
2006	District 1 Waterline Project	Installation of approximately 4,375 LF of 4 inch water line, approximately 7,850 LF of 6 inch water line and approximately 11,060 LF of 8 inch water line along County Road No. 18. Also included installation of water service stubs and connection to existing water services.	\$524,672.87	Provide treated water to customers along County Road No. 18
2004	Water System Master Plan	Review the system's source, storage and distribution capacity with respect to serving current and future projected demands and identify needed system improvements	\$56,875	Evaluate the existing water system and identify existing and future sub-standard components of the system and develop a master plan to implement improvements necessary to provide a safe and reliable supply of water to the system users over the next 20 years



City of Bonners Ferry

# 2003 – 2013 Improvements

## Master Planned Projects Completed to Date

Completion Year	Project Name	Scope of Project	Project Cost	Purpose of Project
2005	Water System Meters	Installation of approximately 650 new meter vaults, meters, remote read units and associated piping for each existing water service within the City service area.	\$661,348.42	Eliminate un-metered consumption, improve water accounting
	Jackson Street Waterline Replacement	Upsize 4 inch main in Jackson from US 95 to Denver and 4 <sup>th</sup> Street that fed fire hydrants	\$105,457.63	Improve service pressure, fire flow, replace aging steel main
2006/2007	Phase 1 Water System Improvements	Construction of a new chlorine contact chamber, a new water storage structure (500,000 gal), upgrades to the existing booster station located adjacent to the WTP, installation of a 16 inch transmission line from the booster station to the new storage structure, and installation of two PRV Stations (north Cody and the alley south of HWY 95)	\$2,012,321.12	Upgrade system backbone: improve service pressure, fire flows, improve treatment (chlorine contact time)
2008	Phase 1A Water Improvement Project	Construction of 16 inch water line as follows: <ul style="list-style-type: none"> <li>Along South Main St. from El Paso St to Van Buren St (approximately 525 LF)</li> <li>Along Denver St, Lincoln St and El Paso St to South Main St (approximately 1,835 LF)</li> <li>Along Van Buren St, Fresno St and Madison St to Buffalo St</li> </ul>	\$860,378.82	Upgrade system backbone: improve service pressure, fire flows



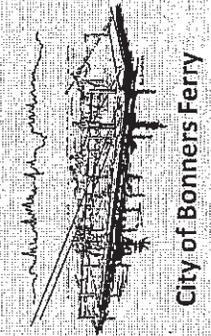
City of Bonners Ferry



# 2003 - 2013 Improvements

## Master Planned Projects Completed to Date

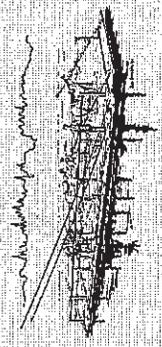
Completion Year	Project Name	Scope of Project	Project Cost	Purpose of Project
2009	Phase 2 Water Project	<p>Construction of water line as follows:</p> <ul style="list-style-type: none"> <li>Approximately 360 LF of 6 inch water line along Pine St</li> <li>Approximately 675 LF of 8 inch water line along Comanche St and approximately 285 LF of 6 inch water line along Comanche Ct</li> <li>Approximately 1,320 LF of 8 inch water line along Van Buren St</li> </ul> <p>Construction water line as follows:</p> <ul style="list-style-type: none"> <li>Approximately 1,450 LF of 10 inch water line along Brownie, Yakima and Chippewa, approximately 1,435 LF of 12 inch water line along Chippewa and approximately 625 LF of 16 inch water line along Crow and connecting to the existing water storage reservoir</li> <li>Approximately 2,475 LF of 12 inch water line through the City WTP yard, along Dakota St right-of-way, Maple Ave, Georgia St and Oak St and approximately 260 LF of 8 inch water line along Montana St and Alder St (also included installation of approximately 2,225 LF of 4 inch electrical conduit along the water line alignment)</li> <li>Approximately 1,725 LF of 12 inch water line along Cody, Ford and Alderson to south of Paradise Valley Lane</li> </ul> <p>Also included installation of a PRV Station at the corner of Maple Ave and Georgia St and approximately 330 LF of 4 inch low pressure water line from the PRV Station along Maple Ave</p>	\$4,877,744.50	Improve service pressure, fire flow, replace aging steel main
2010	Phase 2A Water Project		\$873,393.71	Improve service pressure, fire flow, replace aging steel main



# 2003 - 2013 Improvements

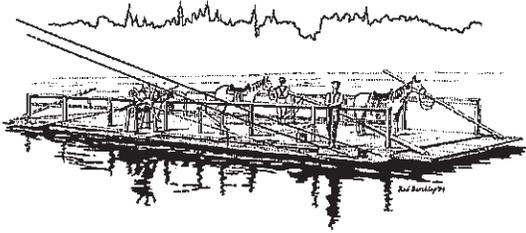
## Master Planned Projects Completed to Date

Completion Year	Project Name	Scope of Project	Project Cost	Purpose of Project
2012	Deep Creek Waterline	Replace 240 lineal feet segment of raw water transmission main crossing Deep Creek with a new HDPE water main. This segment of water main was exposed and had numerous repairs completed by the City.	\$219,278.68	Replace deteriorated section of transmission main to improve system reliability.
2013	US95 Waterline Replacement Project	Replace 1450 lineal feet of aging steel main between County Road 19 and Kennedy Rd. Water main was upsized to improve fire flow and pressure through the commercial corridor.	\$193,455.09	Improve service pressure, fire flow, replace aging steel main
<p style="text-align: right;">TOTAL COST: \$5,413,377.97</p> <p style="text-align: right;">GRANT/OTHER FUNDS APPLIED: \$2,368,943.80</p> <p style="text-align: right;">CITY SHARE: \$3,044,434.17</p>				



City of Bonners Ferry





# MEMO

CITY OF BONNERS FERRY  
CITY ADMINISTRATOR

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Date: 14 August 2014  
To: City Council  
From: Stephen Boorman, City Administrator  
Subject: North Side Rectangular Tank.

Attached is the memo from Welch-Comer regarding the Subject Tank with a number of options.

If the council chooses to proceed with Option 4 we would anticipate reviewing the ideas with one or more local builders, and soliciting quotes within the next month and could have work completed this fall.

If the council chooses to proceed with Options 1 or 2 we would propose to review taking the tank off-line over the winter and proceeding with construction next spring.

STB

## Memorandum

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TO: Mayor David Anderson and Council Members  
FROM: Necia Maiani, PE and Phil Boyd, PE  
PRJ. #: 45006  
SUBJECT: North side storage (Rectangular Tank)  
DATE: August 14, 2014  
CC: Stephen Boorman, PE City Administrator; Kris Larson, City Clerk; Suzanne Scheidt, IDEQ; Anna Moody, IDEQ

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### Background

The purpose of this memo is to provide preliminary options for modifying or replacing one of two of the City's north side tanks, known as the North District tank or the Rectangular tank. The City acquired the tank in 2005 when it merged with the North District. This concrete tank is located north of the intersection of Cassia and North Street. City records indicate that it was constructed as early as 1922. The tank is approximately 30 feet in width by 62 feet in length and approximately 11 feet deep with a capacity of 150,000 gallons. The top 18" of the tank is exposed. The tank's walls are 8" thick at the top of the structure and approximately 16" at the base of the structure. There are no existing record drawings of the structure.

City staff indicates that the original structure did not have a lid, which was typical construction for the time period. A wood framed roof structure was added to the storage tank in 1970. Plan drawings of the structure depict that the wood framework was placed on top of a 4"X6" sill and is covered by galvanized corrugated roofing. 2"X6" blocking is installed between rafters and are notched with 3" diameter screened vents. The original plans indicate the corrugated metal roofing was installed over 1"X4" glass wool to "seal against insects". A photo of the existing roof structure is attached.

In 2010, the City discovered vermin were entering the tank, apparently through the existing roof structure where the glass wool had deteriorated allowing entrance of vermin.. The City re-sealed the metal corrugations and the vented blocking in 2010 by placing metal flashing around the structure and utilizing spray foam below the corrugations. However, vermin were recently discovered again within the structure.

On July 22, Council authorized Welch Comer to complete a preliminary evaluation of the structure. The City directed Welch Comer to evaluate the following options:

1. Install a new pre-cast hollowcore roof with a concrete topping slab
2. Install a new Steel-framed roof structure
3. Replace the existing reservoir with a new reservoir.
4. Complete a maintenance on the existing structure to properly seal openings

We have completed a very preliminary review of the above options and our findings are presented below:

### General Observations

An 18" diameter concrete coupon was removed from the structure in 2010 for a new pipe penetration. There is no sign of rebar in the coupon. Without reinforcement, the structure does not meet current codes to resist lateral loads. Thus, we conclude that the structure cannot be relied upon to support a new roof structure. Design of a new roof structure would require a separate footing placed outside of and independent of the tank, which would result in an old tank surrounded and covered by a new roof structure. The structure is 92 years old and the typical useful life for concrete structures is set at 80 to 100 years. Thus, this structure is nearing or beyond its useful life and significant investment in a roof structure is not recommended.

The May 2011 Master Plan Addendum prepared by Welch Comer and Associates, Inc. indicates a need for full replacement of the City's north side tanks due to their age. (The second north side tank, previously known as the North City tank or Round tank is a circular concrete structure. The exact age of this tank is unknown but is likely near the same age as the Rectangular tank.) It was further demonstrated that the existing structures do not have sufficient useable capacity to meet current Idaho Rules for Public Drinking Water Systems. The storage deficiency on the North side is estimated at approximately 100,000 gallons.

Based on the facts that the existing tank is beyond its useful life and IDEQ rules require additional storage, the recommend solution for the north side storage is full replacement of existing and addition of IDEQ required storage capacity.

### Option Comparison

The attached table summarizes the options presented earlier including a description of each option, the pros and cons of each as well as a conceptual level opinion of cost. These options are presented to solicit a desired direction from Council. Pending Council's direction, it may be necessary to conduct additional investigation to refine the opinion of costs.

### Recommendation

In our opinion a significant investment in a roof structure for the facility is not the best option. At a relatively low cost, the City can make significant improvements to the existing roof structure in order to establish a sealed environment that will give the City a minimum additional life of 5 years and allow the City to collect funds for the long term solution. We recommend that the City consider proceeding with Option 4, Maintenance and Upgrade existing roof as presented on the attached table and work toward funding for Option 3, New 300,000 gallon reservoir. In addition to the options presented in this memo, the City staff has identified another potential long-term solution that may minimize the need for storage on the north side as well as reliance on the downtown booster station which feeds this area. This options appears logical, but further evaluation, including hydraulic analysis, will be necessary to determine the feasibility and associated cost of this option. This work could be conducted as a part of the next steps.

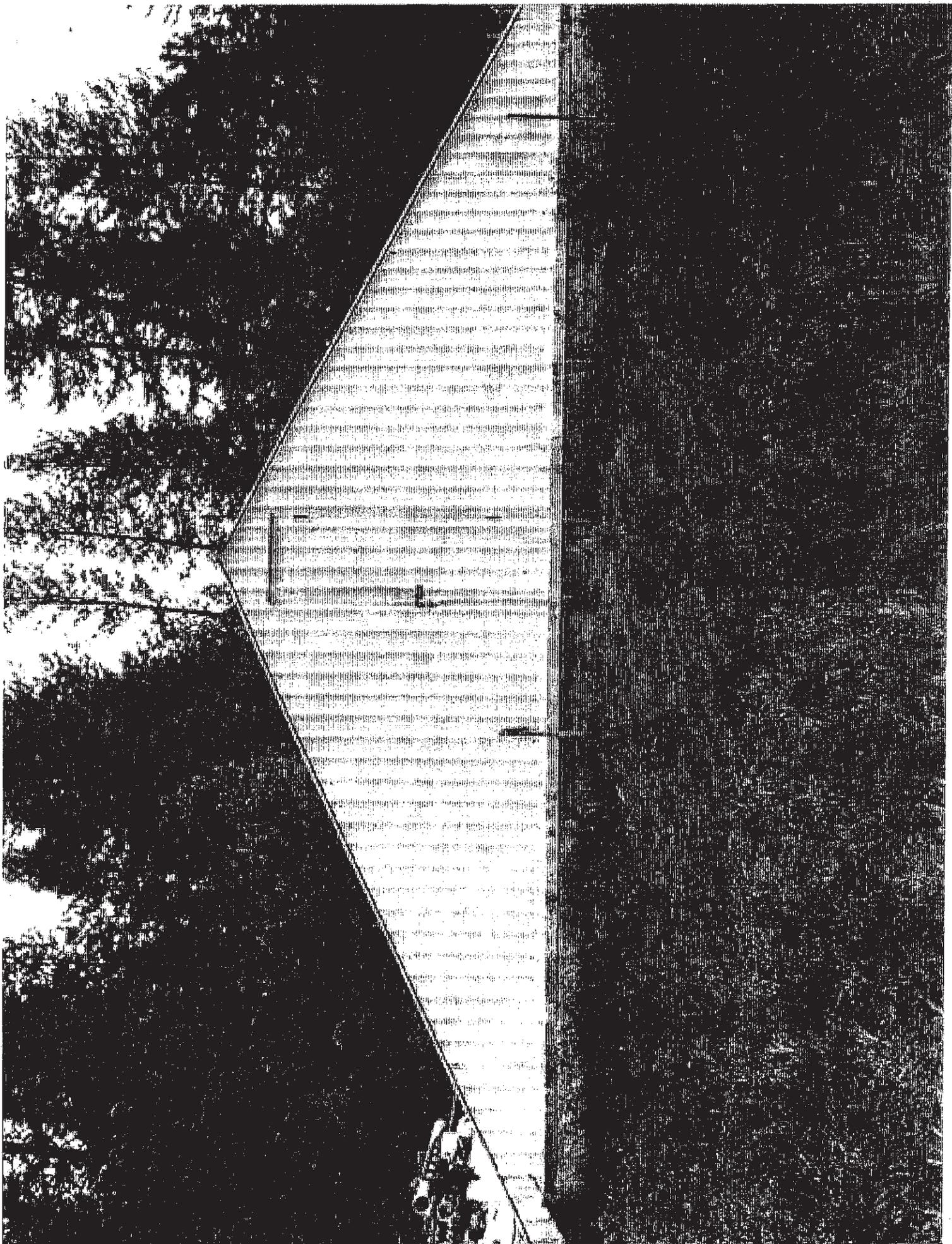
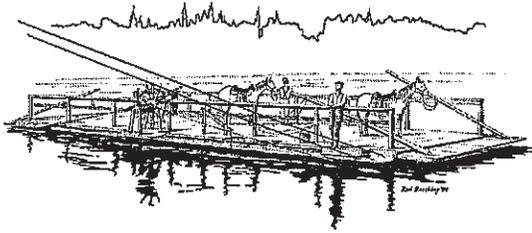


Table 1: Summary of North Side Tank Repair Options

Option	Description	Details	Preliminary Opinion of Project Costs	Pros	Cons
1	Precast Hollow-Core Roof Structure	This option would include removal of the existing wood framed roof structure. A foundation would be constructed outside of the existing storage reservoir to support the load of the new roof structure. The panels would sit level across the top of the existing structure. A new overflow, venting, access hatch and ladder would be added. The roof structure would be topped with a thin concrete slab.	\$150,000	This option would provide the best, no-fail, seal over the existing structure.	Construction during winter conditions could be inefficient and costly due to access to the site. This option puts a new lid with a useful life of more than 80 years over a depreciated structure.
2	Galvanized Steel Roof Structure	This option would include removal of the existing wood framed roof structure. A foundation would be constructed outside of the existing storage reservoir to support the load of the new roof structure. A short-walled (4 feet tall) steel frame structure would be installed over the existing reservoir. A concrete slab would be poured between the steel framed wall and existing reservoir wall. The structure would include an access door. The metal roofing would include end seals and metal soffit.	\$140,000	Access to the existing site is a concern/consideration for placement of precast panels. This option does not require significant modifications for access to the site to bring in materials.	This option is high cost relative to it's useful life.
3	New 300,000 gallon Reservoir	This option would include construction of a circular concrete reservoir north of the existing Rectangular structure. The new reservoir would be a minimum of 300,000 gallon capacity (63 feet in diameter and approximately 14 feet deep). The reservoir would be partially buried and slightly higher in elevation than the existing structure. This structure would serve to replace the capacity of both north side tanks.	\$550,000	This option provides a permanent solution for the north side storage relative to replacement of depreciated structures and capacity deficiencies.	This is the highest cost option. The City does not currently have the funds to complete this option and a short term fix is still necessary.
4	Maintenance and Upgrade of Existing Roof Structure	This option would include "refreshing" the existing roof structure. The grade around the exterior of the tank would be excavated to provide a minimum distance of 2 feet from the bottom of the existing eaves to ground surface. End seals would be installed below the existing corrugated metal roofing at all edges. The existing wood blocking would be removed and replaced. A protective sealant (such as a concrete grout) would be applied below the eave and includes coverage of the new blocking extending down to the reservoir wall. Metal fascia and soffit would be installed from the outside face of the eave to the concrete wall. Venting would be added at the gable ends of the structure.	\$25,000	This is the lowest cost option for investment in the existing structure. This work can be completed in a short period of time.	This is a short term fix. The City will still need to actively monitor this tank until a longer term fix is completed.



# MEMO

CITY OF BONNERS FERRY  
CITY ADMINISTRATOR

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Date: 14 August 2014  
To: City Council  
From: Stephen Boorman, City Administrator  
Subject: BVA Contract.

Attached is the most current contract with Boundary Volunteer Ambulance for the use of the firehall. To the best of our knowledge this contract meets the needs of all parties involved.

*STB*

## COMMERCIAL LEASE AGREEMENT

This Commercial Lease Agreement ("Lease") is made this \_\_\_\_ day of August, 2014, by and between City of Bonners Ferry, Idaho, with an address of 7232 Main Street, Bonners Ferry, Idaho ("Landlord") and Boundary Volunteer Ambulance Service, Incorporated, a corporation organized and in good standing under the laws of the State of Idaho with its principal place of business at 6447 Railroad Street, Bonners Ferry, Idaho ("Tenant"), and shall take effect September 1, 2014.

Landlord is the owner of land and improvements commonly known and numbered as 7137 First Street, Bonners Ferry, Idaho, that is commonly referred to as the City Fire building (First Station # 1), and legally described as:

**[to be Supplied as Exhibit A]**

together with all improvements thereon (the "Property").

Landlord desires to lease, on a non-exclusive basis, portions of the second floor of the Property that consist of: (i) a common area that measures approximately 30' by 60' (the "Common Area"), (ii) an office that measures approximately 12' by 16' (the "Office Area", (iii) a kitchen that measures approximately 10' by 10' (the "Kitchen"), and (iv) two bathrooms (the "Bathroom"). Collectively, the Common Area, Office Area, Kitchen and Bathroom constitute the "Leased Premises."

Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord for the term, at the rental and upon the covenants, conditions and provisions as set forth in the following paragraphs.

In consideration of the mutual promises herein, contained and other good and valuable consideration, it is agreed:

1. Initial Term. Landlord hereby leases the Leased Premises to Tenant, and Tenant hereby leases the Leased Premises from Landlord beginning **September 1, 2014** (the "Commencement Date") and ending **December 31, 2015** (the "Initial Term"). Landlord may provide Tenant a key prior to September 1, 2014 for the sole purpose of permitting Tenant to move in some furniture.
2. Landlord Right to Terminate. Landlord shall have the right to terminate this Lease with no further obligation hereunder on 60 days written notice to Tenant.
3. Renewed Term. Tenant may renew the Lease at Tenant's sole and exclusive option a maximum of three (3) times, with each such extension period equal to one (1) year(s) each (each such successive one (1) year term shall be referred to hereinafter as the "Renewed Term"). Tenant shall exercise such renewal option, if at all, by giving written notice to Landlord not less than thirty (30) days prior to the expiration of the Initial Term or the

Renewed Term, as the case may be. The Renewed Term shall be at the rental set forth below and otherwise upon the same covenants, conditions and provisions as provided in this Lease. After the end of the last Renewed Term, if any, the Lease may continue from month-to-month at the rental set forth below and otherwise upon the same covenants, conditions and provisions as provided in this Lease.

4. Rent Amount During Initial Term. Tenant shall pay to Landlord during the Initial Term rental of **one thousand two hundred dollars (\$1,200.00)** per year, payable in monthly installments of **one hundred dollars (\$100.00)**, or at Tenant's sole option, larger annual payments of **\$1,200.00** or semi-annual payments of **\$600.00 on January 1 and July 1**. All currency figures are lawful United States' money. The first month's rent shall be prorated, if necessary, based on the Term beginning date reflected above. Each installment payment shall be due in advance on the first day of each calendar month during the Term to Landlord at Landlord's address noted above or at such other place designated by written notice from Landlord or Tenant.
5. Rent Amount During Renewed Term. In the event Tenant exercises its option to extend the term of this Lease, the fixed rent which Tenant shall pay during such Renewed Term shall be the rent as provided for the Initial Term, plus any negotiated increase. If the parties are not able to successfully negotiate the increase, then the increase shall be five percent (5.00%) of the then-current fixed rent. On any successive exercises of options beyond the first Renewed Term, the same calculations shall be made and the Rent adjusted accordingly.
6. Security Deposit. Tenant shall make a security deposit in the amount Landlord may require not to exceed **two hundred dollars (\$200.00)** (the "Security Deposit"). Tenant shall be entitled to the return of the Security Deposit only if the Tenant has complied with all the terms of this Lease. The Tenant shall not apply or deduct any portion of the Security Deposit from the last month's rent or use or apply such Tenant's Security Deposit at any time in lieu of payment of rent. If Tenant fails to comply with this provision, the entire Security Deposit shall be forfeited and the Landlord may recover the rent due as if the deposit had not been applied or deducted from the rent due.
7. Non Exclusive Lease. This Lease provides Tenant with certain non-exclusive rights to the Leased Premises. Landlord does not guarantee to Tenant quiet enjoyment of the Leased Premises because both Landlord and other groups have access to and will be making use of the Leased Premises. Tenant understands that there may be uses made of the Leased Premises that are incompatible with Tenant's uses and needs. Landlord agrees that Landlord will not lease or rent out the Office Area to others while this Lease is in effect and the Tenant will be the only non-Landlord user of the Office Area during such time.
8. Use. Tenant shall be free to make non-exclusive use of the Leased Premises **only** during the evening and night time hours from 7:00 p.m. to 7:00 a.m. for the purpose of overnight sleeping of on-call or on-staff EMT's affiliated with Tenant. At no time shall the number of Tenant's EMT's inside the Leased Premises exceed three (3) in number. Tenant acknowledges and agrees that the Leased Premises are only to be used for sleeping, eating

and maintenance of personal hygiene. Tenant agrees that Tenant and it's EMT's will not engage in sexual relations of any kind, either alone or with other persons at the Leased Premises. Tenant's EMT's will not permit entry to, nor entertain persons who are related by blood, marriage or otherwise at, the Leased Premises. Furthermore, no friends or other visitors of EMT's are permitted at the Leased Premises. Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device, unless absolutely necessary to Tenant's business uses. EMT's shall clear the Bathroom and Kitchen after each night's use.

9. EMT's Personal Property. EMT's affiliated with the Tenant may store personal belongings only in the Office Area where Tenant may place one or more beds. No toiletries may be left in the Bathroom and food be stored only in the designated cupboards or in the refrigerator in the Kitchen. All such storage of personal belongings or food is at the EMT's sole risk and Landlord shall have no liability for the loss, disappearance or theft of such items.
10. Leased Premises Supplied As Is. At the Commencement Date, Tenant shall accept the Lease Premises, including the building, improvements and any equipment on or in the Leased Premises, in their existing condition.
11. Landlord Roof, Electrical, Plumbing and HVAC Responsibilities. The Landlord shall, during the Initial Term and any Renewed Term of this Lease, at its sole expense, keep the roof of the Leased Premises, as well as any heating, electrical, air conditioning and/or plumbing system that was a part of the Leased Premises on the Commencement Date, in as good order and repair as it is at the Commencement Date, reasonable wear and tear and damage by accidental fire or other casualty excepted.
12. Tenant Responsibilities for Maintenance and Repairs. The Tenant shall, during the Initial Term and any Renewed Term of this Lease, at its sole expense, keep the Leased Premises in as good order and repair as it is at the Commencement Date, reasonable wear and tear and damage by accidental fire or other casualty excepted. Tenant shall be responsible to keep the Leased Premises clean at all times.
13. Responsibility for Sidewalks and Parking. Landlord shall keep the sidewalk on the west end of the Leased Premises free of snow, ice, refuse, rubbish, trash, and other obstructions.
14. Sublease and Assignment. Tenant shall not sublease all or any part of the Leased Premises, or assign, transfer or otherwise dispose of its rights and obligations under this Lease, in whole or in part, without Landlord's express, written consent, which Landlord may grant or reasonably or unreasonably withhold in its sole and absolute discretion.
15. Alterations and Improvements. Tenant, at Tenant's sole expense, shall have the right following Landlord's consent to make reasonable remodeling of, redecorating of, additions to, improvements of and replacements of the interior of the Leased Premises from time to time as Tenant may deem desirable, including electrical, cable and internet wiring of the Leased Premises and the Property, provided the same are made in a workmanlike manner and

utilizing good quality materials, subject to Landlord's prior written approval, which may be unreasonably withheld by Landlord.

16. Taxes and Assessments. Landlord shall be responsible for all real estate taxes, if any, on the Leased Premises and the Property. Tenant shall be solely responsible for paying all personal property taxes, if any, with respect to Tenant's personal property at the Leased Premises.
17. Landlord's Insurance. Landlord shall keep the Leased Premises insured throughout the Lease against the following:
  - A. Loss or damage by fire and such other risks as may be included in the broadest form of extended coverage insurance from time to time available, in an amount sufficient to prevent the Landlord or the Tenants from becoming a co-insurer within the terms of the applicable policies and, in any event, in an amount not less than eighty percent (80%) of the then full insurable value.
18. Tenant's Insurance. Tenant shall keep the Leased Premises insured throughout the Initial Term and all Renewed Term's of this Lease against the following:
  - A. Claims for personal injury or property damage under a comprehensive general liability insurance, with such limits as may be reasonably requested by the Landlord from time to time, but not less than \$300,000/\$1,000,000 in respect to bodily injury and \$100,000 for property damage. Tenant shall be solely responsible for insurance with respect to its activities in the Leased Premises with the premiums thereon fully paid on or before due date, issued by and binding upon an insurance company approved by Landlord.
  - B. Against such other hazards and in such amounts as the holder of any mortgage to which this Lease is subordinate may require from time to time. Landlord shall be listed as an additional insured on all required insurance policies.
  - C. If the Leased Premises is damaged by fire or other casualty resulting from any act of negligence of Tenant or any of Tenant's agents, employees or invitees, rent shall not be diminished or abated while such damages are under repair, and Tenant shall be responsible for the costs of repair not covered by insurance.
  - D. Tenant shall also be responsible for insuring Tenant's personal property in the Leased Premises.
19. Utilities. Landlord shall supply and pay for all charges, if any, for water, sewer, electricity and natural gas for the Leased Premises.
  - A. Water and Sewer. Tenant shall reimburse Landlord each month forty two dollars (\$42.00) for water and twenty-one dollars (\$21.00) for sewer to assist Landlord in offsetting Landlord's water and sewer costs.

- B. Natural Gas; Thermostats. Tenant shall not adjust upward the thermostat in the Common Area, Bathrooms or Kitchen. Landlord currently keeps the heat in the Office Area at room temperature and Landlord covenants to continue that practice during the term of this Lease. Tenant may not adjust the thermostat in the Office Area without prior notice to and the consent of the Landlord's Fire Chief.
- C. Internet. Tenant shall NOT be granted access to Landlord's internet service in the Leased Premises but, instead, shall be required to supply its own internet access (if needed) wirelessly from Tenant's primary location west of the Leased Premises in the Boundary County extension building. Landlord may assist Tenant with this work if Landlord so desires in Landlord's sole discretion but Landlord shall not be required to make any alterations or accommodations to Tenant to permit Tenant to wirelessly receive an internet or network signal from Tenant's primary location.
- D. Electrical Usage. Tenant shall reimburse Landlord each month twenty dollars (\$20.00) to assist Landlord in offsetting Landlord's electrical costs. Landlord and Tenant recognize that the primary use Tenant intends to make of the Leased Premises is for sleeping and resting and, for that reason, do not anticipate that much additional electrical usage will occur. Tenant shall turn off all lights in the Leased Premises when not in use by the Tenant (or users authorized by the Landlord to be in the Leased Premises). Landlord shall monitor electrical usage in the Leased Premises and compare it to three (3) year historical averages for the Leased Premises. If, after Tenant has occupied the Leased Premises for more than six (6) months, Landlord notices a significant increase in electrical usage that Landlord reasonably believes has been caused by Tenant's usage, the parties agree to sit down and negotiate any additional appropriate monthly electrical surcharge for Tenant to pay for Tenant's use of the Leased Premises. If the Landlord and Tenant can not work out an agreeable compromise, this Lease shall be terminated and Tenant shall vacate the premises.
20. Landlord's Property in Office Area. Landlord agrees to clean out Landlord's property stored in the Office Area prior to the Lease start date. Tenant agrees to locate and purchase and deliver to the Leased Premises, at Tenant's sole expense, temporary partitions (i.e., cubicle walls) at least five feet in height (and preferably higher) and erect the same in the northeast corner of the Common Area for purpose of storing Landlord's property currently located in the Office Area.
21. Key to City Fire Building, Leased Premises and Office Area. Landlord agrees to provide Tenant a key to the exterior doors of the City Fire Building, as well as the Leased Premises, and also a separate key to the Office Area so that Tenant may lock the Office Area when not in use by Tenant.
22. City Fire Chief Rules and Regulations. Tenant agrees to abide by such reasonable rules and regulations and requirements as may be verbally or in written form supplied by Pat Warkentin, City Fire Chief, concerning Tenant's use and occupancy of the Leased Premises.

23. Signs. Tenant shall have no right to place anywhere inside or outside of the Leased Premises any signs (or lettering).
24. Damage and Destruction. If the Leased Premises or any part thereof or any appurtenance thereto is so damaged by fire, casualty or structural defects, the Landlord shall, at such time and upon the conditions hereinafter set forth, restore, repair, replace, rebuild or alter the same as nearly as possible to the condition such property was in immediately prior to such damage or destruction. Such restoration, repair, replacement, rebuilding or alteration shall be commenced as soon as practical after the receipt by the Landlord of the insurance money to be paid on account of such damage or destruction, and after such work has been commenced it shall be prosecuted with reasonable diligence. If Landlord has not commenced such restoration, replacement, rebuilding or alteration within thirty (30) days of the date of damage or destruction, Tenant shall have the option to terminate this Lease by serving notice upon Landlord of Tenant's desire to do so. The Tenant's obligation to pay the basic rent and all other charges and to perform all other terms and conditions of this Lease shall not be affected by any such damage to or destruction of the Leased Premises, or any part thereof, or the machinery, fixtures and equipment used in the operation and maintenance thereof, except that Tenant's obligations shall cease upon Tenant's exercise of its option to terminate as set forth above.
25. Surrender of Leased Premises. At the expiration of the Initial Term, or any Renewed Term, if applicable, Tenant shall surrender the Leased Premises in as good condition as it was at the Commencement Date, reasonable use and wear and tear and damage by the elements excepted.
26. Brokers. Neither Tenant nor Landlord are represented by any broker or other real estate agent or agency.
27. Binding Effect. The provisions of this Lease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, heirs, executor, administrators, trustees, successors and assigns. This Lease concerns an interest in real estate and Tenant may file this Lease or an affidavit of interest to make the same public record.
28. Final Agreement. Only a further writing that is duly executed by both parties may modify this Lease.
29. Invalid Provision. In the event any provision of this Lease is held to be void, invalid, illegal or unenforceable, then the remaining provisions hereof shall continue in full force and effect.
30. Landlord's Policies and Rules. Tenant agrees to be bound by and adhere to all Landlord's rules and policies as the same may now exist or be promulgated or modified hereafter from time to time.

*[Remainder of Page Left Intentionally Blank; Signature Page Follows]*

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

**LANDLORD, by and through its authorized representatives:**

City of Bonners Ferry

\_\_\_\_\_  
By: Dave Anderson, Mayor

\_\_\_\_\_  
By: Steve Boorman, City Administrator

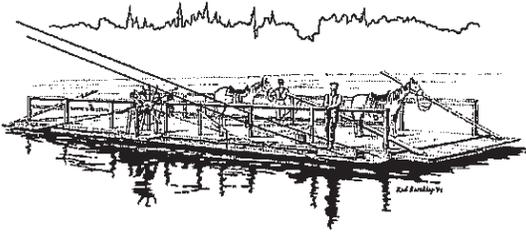
**TENANT, by and through its authorized representatives:**

\_\_\_\_\_  
Boundary Volunteer Ambulance Service, Incorporated  
By: Ken Baker, President

# **Exhibit A to Lease Agreement**

**(Real Estate Legal Description)**

Lots 7, 8, 9 and 10, Block 6 of the Bonnerport First Addition, Boundary County, Idaho.



# MEMO

CITY OF BONNERS FERRY  
CITY ADMINISTRATOR

---

Date: 14 August 2014  
To: City Council  
From: Stephen Boorman, City Administrator  
Subject: Moyie Substation Purchase.

Attached is a revised sale agreement for the purchase of the Moyie Substation that we have previously discussed. The sale price of the substation is \$110,000. The environmental language has been changed and we did another soils test for PCBs which came back clean.

SJB

## Notice

The City of Bonners Ferry hereby publishes notice of intent to award a sole source procurement. This notice is being given pursuant to Idaho Code 67-2808(2)(a)(viii).

The sole source procurement is between Bonneville Power Administration and the City of Bonners Ferry. The City of Bonners Ferry proposes to purchase Moyie Substation equipment as follows:

Surge, Arresters 96kV  
Surge, Arresters 12kV  
CT/PT//PD 230kV and over  
Current Transformer, 15kV, 100/200-5A  
Transformer, Power 6/8MVA, 115-13.8kV  
Cable and Control Wire, Outdoor – 600V  
Structures/Supports, 115kV  
Switchboards and Panels and Relays  
Positron  
Control/Meter House, Wood-A1 Clad, 10x6

The City of Bonners Ferry has determined that there is only one vendor qualified to provide this commodity.

Any interested vendor may file a challenge to this sole source procurement not more than five (5) working days from the last date of public notice in which any vendor, able to sell or supply the item(s) to be acquired, may notify the City of Bonners Ferry of purchasing, in writing, of his intention to challenge the sole source procurement and briefly explain the nature of the challenge. Notice should be provided to:

City of Bonners Ferry  
P. O. Box 149  
Bonners Ferry, ID 83805

Please publish: July 24, 2014



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, WA 97208-3621

REAL PROPERTY SERVICES

July 11, 2014  
In reply refer to: TERR-3  
Facility: Moyie Substation [MOYE-SS-1]

David Anderson, Mayor  
City of Bonners Ferry  
P.O. Box 149 [7232 Main Street]  
Bonners Ferry, ID 83805

Letter Agreement

Honorable Mayor Anderson,

By this Letter Agreement ("Agreement"), the United States of America, Department of Energy, Bonneville Power Administration ("Seller" or "BPA"), agrees to sell, using a Bill of Sale, certain facilities, equipment and fixtures (together referred to as "the Equipment") to the City of Bonners Ferry ("Purchaser" or "City"). BPA and City are separately and jointly referred to in this Agreement as "Party" and "Parties," respectively.

The Equipment is located in the City's Moyie Substation, situated in the W1/2SW1/4, Section 15, Township 62 North, Range 2 East, Boise Meridian, Bonner County, Idaho. The Equipment included in this sale shall be listed on Exhibit A1 of the Bill of Sale.

Certain facilities equipment and fixtures associated with Moyie Substation will be retained by BPA ("BPA Equipment") and are excluded from this sale. BPA Equipment shall be listed on Exhibit A2 of the Bill of Sale.

For and in consideration of the promises and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the following terms and conditions:

**1. PURCHASE PRICE**

The total purchase price for the Equipment ("Purchase Price") shall be ONE HUNDRED AND TEN THOUSAND DOLLARS (\$110,000).

**2. PAYMENT TERMS**

The purchase price shall be paid electronically. Written instructions will be provided by BPA.

**3. EFFECTIVE DATE:**

This Agreement shall be effective upon signature of both Parties.

**4. RESPONSIBILITIES OF THE PARTIES**

A. BPA shall sell the Equipment to City by Bill of Sale, included with this Agreement for your approval and signature. The Parties agree to execute all documents necessary to implement the provisions of this Agreement.

B. City agrees to accept the responsibility for future replacements, operation and maintenance expenses related to the Equipment.

**4. RISK OF LOSS; RELIABILITY STANDARDS**

The cost of loss or damage to the Equipment shall be upon Seller until the Effective Date.

The cost of loss or damage to the Equipment shall be upon Purchaser as of the Effective Date.

The Parties agree that the benefits and burdens of ownership, including adherence to all applicable Western Electricity Coordinating Council ("WECC") and North American Electric Reliability Corporation ("NERC") reliability standards and policies, shall pass from Seller to Purchaser from and after the Effective Date of this Agreement.

5. **SOLD "AS IS"**  
Purchaser agrees that the Equipment sold by Seller is sold on an "AS IS" basis. The Parties acknowledge that Purchaser has had adequate opportunity to inspect the Equipment prior to the time of this Agreement.
6. **ENVIRONMENTAL CONDITION**  
As of the Effective Date, City shall assume responsibility for any environmental contamination, not attributed to BPA actions, resulting from hazardous substances, toxic materials or petroleum products in, on, or at the site.
7. **MODIFICATION**  
Any modification of this Agreement must be in writing and signed by the Parties. The Parties shall not be bound by any oral representations or statements.
8. **SUBSTATION MATTERS**  
See the attached Exhibit A, incorporated herein by this reference, for additional terms and conditions specific to the sale of the Equipment.
9. **SUCCESSORS OR ASSIGNS**  
The terms and conditions of this Agreement are binding on all successors or assigns of the Parties.
10. **SIGNATURES**  
The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for whom they sign.

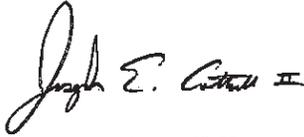
Enclosed for signature are two originals of this Agreement and two originals of the Bill of Sale. Please sign the Agreement and return a fully executed original to BPA. If the Bill of Sale meets with City approval, please sign both original Bill of Sale documents and return both originals to BPA. Upon verification of receipt of the purchase price, BPA will sign the Bill of Sale and return a fully executed original to City.

First Class Mail  
Bonneville Power Administration  
Realty Specialist – TERR-3  
Facilities, Sales & Acquisitions  
P.O. Box 3621  
Portland, OR 97208-3621

Overnight Delivery Service  
Bonneville Power Administration  
Realty Specialist – TERR-3  
Facilities, Sales & Acquisitions  
905 NE 11<sup>th</sup> Avenue  
Portland, OR 97232

If you have any questions, please call BPA's Transmission Account Executive for the City of Bonners Ferry, Ken Johnston, at 360-619-6009.

Sincerely,



Joseph E. Cottrell II  
Manager, Real Property Field Services  
Bonneville Power Administration

ACCEPTED:

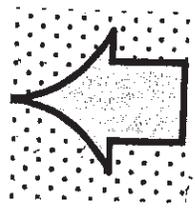
City of Bonners Ferry

By: \_\_\_\_\_

Name: David Anderson  
(Print/Type)

Title: Mayor

Date: \_\_\_\_\_



Cc: Annie Terracciano, General Manager  
Northern Lights, Inc.  
P.O. Box 269 [421 Chevy Street]  
Sagle, ID 83860-0269

## EXHIBIT A

### SUBSTATION MATTERS

All capitalized terms used but not otherwise defined in the Agreement shall have the meaning given to such terms within the electric utility industry.

A. As soon as practical after BPA executes the Bill of Sale, BPA shall deliver to City all drawings, operations and maintenance manuals, and warranties in BPA's possession which pertain to the Property.

B. Beginning with the first billing month after payment of the Purchase Price is received by BPA, BPA shall cease assessing City the Delivery Charge for power delivered to City at Moyie Substation.

C. City shall be responsible for providing AC and DC power sources to the substation control house for BPA Equipment, including but not limited to, meters and meter panels, and their replacement units.

D. City agrees that the Moyie Substation shall not be renamed, and that the substation equipment identification numbers shall remain the same.

E. City shall be responsible for transmission losses through the delivery segment power transformer, as set forth in separate correspondence. BPA will calculate transmission losses between the Point of Delivery and the Point of Metering, including estimation for the electric station service, if necessary. A copy of the initial calculations will be furnished prior to suspension of Delivery Charges. The effective date for implementing the calculations is the same date as for the suspension of the Delivery Charges, as set forth in Section B of this Exhibit A.

F. City shall be responsible for providing commercial telephone service for BPA's use for revenue metering at the substation, including a line sharing switch, if needed. BPA will coordinate with the City regarding any change in plan of service for metering access and the City will accommodate any mutually agreed upon plan of service.

**EXHIBIT A1  
MOYIE SUBSTATION  
EQUIPMENT TO BE SOLD**

Description	Quantity	BPA Equipment Numbers	Year Installed
<b>Outdoor Equipment</b>			
Surge, Arresters 96kV	3 ea	A09623, 9625, 9629	2012
Surge, Arresters 12kV	3 ea	A08568, 8570, 8573	2012
CT/PT/PD 230KV AND OVER	3 ea	P07743, 7745, 8023	2012
Current Transformer, 15KV,100/200-5A	3 ea	C01928 - 30	1981
Transformer, Pwr 6/8MVA, 115-13.8kV	1 ea	T00905	1972
Cable & Control Wire, Outdoor - 600V	1270lnft		1973
Structures/Supports, 115kV			1973
<b>Indoor Equipment</b>			
Switchboards and Panels and Relays			1987
Switchboards and Panels and Relays			1973
Positron			1973
<b>Site Development &amp; Environment</b>			
Ctrl/Meter Hse, Wood-Al Clad, 10x6		Z0515	1973

**EXHIBIT A2**  
**MOYIE SUBSTATION**  
**EQUIPMENT TO BE RETAINED**

Description	BPA Equipment Numbers	Year Installed
Meter	WH0790C1	
Meter	WH0792C1	
Meter	WH0790	
Meter	WH0792	
MeterPeripheralEquipment	WD0803C1	
MeterPeripheralEquipment	WD0803	

**BILL OF SALE**

The UNITED STATES OF AMERICA, Department of Energy, Bonneville Power Administration ("Seller" or "BPA"), for and in consideration of ONE HUNDRED AND TEN THOUSAND DOLLARS (\$110,000), does hereby sell to the CITY OF BONNERS FERRY ("Purchaser" or "City"), the facilities, equipment and fixtures described in the attached Exhibit A1, incorporated herein by reference, located in the City's Moyie Substation situated in the W1/2SW1/4, Section 15, Township 62 North, Range 2 East, Boise Meridian, Bonner County, Idaho.

BPA and City have entered into a Letter Agreement dated \_\_\_\_\_, 2014 ("Agreement"). All terms and conditions of the Agreement are incorporated herein by this reference.

The facilities, equipment and fixtures described in Exhibit A1 were assigned for disposal pursuant to authority contained in the Act of August 20, 1937, (16 U.S.C. §832a), as amended, and applicable orders and regulations promulgated thereunder.

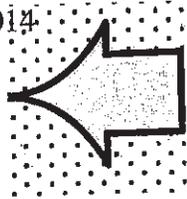
IN WITNESS WHEREOF, BPA has caused this instrument to be executed as of \_\_\_\_\_, 2014.

**UNITED STATES OF AMERICA**  
Department of Energy  
Bonneville Power Administration

By \_\_\_\_\_  
Joseph E. Cottrell II  
Manager, Real Property Field Services

Accepted:  
**CITY OF BONNERS FERRY**

By \_\_\_\_\_ Date \_\_\_\_\_, 2014  
David Anderson  
Mayor





**ALTA**  
FOREST PRODUCTS

Purchase Order Number

I8616

Compliance Number

50748C#2

P.O. Box 135, Naples, ID 83847

Phone: (208) 267-2649 FAX: (208) 267-3086

This Agreement is between Alta Forest Products LLC, herein called "BUYER" and

Delivered to: Naples

City of Bonners Ferry

Mill Destination: Naples

P O Box 149

*Please sign and return*

Bonnors Ferry ID 83805

herein called "SELLER".

**ORIGINAL**

*original copy.*

Attn: Steve

Telephone:

Cell:

*Thank You*

Payment is to be made to other than the SELLER in part or in whole, those persons and percentages or amounts must be specified below.

Email:

Fax:

BUYER agrees to buy and SELLER agrees to sell logs of the following sizes and prices:

Preferred Lengths

Preferred Lengths: 12'6, 18'8, 25', 31', 33' 37'2

Cedar Sawlogs

Price

\$/MBF

5" & smaller tops

\$ 50

6" & 7" Tops, Preferred Lengths

\$ 865

6" & 7" Tops, Non - Preferred Lengths

\$ 865

8" to 12" Tops, Preferred Lengths

\$ 865

8" to 12" Tops, Non - Preferred Lengths

\$ 865

13" & Bigger Tops, Preferred Lengths

\$ 865

13" & Bigger Tops, Non - Preferred Lengths

\$ 865

Other Species

\$ 200

SELLER hereby covenants and represents that the payments to be made to the individual set forth above are true and correct and agrees to acquit, discharge and hold BUYER harmless from any claims made upon BUYER by any of the aforementioned individuals or any other individuals who demand payment from BUYER other than in the manner set forth above.

Slash Paid By:

Alan Florry Logging Co.

TERMINATION & SUSPENSION: This agreement may be terminated upon the insolvency adjudication of bankruptcy or appointment of a receiver for property of either party or ten (10) days after written notice of any other default. In addition, either party may, without liability to the other, suspend deliveries hereunder when its performance is delayed or prevented by Act of God, labor trouble, or government acts.

Payment for logs delivered shall be paid within 15 days following the date of delivery. All checks are cut from our corporate office.

ASSIGNMENTS: This agreement shall not be assigned in whole or part except with written consent of the other party.

Terms

Beginning

8/11/2014

Through

12/31/2014

LIENS: The SELLER herby warrants, covenants and represents that it is the possessor of and has good and marketable title to all of the logs sold hereunder and that said logs are free and clear from all liens, encumbrances or claims upon which liens may hereafter be based and further agrees to acquit, discharge and hold the BUYER harmless from any and all claims made upon said BUYER by any individual, firm, corporation, partnership or other creditor arising from BUYER'S purchasing of the subject logs, together with any and all costs, expenses and attorney's fees incurred by BUYER in the event indemnification is sought

IN WITNESS WHEREOF, the parties hereto have affixed their signatures

ATTORNEYS FEES: If either party is required to bring suit to enforce any of the terms herein, the prevailing party shall be entitled to recover a reasonable sum as attorneys fees and all costs and expenses in connection with such suit, which sums shall be included in any judgement or decree entered in such suit.

On this date:

8/11/2014

SELLER

BUYER

Signature

title

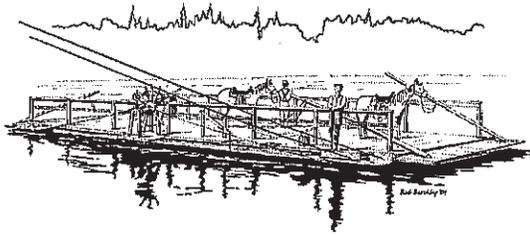
Alta Forest Products LLC.

Signature

title

Signature

*Sharon K Schaffer*  
Log Clerk



# MEMO

CITY OF BONNERS FERRY  
CITY ADMINISTRATOR

---

Date: 14 August 2014  
To: City Council  
From: Stephen Boorman, City Administrator  
Subject: Powerplant Unit 3 Draft Tube Water Ingress.

On 10 August our powerplant operators identified water coming into the Unit 3 draft tube cavity. We have been able to positively identify the source of the water, but at the time of this memo have not been able to identify the path of ingress.

We are requesting authorization to enter into two different contracts. First, would be with Kim DeRubertis. Kim is the geologist that assisted us with our last Part 12 Inspection so he is familiar with our project, has a huge amount of experience, and specializes in geology. This contract is attached. We have already contacted Kim and he has given us some preliminary trouble shooting steps (attached). Depending on what we find with further investigation, we will likely request that he come and physically look at the water ingress.

The second contract would be with a local contractor who could provide the labor to remove loose rocks next to the Powerhouse 1 retaining wall and if we can get down to bedrock, pour a wall. This would be similar to what was done just upstream from the problem locations. We anticipate having a contract for council approval by the council meeting.

SJB

## PROFESSIONAL SERVICES AGREEMENT

AGREEMENT made between the City of Bonners Ferry, a municipal corporation of the State of Idaho, herein "ENTITY" and De Rubertis Consulting Engineer, herein "CONTRACTOR."

The parties agree as follows:

1. SCOPE OF WORK: ENTITY engages CONTRACTOR to perform the work associated with a water ingress review and repair proposal at the Moyie Hydroelectric Project.
2. PAYMENT: ENTITY agrees to pay CONTRACTOR for services rendered under this Agreement at a rate of \$200 per hour, for mileage paid at the IRS rate on the date of signing, and actual travel expenses for said services. The parties agree that CONTRACTOR will invoice ENTITY for payment under this Agreement for services rendered herein.
3. RIGHT OF CONTROL: ENTITY agrees that it will have no right to control or direct the details, manner, or means by which CONTRACTOR accomplishes the results of the services performed hereunder. CONTRACTOR has no obligation to work any particular hours or days or any particular number of hours or days. CONTRACTOR agrees, however, that his other contracts or services shall not interfere with the performance of his services under this Agreement.
4. INDEPENDENT CONTRACTOR RELATIONSHIP: CONTRACTOR is an independent contractor and is not an employee, servant, agent, partner, or joint venture of ENTITY. ENTITY shall determine the work to be done by CONTRACTOR, but CONTRACTOR shall determine the legal means by which it accomplishes the work specified by ENTITY.
5. FEDERAL, STATE, AND LOCAL PAYROLL TAXES: Neither federal, state or local income taxes, nor payroll taxes of any kind shall be withheld and paid by ENTITY on behalf of CONTRACTOR or the employees of CONTRACTOR. CONTRACTOR shall not be treated as an employee with respect to the services performed hereunder for federal or state tax purposes. CONTRACTOR understands that CONTRACTOR is responsible to pay, according to law, CONTRACTOR's income tax. CONTRACTOR further understands that CONTRACTOR may be liable for self-employment (Social Security) tax to be paid by CONTRACTOR according to law.
6. LICENSES AND LAW: CONTRACTOR represents that he possess the skill and experience necessary and all licenses required to perform the services under this agreement. CONTRACTOR further agrees to comply with all applicable laws in the performance of the services hereunder.
7. FRINGE BENEFITS: Because CONTRACTOR is engaged in its own independently established business, CONTRACTOR is not eligible for, and shall not participate in, any employee pension, health, or other fringe benefit plans of ENTITY.
8. WORKER'S COMPENSATION: CONTRACTOR shall maintain in full force and effect worker's compensation for CONTRACTOR and any agents, employees, and staff that the CONTRACTOR may employ, and provide proof to ENTITY of such coverage or that such worker's compensation insurance is not required under the circumstances.

9. EQUIPMENT, TOOLS, MATERIALS OR SUPPLIES: CONTRACTOR shall supply, at CONTRACTOR's sole expense, all equipment, tools, materials and/or supplies to accomplish the services to be provided herein.

10. EFFECTIVE DATE: This contract will run from August 20, 2014 to June 30, 2015, or until work is completed unless terminated by either party with 30 days written notice.

11. WARRANTY: CONTRACTOR warrants that all services and deliverables supplied under this Agreement shall be accomplished in accordance with the accepted standard of care in the professional engineering industry.

12. INDEMNIFICATION: CONTRACTOR agrees to indemnify, defend, and hold harmless ENTITY, and its officers, agents and employees, from and against any and all claims, losses, actions, or judgments for damages or injury to persons or property arising out of or in connection with the act and/or any performances or activities due to the negligence of the CONTRACTOR, CONTRACTOR's agents, employees, or representatives under this Agreement.

13. INSURANCE: CONTRACTOR agrees to obtain and keep in force during its acts under this Agreement a comprehensive general liability insurance policy in the minimum amount of \$1,000,000, which shall name and protect CONTRACTOR, all CONTRACTOR's employees, ENTITY, and its officers, agents and employees, from and against any and all claims, losses, actions, and judgments for damages or injury to persons or property arising out of or in connection with the CONTRACTOR's acts. CONTRACTOR shall provide proof of liability coverage as set forth above to ENTITY prior to commencing its performance as herein provided, and said require insurer to notify ENTITY ten (10) days prior to cancellation of said policy.

14. NONWAIVER: Failure of either party to exercise any of the rights under this Agreement, or breach thereof, shall not be deemed to be a waiver of such right or a waiver of any subsequent breach.

15. CHOICE OF LAW: Any dispute under this Agreement, or related to this Agreement, shall be decided in accordance with the laws of the State of Idaho.

16. ENTIRE AGREEMENT: This is the entire Agreement of the parties and can only be modified or amended in writing by the parties.

17. SEVERABILITY: If any part of this Agreement is held unenforceable, the remaining portions of the Agreement will nevertheless remain in full force and effect.

18. ATTORNEY FEES: Reasonable attorney fees shall be awarded to the prevailing party in any action to enforce this Agreement or to declare forfeiture or termination of this Agreement.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

ENTITY:

CONTRACTOR:

\_\_\_\_\_  
David Anderson, Mayor

By \_\_\_\_\_

Title \_\_\_\_\_

ATTEST:

WITNESS:

---

Kris Larson, Clerk

Form and content approved by \_\_\_\_\_, as attorney for the City of Bonners Ferry.

August 13, 2014

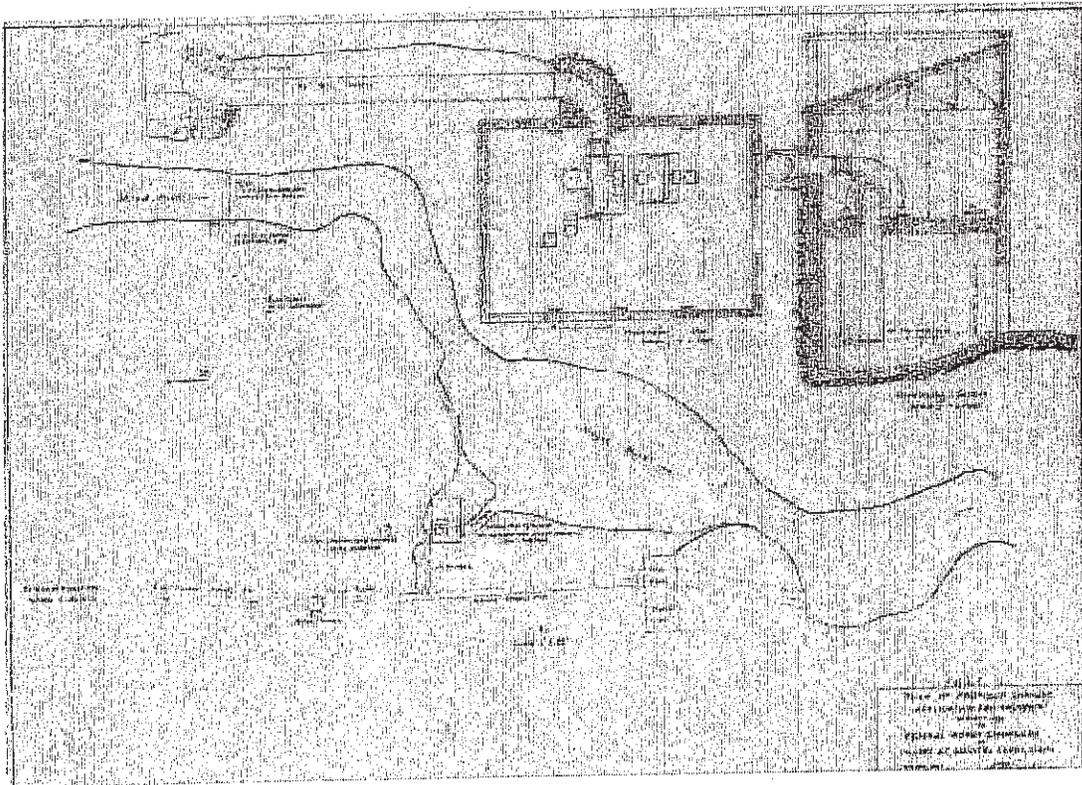
**Kim de Rubertis**

---

**Consulting Engineer**

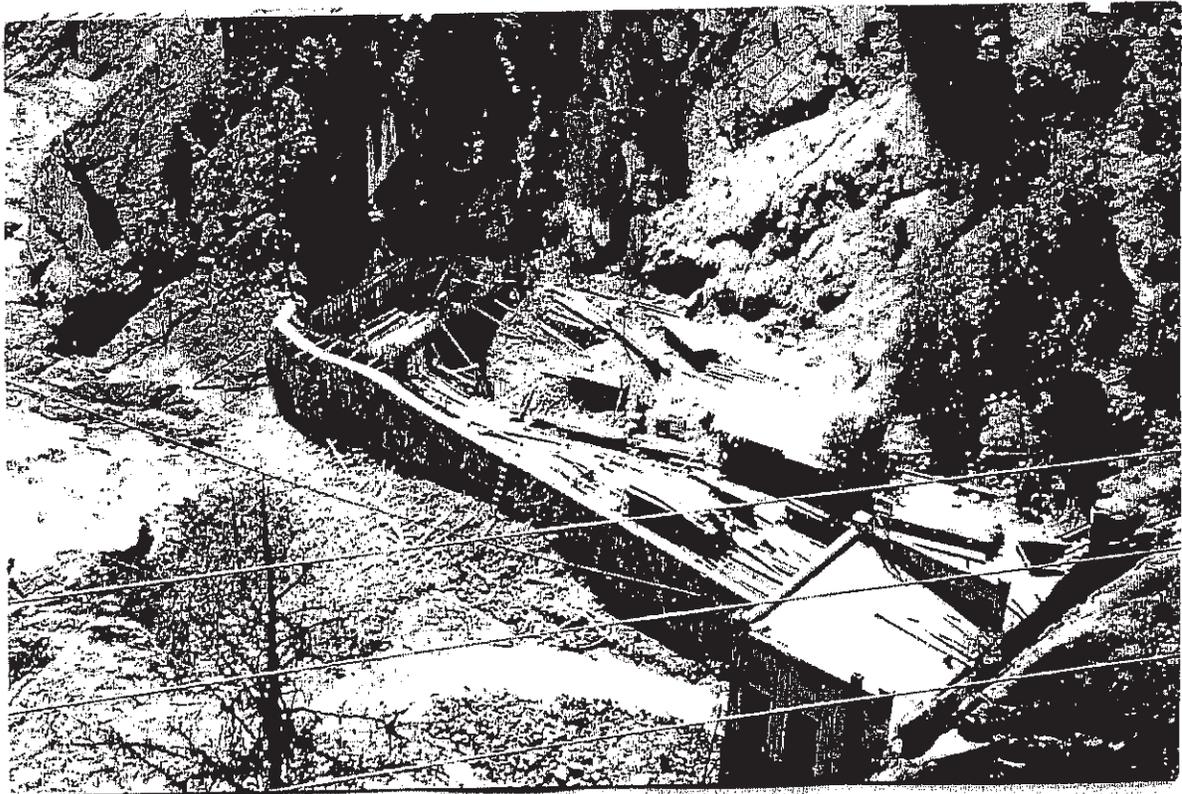
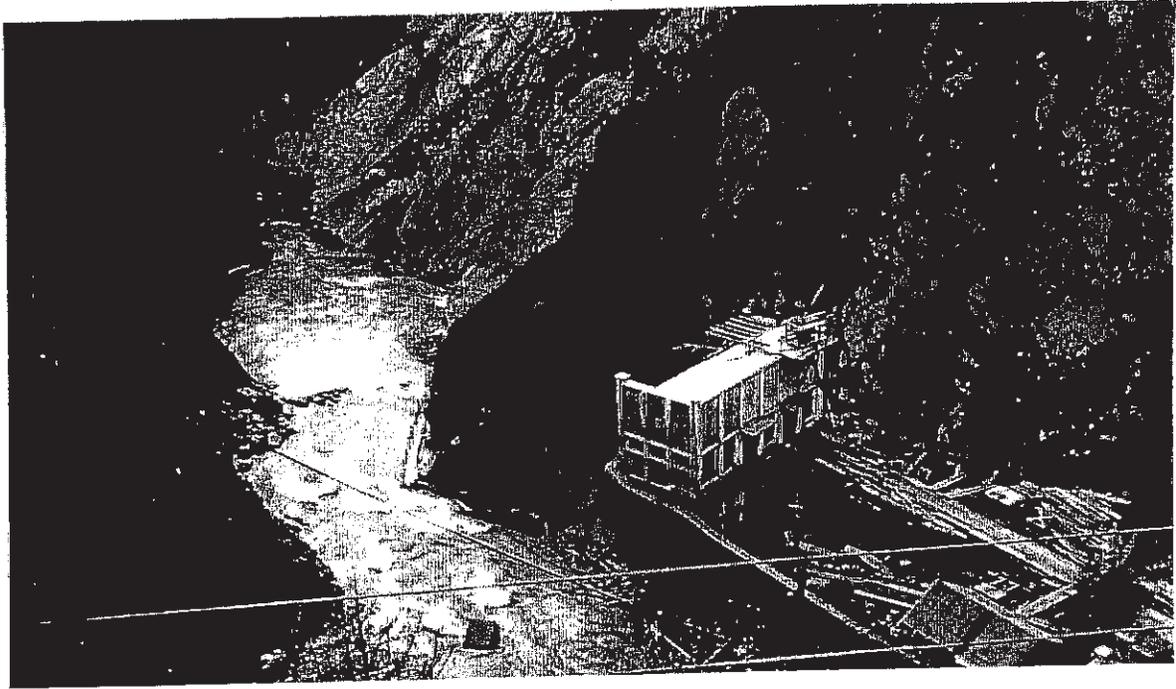
**TO: Stephen Boorman**  
**AT: City of Bonners Ferry**  
**SUBJECT: Powerhouse Leak**

Here's all I have for reference in my files:

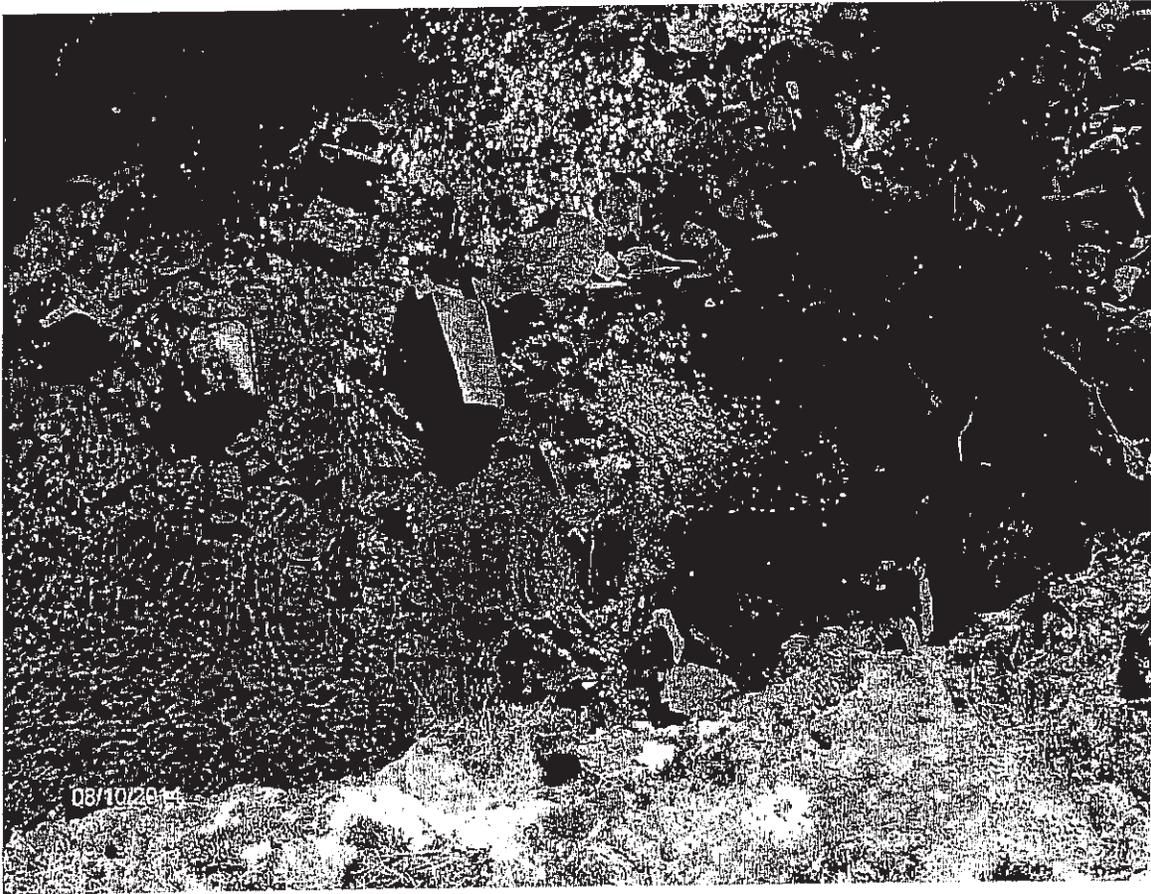
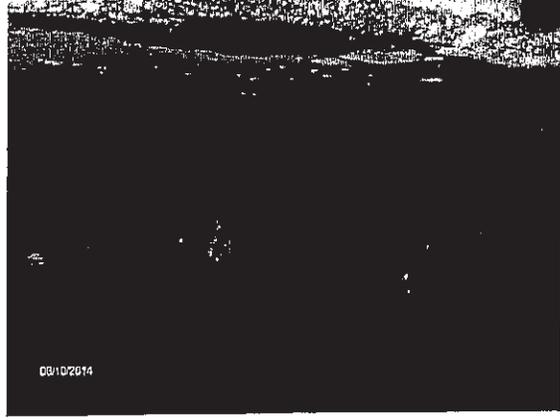
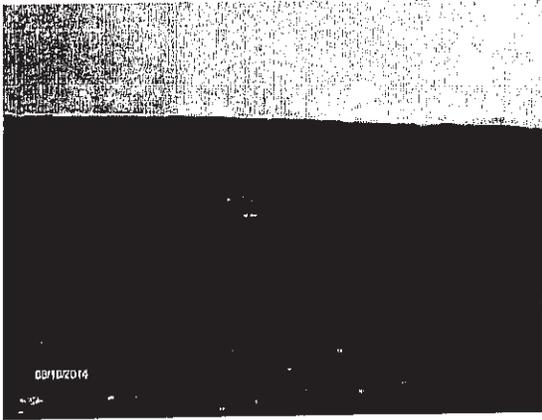


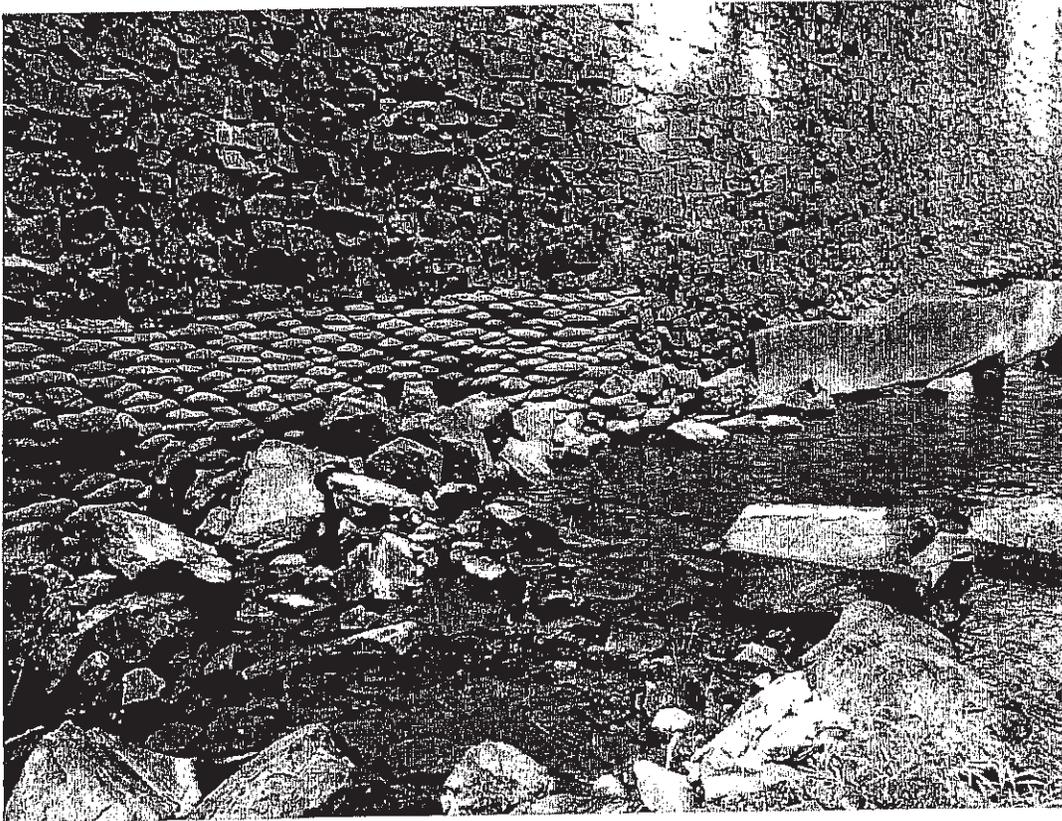
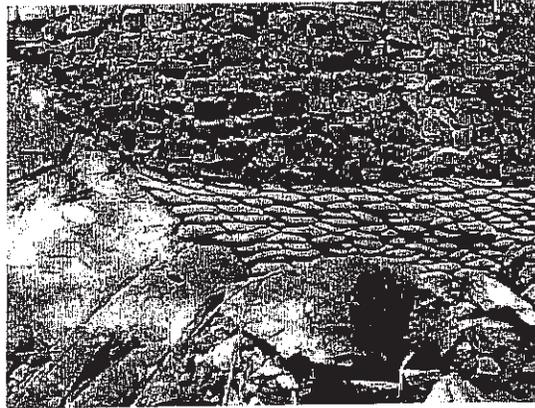
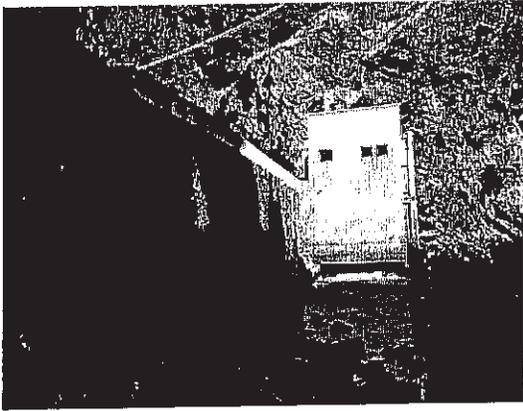
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P. O. Box 506  
(6318 Flowery Divide)  
Cashmere, WA 98815  
509-782-3434



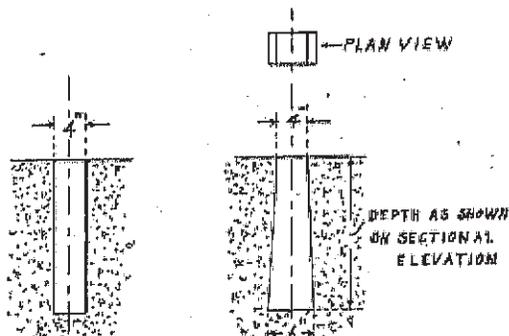




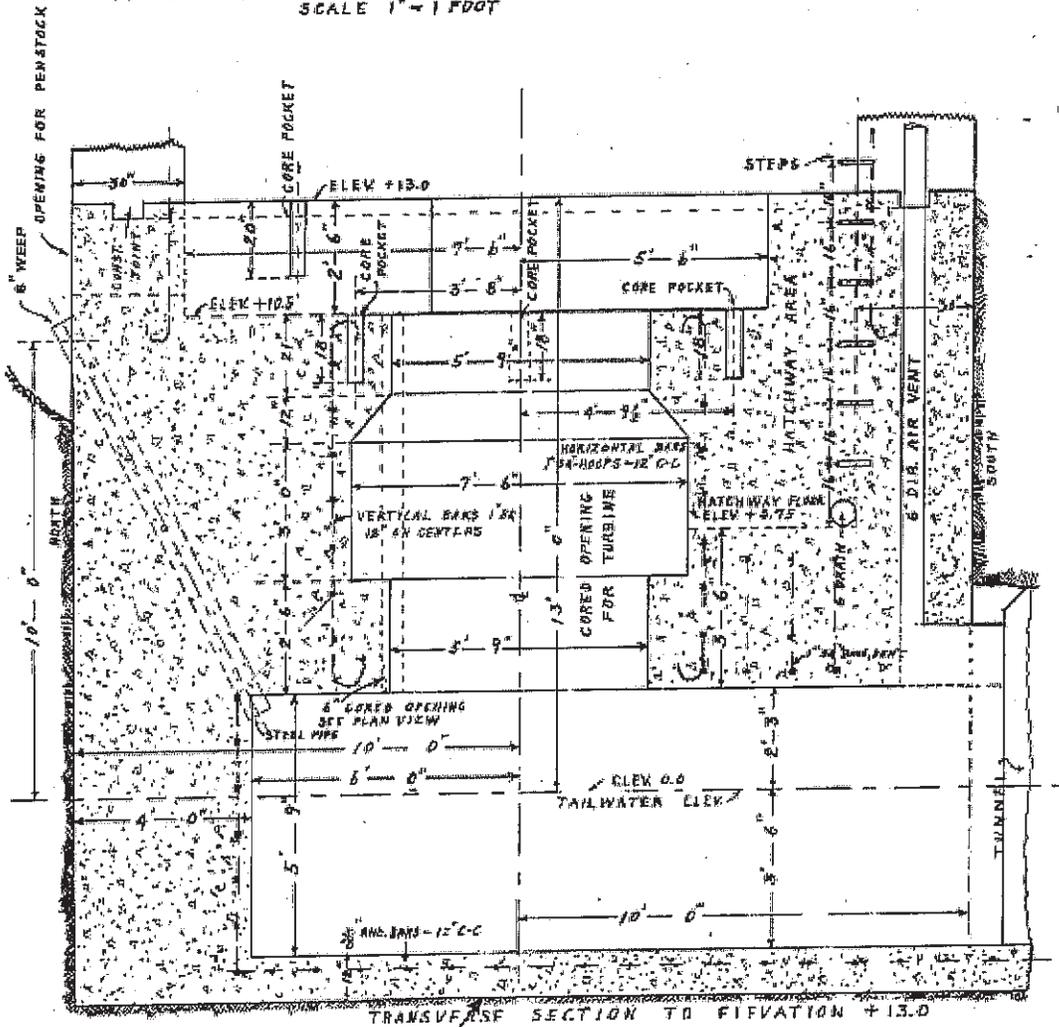


I cross section through the 1960 powerhouse showing the draft tube walls would be handy. I can't find any drawings in my records.

My advice is to get things dried out and (1) look for where the leakage is entering (maybe through the base slab?), (2) clean off the bottom of the wall to see if there are evident points of entry for the leakage. Make sure we understand the problem before we try to fix it.

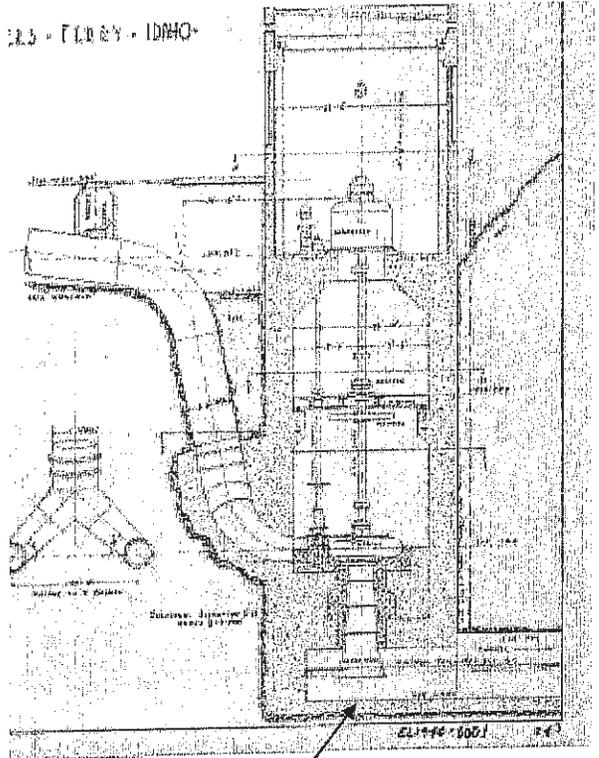


DETAILS - CORE POCKETS FOR FOUNDATION BOLTS  
SCALE 1" = 1 FOOT

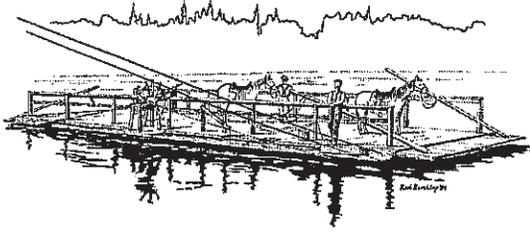


Is this where  
"upwelling"  
is seen?

2.3 - F.I.D. & Y. - IDPHO



Is this where  
"upwelling"  
is seen?



## CITY OF BONNERS FERRY

7232 Main Street  
P.O. Box 149  
Bonners Ferry, Idaho 83805  
Phone: 208-267-3105 Fax: 208-267-4375

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# Memo

**To:** Mayor and City Council  
**From:** Kris Larson, Clerk/Treasurer  
**Date:** 8/15/2014  
**Re:** Dump Trucks

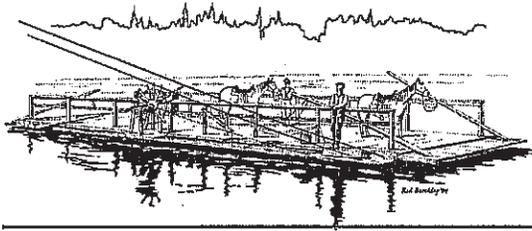
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John Youngwirth would like to request approval to purchase two dump trucks if they should come available through the State Auction and he is selected. He estimates the cost to be between \$10,000 to \$12,000 per truck. He said the dump trucks he is replacing are not worth the money to repair.

If you have any questions please call John at 267-4380.

Thanks,

Kris



## CITY OF BONNERS FERRY

7232 Main Street  
P.O. Box 149  
Bonners Ferry, Idaho 83805  
Phone: 208-267-3105 Fax: 208-267-4375

---

# Memo

**To:** Mayor and City Council  
**From:** Kris Larson, Clerk/Treasurer  
**Date:** 8/15/2014  
**Re:** Used Golf Rough Mower

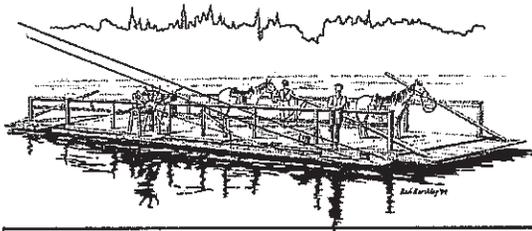
---

At the last golf committee meeting Ralph and the committee members asked for council to set parameters for Ralph to use when looking for a golf rough mower. He would like to know how much money we are allowing for a used mower and how many hours on the machine. Ralph has been looking for a used mower and has not had success, but he is hopeful after the golf season ends that there may be a lease return or something will come up.

If you have any questions please call Ralph at 290-7937.

Thanks,

Kris



## CITY OF BONNERS FERRY

7232 Main Street  
P.O. Box 149  
Bonners Ferry, Idaho 83805  
Phone: 208-267-3105 Fax: 208-267-4375

---

# Memo

**To:** Mayor and City Council  
**From:** Kris Larson, Clerk/Treasurer  
**Date:** 8/15/2014  
**Re:** Fiscal Year 2014 Audit

---

Last year when we contracted with Magnuson, McHugh & Company for the fiscal year 2013 audit, we discussed going out for proposals for fiscal year 2014. I sent out a request for proposal to Leonard Schulte, CPA, Magnuson, McHugh & Company, and Anderson Bros. CPA's. I have attached their proposals for your review.

When we do our audit for fiscal year 2014 it will involve auditing the Urban Renewal Agency as they are considered a component unit of the City of Bonners Ferry. There are also quotes attached for their audit.

Leonard Schulte had other commitments so he did not have time to perform our audit. Magnuson, McHugh & Company or Anderson Bros. CPA's would be good to work with. Toni Hackwith that we have worked with in the past is now working for Anderson Bros.

If you have any questions please call me at 267-0351.

Thanks,

Kris

# Leonard S. Schulte

Certified Public Accountant

P.O. Box 266 Bonners Ferry, ID 83805

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

---

July 8, 2014

Kris Larson  
Clerk/Treasurer  
PO Box 149  
Bonners Ferry, ID 83805

RE: Request for proposal

Kris,

Thank you for the considering me for the audit of your financial statements for fiscal year 2014. I appreciated the opportunity, unfortunately, I have other commitments that will not permit me sufficient time to perform the audit this year.

I have an alternative proposal for your consideration. Government Auditing Standards will require your auditor to evaluate any non-audit service they provide for threats to their independence. Examples of non-audit service include preparing the financial statements and the related note disclosures in your audit report. If safeguards cannot be applied to reduce the risk to an acceptable level, the independence of your auditor will be impaired. Impaired independence means an auditor cannot issue an audit report.

One of the safeguards that can be applied by an audited entity is to designate an individual with sufficient "skills, knowledge or experience" to oversee the non-audit service provided by your auditor. I would be happy to provide consultation and oversight of any non-audit service performed by the auditor and to assist in the preparation of financial statements including note disclosures.

Based on my experience, the preparation of the financial statements and notes requires a significant portion of the time and cost related to issuing an audit report. Therefore, you could expect a lower audit fee if you prepare your own financial statements and disclosures.

If you have any questions please do not hesitate to contact me. Again, thank you for the request for proposal to audit.

Yours truly,



Leonard Schulte

**CITY OF BONNERS FERRY &  
BONNERS FERRY URBAN RENEWAL AGENCY**

PROPOSAL FOR  
FINANCIAL AUDIT SERVICES, ANNUAL AUDIT

Fiscal Year Ended September 30, 2014

*Prepared by*

*Anderson*  
**BROS. CPA's, P.A.**

Post Falls, ID

1810 E Schneidmiller Ave. Ste. 310  
Post Falls, Idaho 83854  
208-777-1099 (phone) 208-773-5108 (fax)

# CITY OF BONNERS FERRY & BONNERS FERRY URBAN RENEWAL AGENCY

## TABLE OF CONTENTS

LETTER OF TRANSMITTAL	1
APPENDIX:	
Firm Profile	A
Technical Audit Approach	B
Qualifications and Experience of Staff	C
Qualifications and Experience of Firm	D
Cost	E
References	F
Additional Data: Quality Control and Peer Review Report	G

July 21, 2014

City of Bonners Ferry  
Honorable Mayor, City Council and Management  
P.O. Box 149  
Bonners Ferry, ID 83805

Based upon your request, we are very pleased to submit this proposal for professional services.

We propose to perform an audit of the financial statements of the City of Bonners Ferry and the Bonners Ferry Urban Renewal Agency (URA) for the year ending September 30, 2014. Our audit(s) of the financial statements of the City and Urban Renewal Agency will be conducted in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We will also prepare a draft of your financial statements and related notes, for both entities.

Please refer your attention to the enclosed appendices for each proposal item.

We are thankful for the opportunity to work with the City of Bonners Ferry and the Bonners Ferry Urban Renewal Agency and are pleased to submit the following proposal for professional services.

Elements to be considered by the City of Bonners Ferry

- A) Anderson Bros., CPAs PA's is an independent audit firm and is licensed to practice in Idaho.
- B) The audit firm's professional personnel receive more than the minimum required continuing professional education each year.
- C) The firm has auditors who specialize in governmental accounting and auditing with combined experience of over 55 years.
- D) The firm has no conflict of interest with regards to any other work performed by the firm for the City of Bonners Ferry or the Bonners Ferry Urban Renewal Agency.
- E) There are no regulatory actions taken by any oversight body against our firm.
- F) Our firm is able to fulfill the audit report time frame as requested.

We work closely with all of our clients and certainly feel that our involvement would support your efforts, the mutual objective being quality service at a competitive price for the City and URA.

We are enthusiastic about the opportunity to work with you and look forward to a long and mutually beneficial relationship. If there are any questions, please feel free to contact us at our office.

Sincerely



Anderson Bros. CPA's, P.A.

## APPENDIX A

### FIRM PROFILE

Anderson Bros. CPA's currently employs four experienced professionals in its governmental auditing division, with combined experience of over 55 years.

(See APPENDIX C for Qualifications and Experience of each staff member)

#### Primary Contacts:

Toni A. Hackwith, CPA  
Audit Manager  
208-777-1099 (work)  
208-773-5108 (fax)  
[toni@andbroscpa.com](mailto:toni@andbroscpa.com)

Lee Anderson, CPA –Partner  
208-777-1099 (work)  
208-773-5108 (fax)  
[lee@andbroscpa.com](mailto:lee@andbroscpa.com)

Annie Van Valin, CPA  
Audit Manager  
208-777-1099 (work)  
208-773-5108 (fax)  
[annie@andbroscpa.com](mailto:annie@andbroscpa.com)

Christina Auvil, CPA  
208-777-1099 (work)  
208-773-5108 (fax)  
[christina@andbroscpa.com](mailto:christina@andbroscpa.com)

(See APPENDIX B for our Technical Audit Approach)

## APPENDIX B

### TECHNICAL AUDIT APPROACH

#### Description of Approach

Once our engagement proposal and engagement letters are accepted, we will proceed with our audit procedures. We use an audit software program created by Thomson Reuters called Engagement CS and Checkpoint PPC for our audit system and workpapers. Our specific audit approach has four segments: planning, fieldwork, supervision & review, and completion procedures. Each of our staff members listed in Appendices A and C may be involved in each segment. We have outlined them for you below.

#### **1. Planning**

The planning segment consists of reviewing prior year work papers, audit reports, conversations with former auditors, accounting records (sometimes preliminary records if the fiscal year has not been completed yet), in addition to, reviewing your documentation, such as organizational charts, policies and procedures, joint agreements, and other contracts and grant agreements that you may have. The planning portion of the audit also includes our discussions with management and your personnel to provide us an understanding of the City's and the Bonners Ferry URA's internal control system, risks of fraud, illegal acts, and compliance with laws, regulations, and the provisions of contracts and grant agreements. During the planning procedures we calculate materiality, assess risks for noncompliance and material misstatement due to error and fraud, and develop our audit plan accordingly based on our risk assessments and materiality calculations. These assessments are developed from our conversations with management, knowledge of the industry, and our review of preliminary financial records.

#### **2. Fieldwork**

After the planning portion of our audit, we expect to perform our fieldwork procedures. We provide the City and the Bonners Ferry URA with an information request checklist of records and documentation for our review. We use our audit programs that we developed from our planning procedures as an audit approach to each segment that we believe is necessary for testing. We use these programs as steps for testing specific areas of the financial records. For example, we will inspect bank statements and bank reconciliations and trace these to the working trial balance to determine if these amounts are reasonable. This test would be considered part of our cash program.

#### **3. Supervision and Review**

All of our audit work is subject to supervision and review procedures, which are performed by an individual not involved in the detailed performance of the audit. This is a key component of our Quality Control System.

#### **4. Completion Procedures**

After our fieldwork has been reviewed, we will provide the City and the Bonners Ferry URA with a draft of their financial statements. The City and the Bonners Ferry URA is expected to review the financial statements closely and inquire of items that may appear to be incorrect or unclear. The City and the Bonners Ferry URA may also provide a Management, Discussion, and Analysis (MD&A) report to be included in the audited financial statements report. The MD&A is supplemental information required by the *Governmental Accounting Standards Board*, although not a part of the basic financial statements. While the City is reviewing the draft we will be completing our remaining procedures and will begin wrapping up the engagement.

## APPENDIX B

### TECHNICAL AUDIT APPROACH

#### Timing

Our planning procedures usually take place in September or October, shortly after the fiscal year has been completed. This allows us to create a plan and approach early and have enough time to complete the audit work within the time frame desired by our clients. We expect to schedule fieldwork when the City and the Bonners Ferry URA has officially closed their accounting records and has allowed a reasonable time period for their closure. For example, we would like the City and the Bonners Ferry URA to wait for any subsequent bills/statements and bank statements that may arrive in October or November that may have transactions applicable to the fiscal year end under audit. We expect that fieldwork procedures will be scheduled in December once records have been reconciled. After fieldwork has been completed and the workpapers and draft has been reviewed by another CPA in our office, a draft will be released to the City and the Bonners Ferry URA for review and completion of the MD&A (if desired by the City and the Bonners Ferry URA). As listed in our engagement letter, you will be required to acknowledge in the written representation letter our assistance with the preparation of the financial statements and related notes and any other non-audit services that we may provide. When we receive the signed representation letter and completed MD&A (if desired), then we expect to release the final audited financial statements and reports. This is expected to be completed by January 31, 2015, however, this date will largely depend on when the City and the Bonners Ferry URA has made all of their year-end adjustments, prepared all supporting schedules and is ready for fieldwork.

#### Identification of Anticipated Potential Audit Problems

The most prevalent audit problems we see in auditing governments such as the City of Bonners Ferry and the Bonners Ferry URA may include, but are not limited to the following:

- A) Internal control deficiencies
- B) Non-audit services requested by client
- C) Non-compliance under contract, grant agreements, and other matters

Our approach to resolving these problems is straightforward. If, during our audit procedures, we identify any potential audit problems or internal control deficiencies, we will communicate them directly to the appropriate level of management. At that point, it is up to the City and the Bonners Ferry URA to respond and adjust their procedures at their discretion.

If significant additional time is required to address any potential audit problems, we will discuss the costs with you and arrive at a new fee estimate prior to any additional work being done.

## APPENDIX C

### QUALIFICATIONS AND EXPERIENCE OF STAFF

#### Qualifications and Experience of Anderson Bros. CPA's Staff

We recognize the importance of developing a continuing relationship with each client to insure prompt attention to their business interests and objectives. To further insure that these relationships continue, we have successfully recruited and retained competent and professional personnel to service our clients. As certified public accountants, we are committed to professional standards of competence, objectivity and care.

Our approach to meeting your needs is centered on quality personnel conducting an efficient examination approach. We believe our client service team reflects our commitment to provide the very best of our resources. The qualifications of the client service team having primary responsibility for your engagement are as follows. All individuals maintain an excess of the industry standard twelve hours (24 over a two year period) of yellow-book audit and accounting continuing education each year and forty hours of accounting and auditing continuing education each year.

Lee Anderson, co-founder and partner of Anderson Bros. CPA'S, P.A, will be serving as the principal reviewer for your audit. Lee has twenty-four years of yellow-book auditing experience. Lee is a licensed Certified Public Accountant and a member of both the AICPA and Idaho Society of CPAs, as well as a past peer review committee member for the Idaho Society of CPAs.

Toni A. Hackwith will be the manager and primary auditor on your engagement. Toni has over twenty years of governmental audit and accounting experience. She has served as the independent auditor for the City of Bonners Ferry previously, so she is very knowledgeable regarding the operations and accounting systems of the City. Ms. Hackwith was responsible for the governmental financial statement audits for over 75 governmental entities in her previous position. She is licensed as a CPA in Idaho and was recently appointed to the Idaho Society of CPA's Peer Review Committee. She is a past ACIPA Peer Reviewer and a member of the Idaho Society of CPA's (ISCPA), American Institute of CPA's (AICPA), and the Association of Government Accountants. She has also served as a reviewer for the Government Finance Officers Association, reviewing Comprehensive Annual Financial Reports submitted by governmental entities across the United States in an effort to obtain a certificate of excellence in reporting.

Annie Van Valin has a Bachelor's Degree in Business Administration and International Business Studies from Whitworth University. Annie has seven years of experience auditing local governments, performing close to twenty-five yellow book audits each year, all under Anderson Bros. She is a licensed Certified Public Accountant and a member of both the AICPA and Idaho Society of CPAs.

Christina Auvil has a Master's Degree in Business Administration from Gonzaga University, is a licensed Certified Public Accountant, and has four years of experience with yellow-book audits, all under Anderson Bros.

## APPENDIX D

### QUALIFICATIONS AND EXPERIENCE OF FIRM

#### Qualifications and Experience of Anderson Brothers CPA's, P.A.

Our firm was founded in 1994 and in twenty years has grown from two employees to six, including five CPAs. We believe this steady growth stems directly from the quality of our work and the promptness with which we respond to our clients' needs. Our depth of experience, especially in the governmental auditing services sector, enables us to provide a quality audit to our clients at a reasonable and competitive price. We have provided you with references to substantiate the level of service that we have provided similar clients in the past (APPENDIX F). You may contact any of these clients as references as we performed their prior fiscal year audit.

We perform accounting and auditing services to an estimated 45 clients (3,000 hours). Of this amount, approximately 35 of these clients (2000 hours) are Yellow Book/governmental audits and in accordance with *Government Auditing Standards*.

## APPENDIX E

### COST OF THE AUDIT

We expect the records of the City of Bonners Ferry and the Bonners Ferry Urban Renewal Agency will be in good order with all supporting documentation readily available. Considering this and other factors, our fee for the financial statement audit(s) for the fiscal year ended September 30, 2014 will be \$13,750 for the City of Bonners Ferry and \$5,250 for the Bonners Ferry Urban Renewal Agency. All out-of-pocket expenses for travel, report production, and postage are included in this fee.

This fee represents the requested total all-inclusive maximum price for the engagement. The breakdown for the fee is as follows:

#### **City of Bonners Ferry:**

- \$10,750 for the financial statement audit performed in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133 (when applicable) and the standards applicable to financial audits contained in Government Auditing Standards. If a Single Audit is required, the fee for this will be an additional \$3,000.
- \$3,000 for non-attest services, which include preparation of the financial statements in accordance with generally accepted accounting principles and those applicable to governmental entities.

#### **Bonners Ferry Urban Renewal Agency:**

- \$4,250 for the financial statement audit performed in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133 (when applicable) and the standards applicable to financial audits contained in Government Auditing Standards. If a Single Audit is required, the fee for this will be an additional \$3,000.
- \$1,000 for non-attest services, which include preparation of the financial statements in accordance with generally accepted accounting principles and those applicable to governmental entities.

## APPENDIX F

### REFERENCES

Anderson Bros., CPA's specializes in serving the auditing and accounting needs of governmental entities. The references below are clients with whom either Anderson Bros. CPA's or Toni A. Hackwith performed yellow book audits in accordance with *Government Auditing Standards*.

**References specific to Toni A. Hackwith (additional references can be supplied upon request):**

Sarah Garcia  
Controller  
North Idaho College  
[Ha51du@hotmail.com](mailto:Ha51du@hotmail.com)  
208.699.3554

Vonnie Jensen  
Deputy Finance Director  
City of Coeur d'Alene, Idaho  
[Vonniej@cdaid.org](mailto:Vonniej@cdaid.org)  
208.769.2225

Sandy Tompkins  
City Clerk/Treasurer  
City of Moyie Springs  
[Cityofmoyiesprings@yahoo.com](mailto:Cityofmoyiesprings@yahoo.com)  
208.267.5161

Janelle Sells  
Business Manager  
Community Library Network  
[janelles@communitylibrary.net](mailto:janelles@communitylibrary.net)  
208.772.5612 ext. 114

Melissa Taylor  
City Clerk/Treasurer  
City of Rathdrum  
[Melissa@rathdrum.org](mailto:Melissa@rathdrum.org)  
208.687.0261 ext. 113

Renata McLeod  
Municipal Services Director/City Clerk  
City of Coeur d'Alene, Idaho  
[renata@cdaid.org](mailto:renata@cdaid.org)  
208.769.2231

Glenn Mabile  
CFO/Business Manager  
Coeur d'Alene Charter Academy  
[gmabile@cdacharter.org](mailto:gmabile@cdacharter.org)  
208.676.1667

## APPENDIX F

### REFERENCES

**References specific to Anderson Bros., CPA's P.A. (additional references can be supplied upon request):**

Wanda Irish, Mayor  
City of Harrison  
[mayor@cityofharrison.org](mailto:mayor@cityofharrison.org)  
208.689.3212

Ann Clapper, City Clerk  
City of Spirit Lake  
[slcityclerk@earthlink.net](mailto:slcityclerk@earthlink.net)  
208.623.2131

Nina Riggins, City Clerk  
City of Clark Fork  
[city@clarkforkidaho.org](mailto:city@clarkforkidaho.org)  
208.266.1315

Su Warren, City Clerk  
City of Ponderay  
[cityclerk@ponderay.org](mailto:cityclerk@ponderay.org)  
208.265.5468

Lynn Hagman, City Clerk  
City of Hayden Lake  
[haydenlakeclerk@frontier.com](mailto:haydenlakeclerk@frontier.com)  
208.772.2161

Brenda Morris, City Clerk  
City of Worley  
[worleyidclerk@aol.com](mailto:worleyidclerk@aol.com)  
208.686.1258

Ronda Whittaker, City Clerk  
City of Kootenai  
[kootclerk@nctv.com](mailto:kootclerk@nctv.com)  
208.265.2431

Donna Ray, City Clerk  
City of Hauser  
[hausercityhall@roadrunner.com](mailto:hausercityhall@roadrunner.com)  
208.777.9315

**APPENDIX G**  
**ADDITIONAL DATA**

**Quality Control**

We believe in stringent quality control and are committed to the objective of providing the highest possible quality of service to all clients. Assignments are undertaken only after initial analysis of the client's specific problems or needs is assessed. All significant output will be reviewed by Lee Anderson, a partner of Anderson Bros., to ensure our rigorous standards of quality are being met. In addition, our procedures assure the safety and confidentiality of all client files and records.

As members of the Private Companies Practice Section of the American Institute of Certified Public Accountants, we adhere to the policies, procedures and standards of conduct promulgated by these organizations. Our official engagement letter, provided to management if approved, provides an explanation of our quality control measures. We are proud to say that we have always received unqualified opinions based on reviews of our auditing procedures and controls.

Furthermore, we have attached a copy of our 2011 peer review audit from Deaton & Company, CPAs. Detailed within are the results of their review of our systems for quality control in accounting and auditing for the three years ended February 28, 2011. In addition, we have received no disciplinary action from any state regulatory agency either within the last audit period or any prior period. Our 2014 peer review audit is expected to be completed in August 2014 and will be provided to management at that time if this proposal is approved.

Although these services have come to be viewed as a commodity, we believe that our approach carries benefits that provide added value. For example:

We will work with existing internally prepared accounting schedules to minimize the organization's time commitment on audit related matters.

We will stay in touch with management throughout the year to keep abreast of current business developments so that we can lend our experience and expertise to your decision-making process and to guard against year-end surprises.

APPENDIX G  
PEER REVIEW REPORT

Deaton & Company, Chartered  
Certified Public Accountants  
215 North 9th, Suite A  
Pocatello, ID 83201-5278  
(208) 232-5825

Members of Idaho Society of Certified Public Accountants  
Members of American Institute of Certified Public Accountants



System Review Report

To the Owners of Anderson Brothers, CPA, P.A.,  
and the Peer Review Committee of the Idaho State Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Anderson Brothers, CPA, P.A. (the firm) in effect for the year ended February 28, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under audits of *governmental auditing standards*.

In our opinion, the system of quality control for the accounting and auditing practice Anderson Brothers, CPA, P.A. in effect for the year ended February 28, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Anderson Brothers, CPA, P.A. has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads "Deaton &amp; Company".

Pocatello, Idaho  
August 2, 2011

July 29, 2014

To the Honorable Mayor and City Council  
City of Bonners Ferry  
PO Box 149  
Bonners Ferry, ID 83805

Thank you for providing us the opportunity to submit this proposal to provide audit and related services to the City of Bonners Ferry, Idaho. As indicated in the information in the following proposal, we audit a greater number of governmental and not-for-profit entities than any other CPA firm in North Idaho. We are well versed in accounting and finance related matters as they pertain to these entities. This experience allows us to compare accounting systems, controls, and procedures of your operation to many other similar organizations. We have been providing audit services to these types of entities, which include audits performed under OMB Circular A-133, for over 62 years. Our client base supports our belief that we are the most qualified firm to perform audit services for the City of Bonners Ferry, Idaho.

**Not-for-Profit, Government and Circular A-133 Audit and Accounting Experience:** We specialize in serving governmental and not-for-profit organizations, which includes extensive experience in Circular A-133 auditing.

**State of Idaho Statutes:** We specialize in performing audits of local governments in the State of Idaho, and as such, have extensive knowledge and expertise in the statutes that govern these entities.

**Local Service Team:** Our team of professionals is made up of local directors, managers, seniors and staff auditors, who specialize in not-for-profit, governmental and Circular A-133 audit services. Our team members take a minimum of 40 hours of continuing professional education in these particular service areas on an annual basis. Audit team members at Magnuson, McHugh & Company P.A. have accumulated years of experience in providing audit services to not-for-profit and governmental clients and are committed to quality and professional service.

**Michelle Haneline, CPA and President**

**Engagement Role:** Concurring Reviewer

**Experience:** Michelle has over 20 years of Public Accounting experience which includes governmental and not-for-profit accounting and auditing, including OMB Circular A-133 audits.

**Chris R. Shipley, CPA**

**Engagement Role:** In charge

**Experience:** Chris has over 14 years of accounting experience with over six years of experience with governmental, not-for profit and educational entity auditing and accounting, including OMB Circular A-133 audits.

**Kacie Tollefson**

**Engagement Role:** Senior Accountant

**Experience:** Kacie has 14 years of accounting experience with not-for profit entities, and over seven years of experience with governmental and educational entity auditing and accounting, including OMB Circular A-133 audits.

**Kris Mayhew, Staff Auditor**

**Engagement Role:** Staff Accountant

**Experience:** Kris has a broad background in both private and public accounting experience as well as extensive training in governmental and not-for-profit accounting and auditing.

**Stability:** Our firm has been providing quality audit services for over 62 years and strongly believe in maintaining staff continuity on our engagements.

**Strong Working Relationships:** An absolute priority in our firm is to maintain strong working relationships with our clients. Our team members are available during field work and throughout the year to provide assistance as needed. Typically these inquiries do not require a substantive amount of time, and as such, you would not be billed any additional fees. However, if such requests require substantive time, we will inform you of this and provide you with a fee estimate for the additional services.

**Fee Proposal:** We believe our fees are competitively priced to afford you a fair fee as well as provide you with the required experience necessary to perform your required audit in accordance with generally accepted auditing standards, the standards set forth for financial provisions in the U.S. General Accounting Office's (GAO) Government Auditing Standards, the provision of the federal Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profits Organizations as well as applicable Idaho statutes.

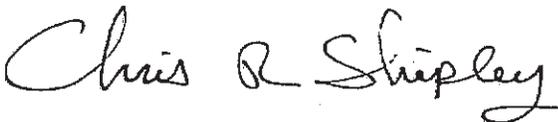
**Time Frame:** Magnuson, McHugh & Company, P.A. is committed to performing and delivering the audit in the time frame as stated in the request for proposal dated June 23, 2014.

**Client References:** Magnuson, McHugh & Company, P.A. is proud of the relationships we have developed with our clients and our ability to assist them in achieving their goals. We believe our reputation for quality and timely service, sound advice, and innovation is unsurpassed. We currently are the auditors for the following cities:

1. City of Coeur d'Alene, Idaho
2. City of Post Falls, Idaho
3. City of Sandpoint, Idaho

Magnuson, McHugh & Company, P.A. is qualified to meet your professional auditing and accounting needs. In the following pages we have provided brief statements of our qualifications, experience, the scope of our proposed engagement, and the related fees. We would be pleased to meet with you to further review our proposal and answer any questions you may have. Please contact Chris Shipley at (208) 765-9500 at your convenience if we can provide any additional information or to schedule an oral presentation. We can also be reached at [cshipley@mmccpa.com](mailto:cshipley@mmccpa.com), or by fax at 208-667-9174.

Sincerely,



Chris R Shipley, CPA

# TABLE OF CONTENTS

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A.	Technical Proposal	
	1. Executive Summary.....	1 – 2
	2. Professional Experience.....	3
	3. Team Qualifications.....	4 – 5
	4. Audit Approach.....	6 – 8
	5. Time Frame.....	8
	6. Client References.....	9
	7. Peer Review Report.....	10
B.	Fee Schedule.....	11
C.	Insurance.....	12

## A. TECHNICAL PROPOSAL

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### 1. Executive Summary

#### Services to Be Performed

We understand that the scope of our services will include the following:

- Annual audit of the financial statements of the City of Bonners Ferry, Idaho for the year ended September 30, 2014, including a presentation to the City Council, to be completed by June 1, 2015.
- Fieldwork dates are reserved for the week of January 12 – 16, 2015.
- Issuance of the following reports as a result of audit procedures performed:
  - A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.
  - A 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. If applicable, significant deficiencies and material weaknesses identified relating to internal control over financial reporting and compliance would be identified in this report.
- Preparation of the financial statements of the City of Bonners Ferry, Idaho, including basic financial statements, required supplementary information, other supplementary information, and information in conformity with generally accepted accounting principles as applied to governmental agencies, and as required under OMB Circular A-133, as applicable.
- Management letter containing comments and recommendations with respect to accounting and administrative controls and efficiency, as applicable.
- Availability throughout the year to provide advice and guidance on financial accounting and reporting issues.

## A. TECHNICAL PROPOSAL

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### 1. Executive Summary (Concluded)

#### Why Magnuson, McHugh & Company, P.A.?

- The State of Idaho requires governmental entities in Idaho to contract with an Independent Auditor to perform financial statement audits in accordance with Government Auditing Standards. The Washington State Auditor's office performs this service for governmental entities in Washington State; therefore, most Washington CPA firms do not have the extensive experience that our firm possesses in the Governmental Audit arena. As the Independent Auditor for over 70 governmental and not-for-profit entities, we feel we are the most experienced and qualified firm in the Northwest to perform the audit of the City of Bonners Ferry, Idaho's financial statements.
- Since our practice specializes in government and not-for-profit accounting and auditing we have extensive experience auditing State and Federal grant programs; combined experience of over 100 years among our staff.
- We have performed the audit of City of Bonners Ferry, Idaho for a number of years; therefore our staff is familiar with your systems, your staff, and the state statutes and federal compliance requirements applicable to your organization.
- We audit 10 other cities in Northern Idaho, in accordance with governmental auditing standards and Circular A-133.
- We have a year-round staff of approximately 30 employees. The size and mix of the staff allows us to match a staff member with the proper amount of experience to your engagement. We currently have 4 staff members who are extremely familiar with your account, who would continue to perform the audit.
- We guarantee our work to pass any oversight review. Any requested corrections will be made at our expense.

## A. TECHNICAL PROPOSAL

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### 2. Professional Experience

#### Firm Background

Magnuson, McHugh & Co., P.A. provides accounting, auditing, tax, pension plan administration, employee benefit administration and consulting services to public and private organizations in Idaho and throughout the Inland Northwest. Magnuson, McHugh & Company, P.A. has been committed to providing quality service since our founding in 1951. We strive to develop strong, long-term relationships, and we believe that by working actively and aggressively we can make significant contributions towards your success. We realize that meeting and exceeding your expectations will be the key to our success as your auditor.

We specialize in performing governmental (which includes 10 other cities in Idaho), not-for-profit and Circular A-133 audits. Magnuson, McHugh & Company, P.A. is the largest CPA firm in North Idaho and have a strong presence throughout the Inland Northwest, with a combined staff of approximately 30 which includes 12 CPA's.

Magnuson, McHugh & Company, P.A. is proud to be a member of the American Institute of Certified Public Accountants (AICPA) Private Companies Practice Section. This association regularly imposes mandatory peer reviews in order to ensure continued quality control over the accounting and auditing services of all its members. Our firm recently completed its seventh peer review and received an unqualified (pass with no findings) report regarding our system of quality control.

We are also a member of the AICPA's Governmental Audit Quality Center. This association promotes the importance of quality governmental audits. Our involvement with this association provides us valuable resources which help to strengthen the quality and performance of our governmental audit services.

Our quality controls also require that all engagements be reviewed by a director/manager member. As the complexity of the engagement increases, so does the level of review required.

Magnuson, McHugh & Company, P.A. understands the importance of continuity in our client relationships. We anticipate that the same core staff will be involved in our service to the City of Bonners Ferry, Idaho for many years to come.

#### Independence Statement

Independence integrity and objectivity are requisites of a CPA firm in order to perform audit services. Magnuson, McHugh & Company, P.A. adheres to the highest ethical standards. Prior to accepting a client relationship with the City of Bonners Ferry, Idaho, we will conduct a thorough review of our independence. This process is required by our internal Quality Control Document.

This review includes an inquiry of staff throughout the firm to ensure there are no circumstances that might impair our independence with the City of Bonners Ferry, Idaho. Although we do not anticipate any impairments, we will fully disclose to you any issues, whether factual impairments or possible perception problems. We welcome any questions you may have regarding our review of independence.

At this time we are not aware of any issues that would impair our independence with the City of Bonners Ferry, Idaho.

## A. TECHNICAL PROPOSAL

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### 3. Team Qualifications

Magnuson, McHugh & Company, P.A. has given careful consideration to the mix of professional staff that will provide the highest quality service to the City of Bonners Ferry, Idaho. We propose the following principal staff for our engagement, all of who have extensive experience in auditing governmental entities such as yours, as well as extensive experience in performing Circular A-133 Audits.



**Michelle Schini Haneline, CPA, President**

Director of Audit & Assurance Services

**Engagement Role:** Concurring Reviewer

**Experience:** Michelle has over 20 years of Public Accounting experience which includes governmental and not-for-profit accounting and auditing including OMB Circular A-133 audits.

Michelle is a Third Generation Coeur d'Alene resident and proudly serves as President of Magnuson, McHugh & Company, P.A. She graduated from the University of Arizona in 1990, and joined Magnuson, McHugh & Company, P.A. in 1995. Her current areas of focus include individual and business taxation as well as developing a practice in Medical, Dental Consulting and Business Valuations. Michelle also has over 20 years' experience in governmental accounting and auditing. She currently serves as Treasurer of the North Idaho College Foundation. In her free time, she enjoys golfing, snow skiing, traveling and spending time with her husband and children.



**Chris R. Shipley, CPA**

Manager Audit Services

**Engagement Role:** In-charge auditor

**Experience:** Chris has over 14 years of accounting experience with over six years of experience with governmental, not-for profit and educational entity auditing and accounting, including OMB Circular A-133 audits.

Chris Shipley joined the audit department of Magnuson, McHugh & Co, P.A. in December of 2006. Chris' primary responsibilities include managing governmental and not-for-profit audit engagements. This includes audits performed under OMB Circular A-133.

Chris is an active member of the American Institute of Certified Public Accountants (AICPA) and the Idaho Society of Certified Public Accountants (ISCPA). Chris has a Bachelor's of Science in Finance and Economics from the University of Idaho, and is a licensed CPA in Idaho.

## A. TECHNICAL PROPOSAL

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### 3. Team Qualifications (Concluded)



**Kacie Tollefson**

Senior of Audit and Assurance Services

**Engagement Role:** Senior Accountant

**Experience:** Kacie has 14 years of accounting experience with not-for-profit entities, and over seven years of experience with governmental and educational entity auditing and accounting, including OMB Circular A-133 audits.

Kacie Tollefson joined the firm in December 2006 and is a Senior Accountant. Ms. Tollefson graduated from Carroll College with a Bachelor's of Arts degree in Accounting and Business Administration, emphasis Finance and Management in 2001 and was an auditor for Gary McGee & Company in Portland, Oregon for five years prior to joining Magnuson, McHugh & Co. Ms. Tollefson currently works in our Audit Department and is responsible for many review and audit engagements. She is going into to her fifth year as both Treasurer of the Idaho Panhandle Kiwanis Club, and as a member of the Audit Committee for Girl Scouts Eastern Washington and Northern Idaho. Ms. Tollefson has 14 years' experience in non-profit and governmental auditing.



**Kris Mayhew, Staff Auditor**

Staff Accountant of Audit & Assurance Services

**Engagement Role:** Staff Accountant

**Experience:** Kris has a broad background in both private and public accounting experience as well as extensive training in governmental and not-for-profit accounting and auditing.

Kris joined Magnuson, McHugh & Co., P.A. in 2012. He graduated from Whitworth University in 2010 with Bachelor's degrees in Accounting and Business Management. Upon graduating Kris was recruited as the controller for a mid-sized telecommunications company, Leaf Communication Services, Inc. Kris went on to work for a national telecom company, Tempest Telecom Solutions, as an accounting manager. Following this, Kris was recruited by Etailz, Inc, an online start-up company listed on Inc 500's fastest growing companies in the country. Kris is currently sitting for the CPA exam.

## A. TECHNICAL PROPOSAL

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### 4. Audit Approach

A successful audit engagement requires the auditor to understand the business environment as well as your understanding of our audit approach and work plan. From the start, our team will place an emphasis on detailed and thorough planning and establishing a relationship with the City of Bonners Ferry, Idaho to ensure timely delivery of our services. We will communicate regularly so that you understand what we are doing at every step of the engagement and that you are ultimately satisfied with the budget, the assigned staff, the schedule, and the delivery of our products. At Magnuson, McHugh & Co., P.A. we emphasize planning in order to ensure an audit engagement with a minimal level of disruption and maximum results. We have enjoyed our past relationship with the City of Bonners Ferry, Idaho, and all prior audit reports have been accepted by the State Legislative Auditor. This type of acceptance is standard for any comparable work done by our office.

The audit approach we will take in performing the engagement for the City of Bonners Ferry, Idaho includes procedures to satisfy:

- Standards established by the American Institute of Certified Public Accountants (AICPA)
- Federal, State and local rules and regulations
- Government Accounting, Auditing, Financial Reporting (GAAFR)
- Generally Accepted Government Auditing Standards (GAGAS)
- Generally Accepted Auditing Standards (GAAS)
- Generally Accepted Accounting Principles (GAAP)
- AICPA's Industry Guide to State and Local Government Units
- OMB Circular A-133

#### **Financial Statements to Be Audited**

Magnuson, McHugh & Company, P.A. will conduct an independent audit of the City of Bonners Ferry, Idaho for the fiscal year ending September 30, 2014 in accordance with auditing standards generally accepted in the United States as set forth by the AICPA. The audits shall be conducted and the reports rendered in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards (the "Yellow Book"), and the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133 (as applicable). In addition, our audits will comply with the auditing and reporting provisions of the Single Audit Clearinghouse.

Our audits will be performed in accordance with auditing standards generally accepted in the U.S. as applicable to governments. Auditing standards generally accepted in the United States require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. The objective of this portion of the engagement will be the completion of the foregoing audits and, upon their completion and subject to their findings, the rendering of our reports.

## A. TECHNICAL PROPOSAL

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### 4. Audit Approach (Continued)

#### Audit Philosophy

Magnuson, McHugh & Company, P.A. has developed an approach for maximizing audit effectiveness and efficiency that focuses on understanding the entity's operations. In addition to understanding the accounting system and records of the entity, we focus on the objectives of the entity's management and the techniques used by management to evaluate operations in designing our audits. By using all of our assets, as well as those of our client's staff, we will perform efficient audits and provide effective strategies and recommendations to improve the operations of the entity. Our approach demonstrates our depth of experience and understanding of development and management activities, as well as federal, state agency, and bond audit and reporting requirements.

Among the benefits you can expect from our audit approach are:

- **A well-planned, well-controlled** audit that employs communication and cooperation with our client's staff to produce a high-quality, efficient audit.
- **An insightful management letter** that focuses on significant issues with reasonable recommendations. Typically, the management letter will include minor compliance or controls issues that do not rise to a level requiring a formal finding. Other matters that are not related to compliance or controls may also be included in a management letter, for example, suggestions for improved efficiencies.
- **An innovative style** in which our directors, managers and staff will be involved year-round, actively seeking and communicating ways to help enhance the development and management of operations.

#### Technical Approach

Our audit approach is typically divided into three phases: planning, year-end fieldwork, and report preparation.

- **Planning** – In many regards, the planning phase is a continuous process stretching from the initial planning and scheduling to the final preparation of the report. The exact nature, timing and extent of our testing are constantly refined based on results from our testing and additional information we learn. During this phase we will have continuous communication with management to ensure that the audit is progressing as expected.
- **Year-end fieldwork** – Year-end fieldwork will be performed and completed as scheduled the week of January 12 – 16, 2015. This phase entails the majority of our testing of financial statement account balances.
- **Report preparation** – The financial statements, auditors' reports and management letter are drafted and reviewed with management. The report draft will be submitted to the City for their review by mid-February, upon which the preparation of the Management's Discussion and Analysis (MD&A) will be prepared by management. Once we receive the MD&A, the final report draft will be submitted to management for final review and approval. If necessary, this process will include an exit conference with management and other staff that you deem appropriate. Upon approval by management, final versions of the reports along with any recommendations etc. will be issued and presented, no later than June 1, 2015.

## **A. TECHNICAL PROPOSAL**

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### **4. Audit Approach (Concluded)**

#### **Additional Items**

- Magnuson, McHugh and Company, P.A.'s planned methods with respect to substantive procedures will include a further understanding of the City of Bonners Ferry, Idaho's internal control structure will be obtained through a combination of interviews with the City of Bonners Ferry, Idaho's personnel, questionnaires, and walk-through procedures to confirm that the understanding is accurate. We are aware of the laws and regulations that are applicable to the City of Bonners Ferry, Idaho through our experience and training in Government Auditing Standards, the Single Audit Act, and Idaho State Statutes as well as prior experience with the City of Bonners Ferry, Idaho.
- We will make every effort to use the same staff and individuals on the City's audit each year to ensure a measure of continuity.
- We will conduct a pre-audit planning meeting prior to scheduled audit work. We will also conduct progress meetings during the audit work phase to facilitate the timely delivery and completion of audit work. An exit conference will be performed at the completion of audit field work.
- If unusual circumstances or potential audit problems are identified or encountered, we shall immediately report such conditions to the business manager to resolve the identified items.
- We will be available to respond to questions, ideas, and any other pertinent inquiries presented by City's staff during the year. We will not charge for these responses unless unusual circumstances arise, in which case the procedure outlined in paragraph four of this section shall be followed.
- Copies of our work papers and reports shall be available to the City of Bonners Ferry, Idaho for a period of five years after the end of the fiscal year, unless we are notified in writing by the City of Bonners Ferry, Idaho of the need to extend the retention period.

### **5. Timeframe**

We are committed to meeting your required timelines and deadlines as outlined in your Request for Proposal dated June 23, 2014.

## A. TECHNICAL PROPOSAL

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### 6. Client References

Magnuson, McHugh & Company, P.A. is proud of the relationships we have developed with our clients and our ability to assist them in achieving their goals. We believe our reputation for quality and timely service, sound advice, and innovation is unsurpassed. We currently are the auditors for the following governmental entities and others:

City of Coeur d'Alene, Idaho

Vonnie Jensen  
Treasurer  
208-769-2225

City of Post Falls, Idaho

Jason Faulkner  
Finance Director  
208-777-4504

City of Sandpoint, Idaho

Shannon Syth  
Treasurer  
208-263-3557

City of Wallace, Idaho

Joanne McCoy  
Treasurer  
208-752-1147

City of Kellogg, Idaho

Nyla Jurkovich  
Treasurer  
208-786-9131

\* Further references available upon request

## A. TECHNICAL PROPOSAL

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### 7. Peer Review Report



Members of the American Institute of CPAs  
and the Idaho Society of CPAs  
Edward G. Evans, CPA  
Jeffrey D. Poulsen, CPA

#### System Review Report

October 18, 2013

To the Owners of  
Magnuson, McHugh & Company PA  
and the Peer Review Committee of the Idaho Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Magnuson, McHugh & Company PA (the firm) in effect for the year ended July 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Magnuson, McHugh & Company PA in effect for the year ended July 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Magnuson, McHugh & Company PA has received a peer review rating of *pass*.

*Evans & Poulsen*

Evans & Poulsen, P.A.

1360 Albion Avenue • Burley, Idaho 83318 • (208) 678-1300 • Fax (208) 678-1301 • [evanscpa@pmt.org](mailto:evanscpa@pmt.org)

## **B. FEE SCHEDULE**

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Magnuson, McHugh & Company, P.A. knows from experience that our fee structure is comparable with other quality accounting firms. We know that our rates are competitive and we will continually strive to maintain the lowest possible fees consistent with the quality professional services the City of Bonners Ferry, Idaho requires.

As business persons, we understand that a decision as critical as the choice of auditors and accountants is based on many factors, including cost. Our desire is to be highly competitive in all aspects, and our experience gives us a high level of confidence that we can perform this engagement very successfully. Our fee estimate reflects our desire and confidence.

Our proposed fees are based on the estimated actual time that will be incurred by the individuals assigned to your engagement. The time estimates are in turn based on the anticipated information and assistance from your staff.

Magnuson, McHugh & Company, P.A.'s fees for the auditing and reporting services, not including a Single Audit under OMB Circular A1-33, for the City of Bonners Ferry, Idaho will not exceed \$16,500 for the year ended September 30, 2014:

This fee recognizes that flexible or conditional terms are not being proposed. It is our understanding that the terms of this proposal are not subject to change or extension unless there are major or substantial reasons and there has been compliance with the following procedures:

1. The reason or reasons for any continuation, expansion, or redirection of the audit will be stated and explained in writing and presented to the City Council.
2. No additional charges or costs above the original agreed upon price will be claimed unless approved in advance by the City Council.

Again, Magnuson, McHugh & Company, P.A. is pleased to be given an opportunity to respond to the Request for Proposal from the City of Bonners Ferry, Idaho, and we wish to be highly competitive. We believe our firm can provide the high quality service at the reasonable cost that wise businesses seek, and are confident our qualifications and proposed fees substantiate that belief.

July 29, 2014

To the Urban Renewal Agency Board  
Bonners Ferry Urban Renewal Agency  
C/O City of Bonners Ferry  
PO Box 149  
Bonners Ferry, ID 83805

Thank you for providing us the opportunity to submit this proposal to provide audit and related services to the Bonners Ferry Urban Renewal Agency. As indicated in the information in the following proposal, we audit a greater number of governmental and not-for-profit entities than any other CPA firm in North Idaho. We are well versed in accounting and finance related matters as they pertain to these entities. This experience allows us to compare accounting systems, controls, and procedures of your operation to many other similar organizations. We have been providing audit services to these types of entities, which include audits performed under OMB Circular A-133, for over 62 years. Our client base supports our belief that we are the most qualified firm to perform audit services for the Bonners Ferry Urban Renewal Agency.

**Not-for-Profit, Government and Circular A-133 Audit and Accounting Experience:** We specialize in serving governmental and not-for-profit organizations, which includes extensive experience in Circular A-133 auditing.

**State of Idaho Statutes:** We specialize in performing audits of local governments in the State of Idaho, and as such, have extensive knowledge and expertise in the statutes that govern these entities.

**Local Service Team:** Our team of professionals is made up of local directors, managers, seniors and staff auditors, who specialize in not-for-profit, governmental and Circular A-133 audit services. Our team members take a minimum of 40 hours of continuing professional education in these particular service areas on an annual basis. Audit team members at Magnuson, McHugh & Company P.A. have accumulated years of experience in providing audit services to not-for-profit and governmental clients and are committed to quality and professional service.

**Michelle Haneline, CPA and President**

**Engagement Role:** Concurring Reviewer

**Experience:** Michelle has over 20 years of Public Accounting experience which includes governmental and not-for-profit accounting and auditing, including OMB Circular A-133 audits.

**Chris R. Shipley, CPA**

**Engagement Role:** In charge

**Experience:** Chris has over 14 years of accounting experience with over six years of experience with governmental, not-for profit and educational entity auditing and accounting, including OMB Circular A-133 audits.

**Kacie Tollefson**

**Engagement Role:** Senior Accountant

**Experience:** Kacie has 14 years of accounting experience with not-for profit entities, and over seven years of experience with governmental and educational entity auditing and accounting, including OMB Circular A-133 audits.

**Kris Mayhew, Staff Auditor**

**Engagement Role:** Staff Accountant

**Experience:** Kris has a broad background in both private and public accounting experience as well as extensive training in governmental and not-for-profit accounting and auditing.

**Stability:** Our firm has been providing quality audit services for over 62 years and strongly believe in maintaining staff continuity on our engagements.

**Strong Working Relationships:** An absolute priority in our firm is to maintain strong working relationships with our clients. Our team members are available during field work and throughout the year to provide assistance as needed. Typically these inquiries do not require a substantive amount of time, and as such, you would not be billed any additional fees. However, if such requests require substantive time, we will inform you of this and provide you with a fee estimate for the additional services.

**Fee Proposal:** We believe our fees are competitively priced to afford you a fair fee as well as provide you with the required experience necessary to perform your required audit in accordance with generally accepted auditing standards, the standards set forth for financial provisions in the U.S. General Accounting Office's (GAO) Government Auditing Standards, the provision of the federal Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profits Organizations as well as applicable Idaho statutes.

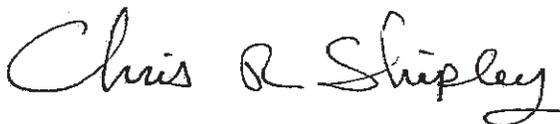
**Time Frame:** Magnuson, McHugh & Company, P.A. is committed to performing and delivering the audit in conjunction with the City of Bonners Ferry, Idaho's audit, as the financials will be a component unit of their financial statements.

**Client References:** Magnuson, McHugh & Company, P.A. is proud of the relationships we have developed with our clients and our ability to assist them in achieving their goals. We believe our reputation for quality and timely service, sound advice, and innovation is unsurpassed. We currently are the auditors for the following cities:

1. City of Coeur d'Alene, Idaho
2. City of Post Falls, Idaho
3. City of Sandpoint, Idaho

Magnuson, McHugh & Company, P.A. is qualified to meet your professional auditing and accounting needs. In the following pages we have provided brief statements of our qualifications, experience, the scope of our proposed engagement, and the related fees. We would be pleased to meet with you to further review our proposal and answer any questions you may have. Please contact Chris Shipley at (208) 765-9500 at your convenience if we can provide any additional information or to schedule an oral presentation. We can also be reached at [cshipley@mmcocpa.com](mailto:cshipley@mmcocpa.com), or by fax at 208-667-9174.

Sincerely,



Chris R Shipley, CPA

# TABLE OF CONTENTS

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A.	Technical Proposal	
	1. Executive Summary.....	1-2
	2. Professional Experience.....	3
	3. Team Qualifications.....	4-5
	4. Audit Approach.....	6-8
	5. Time Frame.....	8
	6. Client References.....	9
	7. Peer Review Report.....	10
B.	Fee Schedule.....	11
C.	Insurance.....	12

## A. TECHNICAL PROPOSAL

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### 1. Executive Summary

#### Services to Be Performed

We understand that the scope of our services will include the following:

- Annual audit of the financial statements of the Bonners Ferry Urban Renewal Agency for the year ended September 30, 2014, including a presentation to the Board, to be completed by June 1, 2015.
- Fieldwork dates are reserved for the week of January 12 – 16, 2015.
- Issuance of the following reports as a result of audit procedures performed:
  - A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.
  - A 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. If applicable, significant deficiencies and material weaknesses identified relating to internal control over financial reporting and compliance would be identified in this report.
- Preparation of the financial statements of the Bonners Ferry Urban Renewal Agency, including basic financial statements, required supplementary information, other supplementary information, and information in conformity with generally accepted accounting principles as applied to governmental agencies, and as required under OMB Circular A-133, as applicable.
- Management letter containing comments and recommendations with respect to accounting and administrative controls and efficiency, as applicable.
- Availability throughout the year to provide advice and guidance on financial accounting and reporting issues.

## A. TECHNICAL PROPOSAL

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### 1. Executive Summary (Concluded)

#### Why Magnuson, McHugh & Company, P.A.?

- The State of Idaho requires governmental entities in Idaho to contract with an Independent Auditor to perform financial statement audits in accordance with Government Auditing Standards. The Washington State Auditor's office performs this service for governmental entities in Washington State; therefore, most Washington CPA firms do not have the extensive experience that our firm possesses in the Governmental Audit arena. As the Independent Auditor for over 70 governmental and not-for-profit entities, we feel we are the most experienced and qualified firm in the Northwest to perform the audit of the Bonners Ferry Urban Renewal Agency's financial statements.
- Since our practice specializes in government and not-for-profit accounting and auditing we have extensive experience auditing State and Federal grant programs; combined experience of over 100 years among our staff.
- We audit 10 other cities in Northern Idaho, in accordance with governmental auditing standards and Circular A-133.
- We have a year-round staff of approximately 30 employees. The size and mix of the staff allows us to match a staff member with the proper amount of experience to your engagement. We currently have 4 staff members who are extremely familiar with your account, who would continue to perform the audit.
- We guarantee our work to pass any oversight review. Any requested corrections will be made at our expense.

## A. TECHNICAL PROPOSAL

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### 2. Professional Experience

#### Firm Background

Magnuson, McHugh & Co., P.A. provides accounting, auditing, tax, pension plan administration, employee benefit administration and consulting services to public and private organizations in Idaho and throughout the Inland Northwest. Magnuson, McHugh & Company, P.A. has been committed to providing quality service since our founding in 1951. We strive to develop strong, long-term relationships, and we believe that by working actively and aggressively we can make significant contributions towards your success. We realize that meeting and exceeding your expectations will be the key to our success as your auditor.

We specialize in performing governmental (which includes 10 other cities in Idaho), not-for-profit and Circular A-133 audits. Magnuson, McHugh & Company, P.A. is the largest CPA firm in North Idaho and have a strong presence throughout the Inland Northwest, with a combined staff of approximately 30 which includes 12 CPA's.

Magnuson, McHugh & Company, P.A. is proud to be a member of the American Institute of Certified Public Accountants (AICPA) Private Companies Practice Section. This association regularly imposes mandatory peer reviews in order to ensure continued quality control over the accounting and auditing services of all its members. Our firm recently completed its seventh peer review and received an unqualified (pass with no findings) report regarding our system of quality control.

We are also a member of the AICPA's Governmental Audit Quality Center. This association promotes the importance of quality governmental audits. Our involvement with this association provides us valuable resources which help to strengthen the quality and performance of our governmental audit services.

Our quality controls also require that all engagements be reviewed by a director/manager member. As the complexity of the engagement increases, so does the level of review required.

Magnuson, McHugh & Company, P.A. understands the importance of continuity in our client relationships. We anticipate that the same core staff will be involved in our service to the Bonners Ferry Urban Renewal Agency for many years to come.

#### Independence Statement

Independence integrity and objectivity are requisites of a CPA firm in order to perform audit services. Magnuson, McHugh & Company, P.A. adheres to the highest ethical standards. Prior to accepting a client relationship with the Bonners Ferry Urban Renewal Agency, we will conduct a thorough review of our independence. This process is required by our internal Quality Control Document.

This review includes an inquiry of staff throughout the firm to ensure there are no circumstances that might impair our independence with the Bonners Ferry Urban Renewal Agency. Although we do not anticipate any impairments, we will fully disclose to you any issues, whether factual impairments or possible perception problems. We welcome any questions you may have regarding our review of independence.

At this time we are not aware of any issues that would impair our independence with the Bonners Ferry Urban Renewal Agency.

## A. TECHNICAL PROPOSAL

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### 3. Team Qualifications

Magnuson, McHugh & Company, P.A. has given careful consideration to the mix of professional staff that will provide the highest quality service to the Bonners Ferry Urban Renewal Agency. We propose the following principal staff for our engagement, all of who have extensive experience in auditing governmental entities such as yours, as well as extensive experience in performing Circular A-133 Audits.



**Michelle Schini Haneline, CPA, President**

Director of Audit & Assurance Services

**Engagement Role:** Concurring Reviewer

**Experience:** Michelle has over 20 years of Public Accounting experience which includes governmental and not-for-profit accounting and auditing including OMB Circular A-133 audits.

Michelle is a Third Generation Coeur d'Alene resident and proudly serves as President of Magnuson, McHugh & Company, P.A. She graduated from the University of Arizona in 1990, and joined Magnuson, McHugh & Company, P.A. in 1995. Her current areas of focus include individual and business taxation as well as developing a practice in Medical, Dental Consulting and Business Valuations. Michelle also has over 20 years' experience in governmental accounting and auditing. She currently serves as Treasurer of the North Idaho College Foundation. In her free time, she enjoys golfing, snow skiing, traveling and spending time with her husband and children.



**Chris R. Shipley, CPA**

Manager Audit Services

**Engagement Role:** In-charge auditor

**Experience:** Chris has over 14 years of accounting experience with over six years of experience with governmental, not-for profit and educational entity auditing and accounting, including OMB Circular A-133 audits.

Chris Shipley joined the audit department of Magnuson, McHugh & Co, P.A. in December of 2006. Chris' primary responsibilities include managing governmental and not-for-profit audit engagements. This includes audits performed under OMB Circular A-133.

Chris is an active member of the American Institute of Certified Public Accountants (AICPA) and the Idaho Society of Certified Public Accountants (ISCPA). Chris has a Bachelor's of Science in Finance and Economics from the University of Idaho, and is a licensed CPA in Idaho.

## A. TECHNICAL PROPOSAL

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### 3. Team Qualifications (Concluded)



**Kacie Tollefson**

Senior of Audit and Assurance Services

**Engagement Role:** Senior Accountant

**Experience:** Kacie has 14 years of accounting experience with not-for profit entities, and over seven years of experience with governmental and educational entity auditing and accounting, including OMB Circular A-133 audits.

Kacie Tollefson joined the firm in December 2006 and is a Senior Accountant. Ms. Tollefson graduated from Carroll College with a Bachelor's of Arts degree in Accounting and Business Administration, emphasis Finance and Management in 2001 and was an auditor for Gary McGee & Company in Portland, Oregon for five years prior to joining Magnuson, McHugh & Co. Ms. Tollefson currently works in our Audit Department and is responsible for many review and audit engagements. She is going into to her fifth year as both Treasurer of the Idaho Panhandle Kiwanis Club, and as a member of the Audit Committee for Girl Scouts Eastern Washington and Northern Idaho. Ms. Tollefson has 14 years' experience in non-profit and governmental auditing.



**Kris Mayhew, Staff Auditor**

Staff Accountant of Audit & Assurance Services

**Engagement Role:** Staff Accountant

**Experience:** Kris has a broad background in both private and public accounting experience as well as extensive training in governmental and not-for-profit accounting and auditing.

Kris joined Magnuson, McHugh & Co., P.A. in 2012. He graduated from Whitworth University in 2010 with Bachelor's degrees in Accounting and Business Management. Upon graduating Kris was recruited as the controller for a mid-sized telecommunications company, Leaf Communication Services, Inc. Kris went on to work for a national telecom company, Tempest Telecom Solutions, as an accounting manager. Following this, Kris was recruited by Etailz, Inc, an online start-up company listed on Inc 500's fastest growing companies in the country. Kris is currently sitting for the CPA exam.

## A. TECHNICAL PROPOSAL

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### 4. Audit Approach

A successful audit engagement requires the auditor to understand the business environment as well as your understanding of our audit approach and work plan. From the start, our team will place an emphasis on detailed and thorough planning and establishing a relationship with the Bonners Ferry Urban Renewal Agency to ensure timely delivery of our services. We will communicate regularly so that you understand what we are doing at every step of the engagement and that you are ultimately satisfied with the budget, the assigned staff, the schedule, and the delivery of our products. At Magnuson, McHugh & Co., P.A. we emphasize planning in order to ensure an audit engagement with a minimal level of disruption and maximum results. We have enjoyed our past relationship with the City of Bonners Ferry and we look forward to the opportunity to establish a relationship with the Bonners Ferry Urban Renewal Agency.

The audit approach we will take in performing the engagement for the Bonners Ferry Urban Renewal Agency includes procedures to satisfy:

- Standards established by the American Institute of Certified Public Accountants (AICPA)
- Federal, State and local rules and regulations
- Government Accounting, Auditing, Financial Reporting (GAAFR)
- Generally Accepted Government Auditing Standards (GAGAS)
- Generally Accepted Auditing Standards (GAAS)
- Generally Accepted Accounting Principles (GAAP)
- AICPA's Industry Guide to State and Local Government Units
- OMB Circular A-133

#### **Financial Statements to Be Audited**

Magnuson, McHugh & Company, P.A. will conduct an independent audit of the Bonners Ferry Urban Renewal Agency for the fiscal year ending September 30, 2014 in accordance with auditing standards generally accepted in the United States as set forth by the AICPA. The audits shall be conducted and the reports rendered in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards (the "Yellow Book"), and the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133 (as applicable). In addition, our audits will comply with the auditing and reporting provisions of the Single Audit Clearinghouse.

Our audits will be performed in accordance with auditing standards generally accepted in the U.S. as applicable to governments. Auditing standards generally accepted in the United States require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. The objective of this portion of the engagement will be the completion of the foregoing audits and, upon their completion and subject to their findings, the rendering of our reports.

## A. TECHNICAL PROPOSAL

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### 4. Audit Approach (Continued)

#### Audit Philosophy

Magnuson, McHugh & Company, P.A. has developed an approach for maximizing audit effectiveness and efficiency that focuses on understanding the entity's operations. In addition to understanding the accounting system and records of the entity, we focus on the objectives of the entity's management and the techniques used by management to evaluate operations in designing our audits. By using all of our assets, as well as those of our client's staff, we will perform efficient audits and provide effective strategies and recommendations to improve the operations of the entity. Our approach demonstrates our depth of experience and understanding of development and management activities, as well as federal, state agency, and bond audit and reporting requirements.

Among the benefits you can expect from our audit approach are:

- **A well-planned, well-controlled** audit that employs communication and cooperation with our client's staff to produce a high-quality, efficient audit.
- **An insightful management letter** that focuses on significant issues with reasonable recommendations. Typically, the management letter will include minor compliance or controls issues that do not rise to a level requiring a formal finding. Other matters that are not related to compliance or controls may also be included in a management letter, for example, suggestions for improved efficiencies.
- **An innovative style** in which our directors, managers and staff will be involved year-round, actively seeking and communicating ways to help enhance the development and management of operations.

#### Technical Approach

Our audit approach is typically divided into three phases: planning, year-end fieldwork, and report preparation.

- **Planning** – In many regards, the planning phase is a continuous process stretching from the initial planning and scheduling to the final preparation of the report. The exact nature, timing and extent of our testing are constantly refined based on results from our testing and additional information we learn. During this phase we will have continuous communication with management to ensure that the audit is progressing as expected.
- **Year-end fieldwork** – Year-end fieldwork will be performed and completed as scheduled the week of January 12 – 16, 2015. This phase entails the majority of our testing of financial statement account balances.
- **Report preparation** – The financial statements, auditors' reports and management letter are drafted and reviewed with management. The report draft will be submitted to the Board for their review by mid-February, upon which the preparation of the Management's Discussion and Analysis (MD&A) will be prepared by management. Once we receive the MD&A, the final report draft will be submitted to management for final review and approval. If necessary, this process will include an exit conference with management and other staff that you deem appropriate. Upon approval by management, final versions of the reports along with any recommendations etc. will be issued and presented, no later than June 1, 2015.

## A. TECHNICAL PROPOSAL

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### 4. Audit Approach (Concluded)

#### Additional Items

- Magnuson, McHugh and Company, P.A.'s planned methods with respect to substantive procedures will include a further understanding of the Bonners Ferry Urban Renewal Agency's internal control structure will be obtained through a combination of interviews with the Bonners Ferry Urban Renewal Agency's personnel, questionnaires, and walk-through procedures to confirm that the understanding is accurate. We are aware of the laws and regulations that are applicable to the Bonners Ferry Urban Renewal Agency through our experience and training in Government Auditing Standards, the Single Audit Act, and Idaho State Statutes as well as prior experience with the Bonners Ferry Urban Renewal Agency.
- We will make every effort to use the same staff and individuals on the Agency's audit each year to ensure a measure of continuity.
- We will conduct a pre-audit planning meeting prior to scheduled audit work. We will also conduct progress meetings during the audit work phase to facilitate the timely delivery and completion of audit work. An exit conference will be performed at the completion of audit field work.
- If unusual circumstances or potential audit problems are identified or encountered, we shall immediately report such conditions to the business manager to resolve the identified items.
- We will be available to respond to questions, ideas, and any other pertinent inquiries presented by the Agency's staff during the year. We will not charge for these responses unless unusual circumstances arise, in which case the procedure outlined in paragraph four of this section shall be followed.
- Copies of our work papers and reports shall be available to the Bonners Ferry Urban Renewal Agency for a period of five years after the end of the fiscal year, unless we are notified in writing by the Bonners Ferry Urban Renewal Agency of the need to extend the retention period.

### 5. Timeframe

Magnuson, McHugh & Company, P.A. is committed to performing and delivering the audit in conjunction with the City of Bonners Ferry, Idaho's audit, as the financials will be a component unit of their financial statements.

## A. TECHNICAL PROPOSAL

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### 6. Client References

Magnuson, McHugh & Company, P.A. is proud of the relationships we have developed with our clients and our ability to assist them in achieving their goals. We believe our reputation for quality and timely service, sound advice, and innovation is unsurpassed. We currently are the auditors for the following governmental entities and others:

City of Coeur d'Alene, Idaho

Vonnie Jensen  
Treasurer  
208-769-2225

City of Post Falls, Idaho

Jason Faulkner  
Finance Director  
208-777-4504

City of Sandpoint, Idaho

Shannon Syth  
Treasurer  
208-263-3557

City of Wallace, Idaho

Joanne McCoy  
Treasurer  
208-752-1147

City of Kellogg, Idaho

Nyla Jurkovich  
Treasurer  
208-786-9131

\* Further references available upon request

## A. TECHNICAL PROPOSAL

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### 7. Peer Review Report



Members of the American Institute of CPAs  
and the Idaho Society of CPAs  
Edward G. Evans, CPA  
Jeffrey D. Poulsen, CPA

#### System Review Report

October 18, 2013

To the Owners of  
Magnuson, McHugh & Company PA  
and the Peer Review Committee of the Idaho Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Magnuson, McHugh & Company PA (the firm) in effect for the year ended July 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Magnuson, McHugh & Company PA in effect for the year ended July 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Magnuson, McHugh & Company PA has received a peer review rating of *pass*.

*Evans & Poulsen*

Evans & Poulsen, P.A.

1360 Albion Avenue • Burley, Idaho 83318 • (208) 678-1300 • Fax (208) 678-1301 • [evanscpa@pmt.org](mailto:evanscpa@pmt.org)

## **B. FEE SCHEDULE**

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Magnuson, McHugh & Company, P.A. knows from experience that our fee structure is comparable with other quality accounting firms. We know that our rates are competitive and we will continually strive to maintain the lowest possible fees consistent with the quality professional services the Bonners Ferry Urban Renewal Agency requires.

As business persons, we understand that a decision as critical as the choice of auditors and accountants is based on many factors, including cost. Our desire is to be highly competitive in all aspects, and our experience gives us a high level of confidence that we can perform this engagement very successfully. Our fee estimate reflects our desire and confidence.

Our proposed fees are based on the estimated actual time that will be incurred by the individuals assigned to your engagement. The time estimates are in turn based on the anticipated information and assistance from your staff.

Magnuson, McHugh & Company, P.A.'s fees for the auditing and reporting services, not including a Single Audit under OMB Circular A1-33, for the Bonners Ferry Urban Renewal Agency will not exceed \$4,400 for the year ended September 30, 2014:

This fee recognizes that flexible or conditional terms are not being proposed. It is our understanding that the terms of this proposal are not subject to change or extension unless there are major or substantial reasons and there has been compliance with the following procedures:

1. The reason or reasons for any continuation, expansion, or redirection of the audit will be stated and explained in writing and presented to the Board.
2. No additional charges or costs above the original agreed upon price will be claimed unless approved in advance by the Board.

Again, Magnuson, McHugh & Company, P.A. is pleased to be given an opportunity to respond to the Request for Proposal from the Bonners Ferry Urban Renewal Agency, and we wish to be highly competitive. We believe our firm can provide the high quality service at the reasonable cost that wise businesses seek, and are confident our qualifications and proposed fees substantiate that belief.

C. INSURANCE

**Accountants Professional Liability  
Insurance Policy**



**LIBERTY INSURANCE UNDERWRITERS INC.**  
(A Stock Insurance Company, hereinafter the "Insurer")

**DECLARATIONS**

**ACCOUNTANTS PROFESSIONAL LIABILITY INSURANCE POLICY**

Policy Number: CPL100958-13

Effective Date: 12/01/2013 at 12:01 A.M. Standard time at the address shown below  
Expiration Date: 12/01/2014 at 12:01 A.M. Standard time at the address shown below  
Retroactive Date: 12/01/2005

Item 1 - Named Insured: Magnuson, McHugh & Company, P.A.

Item 2 - Business Address: 2100 NW Blvd, Suite 400  
Coeur d'Alene, ID 83814

Item 3 - Limits of Liability: \$2,000,000 Per Claim  
\$4,000,000 Policy Aggregate  
Item 4 - Deductibles: \$25,000 Per Claim Deductible

Item 5 - Total Premium: \$29,718

Item 6 - The policy consists of this Declarations page, and the following policy forms and endorsements:

- LIU-PL-1000-A 07/09 Accountants Professional Liability Insurance Policy
- LIU-PL-1043-A 03/12 Supplemental Policy Benefits and Liberalization
- LIU-PL-2005-A (ID) 08/12 State Endorsement - Idaho
- LIU-PL-1007-A 07/09 Exclusion - Claims Following Insureds Suit for Fees
- LIU-PL-1034-A 07/09 Excluded Entities
- LIU-PL-1038-A 07/09 Privacy And Client Network Damage Endorsement
- LIU-PL-1042-A 07/09 Financial Services Endorsement
- LIU-PL-1999-A 07/09 Endorsement (Manuscript) - Prior acts Sub-limit

**PLEASE READ THESE DECLARATIONS, THE POLICY AND ENDORSEMENTS CAREFULLY.**

Authorized Representative

Authorized Representative

1 1  
LIU-PL-1001-A (Ed. 0613)

Liberty Insurance Underwriters Inc.