



Financial Statements
September 30, 2014

Ada County Highway District

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Independent Auditor's Report

To the Commissioners
Ada County Highway District
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Ada County Highway District (ACHD) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise ACHD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of ACHD, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended September 30, 2014, ACHD adopted GASB 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement resulted in the reclassification of items previously reported in liabilities as deferred revenue. These items are now reported in deferred inflows of resources as unavailable revenues. Our opinions are not modified with respect to this matter.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in an overstatement previously reported infrastructure assets as of September 30, 2013, were discovered by management of ACHD during the current year. Accordingly, the net position as of September 30, 2013, has been restated to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ACHD's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 03, 2015, on our consideration of ACHD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACHD's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
March 03, 2015

As management of the Ada County Highway District (ACHD), we offer this narrative overview and analysis of the financial activities of the Ada County Highway District for the fiscal year ended September 30, 2014. GASB Statement 65 was implemented in the current year. As a result, certain 2013 balances have been reclassified to match the 2014 presentation. In the current year, a prior period adjustment was made over infrastructure, as a result, certain 2013 balances have been restated.

FINANCIAL HIGHLIGHTS

- The assets of ACHD exceeded its liabilities and deferred inflows at September 30, 2014 by \$2.726 billion. Of this amount \$33 million is unrestricted and available to meet ACHD's on-going obligations to citizens and creditors.
- During fiscal year 2014, ACHD's total net position decreased \$15.3 million as compared to a decrease of \$45.9 million in fiscal year 2013.
- ACHD established a goal to expend and/or have under contract 100% of the total budget. Without encumbrances, we expended and/or have under contract 88.7% of the budget. With encumbrances, the amount increased to 94.9% of the budget.
- Total fund balance at September 30, 2014 was \$32.9 million compared to a total at September 30, 2013 of \$31.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts - *management's discussion and analysis* (this section), *the government-wide financial statements*, *fund financial statements*, *notes to the financial statements*, and *required supplementary information*.

Government-Wide Financial Statements

The government-wide financial statements report information about ACHD as a whole using accounting methods similar to those used by private-sector companies.

The statement of net position presents information on all of ACHD's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. Over time, increases or decreases in ACHD's net position may serve as a useful indicator of whether its financial health is improving or deteriorating.

The statement of activities presents information showing how ACHD's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements of ACHD are divided into two categories:

- Governmental Activities - Most of ACHD's basic services are included here, such as roadway maintenance, traffic control maintenance, drainage, quality control, and infrastructure improvements. Property taxes, highway user funds, development impact fees and Ada County registration fees finance most of these activities.
- Business-type activities - ACHD charges fees to customers to help it cover the costs of certain services it provides. ACHD's Vanpool program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about ACHD's most significant funds—not ACHD as a whole. Funds are accounting devices that ACHD uses to keep track of specific sources of funding and spending for particular purposes. Funds may be required by law or may be established by the ACHD Commission.

ACHD has the following fund types:

- Governmental Fund - Most of ACHD's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance ACHD's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Fund - Services for which ACHD charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, ACHD's enterprise fund is the same as its business-type activities, but provides more detail and additional information, such as cash flows.
- Fiduciary Fund - ACHD is the trustee, or fiduciary, for its Road Trust funds. ACHD is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of ACHD's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from ACHD's government-wide financial statements because ACHD cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required Supplementary Information

This section contains information that further explains and supports the information in the financial statements by including a comparison of ACHD's budget data for the year.

FINANCIAL ANALYSIS OF ACHD AS A WHOLE

Net Position. ACHD shows a decrease in total Net Position of \$15.3 million or .6% from fiscal year 2013 to 2014. (See Table A-1.) The decrease is driven by a capital asset base that depreciated \$120.4 million in fiscal year 2014 which is higher than the total value, \$116.0 million, of new assets. Due to improved economic conditions and an increase in new developments, the amount of the Net Position decrease was lower in fiscal year 2014 than in the prior year.

**Table A-1
Ada County Highway District's Net Position**

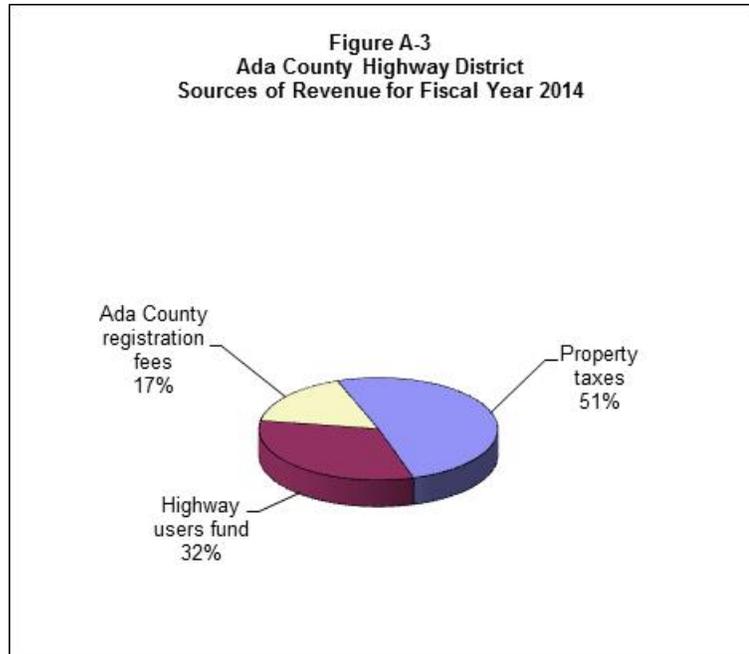
	Governmental Activities		Business-type Activities		Total		Total % Change 2013-2014
	2013 <i>Restated</i>	2014	2013	2014	2013	2014	
Current assets	\$ 83,546,956	\$ 84,389,284	\$ 2,054,209	\$ 1,564,484	\$ 85,601,165	\$ 85,953,768	0.4%
Capital assets	2,710,399,726	2,693,405,163	2,282,975	1,641,113	2,712,682,701	2,695,046,276	(0.7)%
Total assets	2,793,946,682	2,777,794,447	4,337,184	3,205,597	2,798,283,866	2,781,000,044	(0.6)%
Long-term debt outstanding	1,989,666	1,482,204	-	-	1,989,666	1,482,204	(25.5)%
Other liabilities	18,841,475	19,788,430	976,369	193,251	19,817,844	19,981,681	0.8%
Total liabilities	20,831,141	21,270,634	976,369	193,251	21,807,510	21,463,885	(1.6)%
Deferred inflows of resources							
Unavailable - property taxes	34,884,971	33,280,254	-	-	34,884,971	33,280,254	(4.6)%
Total deferred inflows of resources	34,884,971	33,280,254	-	-	34,884,971	33,280,254	(4.6)%
Net position							
Invested in capital assets, net of related debt	2,707,642,759	2,691,238,421	2,282,975	1,641,113	2,709,925,734	2,692,879,534	(0.6)%
Restricted net assets	284,793	381,846	-	-	284,793	381,846	34.1%
Unrestricted net position	30,303,018	31,623,292	1,077,840	1,371,233	31,380,858	32,994,525	5.1%
Total net position	\$ 2,738,230,570	\$ 2,723,243,559	\$ 3,360,815	\$ 3,012,346	\$ 2,741,591,385	\$ 2,726,255,905	(0.6)%

Changes in Net Position. ACHD's changes in Net Position are compared between fiscal year 2013 and 2014. (See Table A-2.) Again, total Net Position decreased \$15.3 million in fiscal year 2014. The two largest components of revenues for ACHD are property taxes and capital grants and contributions which represents a combined 77.6% of total revenues in fiscal year 2014. On the expenses side, unallocated depreciation expense is the largest component, 64.4% of total expenses in fiscal year 2014. Depreciation is generally a fixed expense which occurs regardless of economic activity or how much business activity ACHD performs.

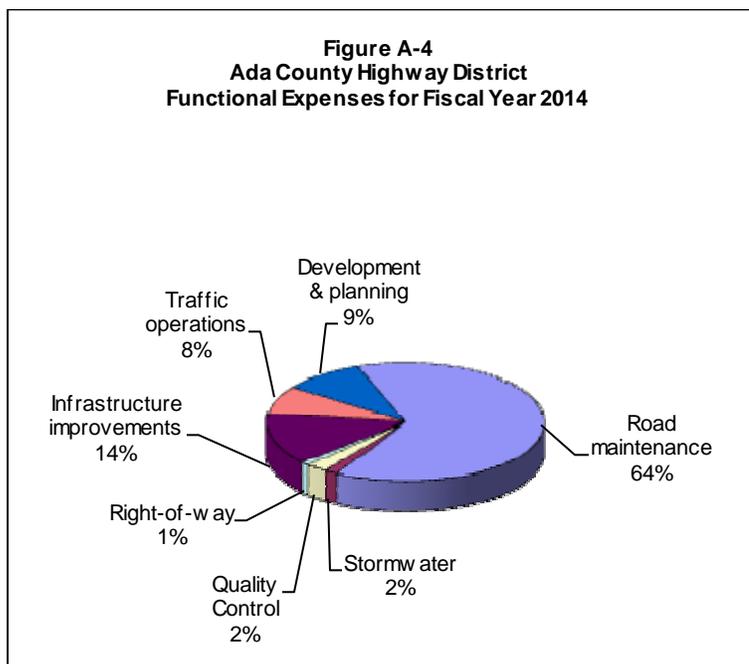
Table A-2
Changes in Ada County Highway District's Net Position

	Governmental Activities		Business-type Activities		Total		Total % Change 2013-2014
	2013	2014	2013	2014	2013	2014	
Revenues							
Program revenues							
Charges for services	\$ 6,362,354	\$ 3,595,054	\$1,331,543	\$1,346,407	\$ 7,693,897	\$ 4,941,461	(35.8)%
Operating grants & contributions	-	-	516,708	490,000	516,708	490,000	(5.2)%
Capital grants & contributions	45,668,161	96,340,964	820,693	-	46,488,854	96,340,964	107.2%
General revenues							
Property taxes	31,864,362	32,607,781	-	-	31,864,362	32,607,781	2.3%
State highway users fund	20,449,720	20,750,619	-	-	20,449,720	20,750,619	1.5%
Sales tax & other governmental	10,658,699	10,826,781	-	-	10,658,699	10,826,781	1.6%
Investment earnings	13,595	23,583	-	-	13,595	23,583	73.5%
Miscellaneous	331,116	289,165	-	-	331,116	289,165	(12.7)%
Total revenues	115,348,007	164,433,947	2,668,944	1,836,407	118,016,951	166,270,354	40.9%
Expenses							
Road maintenance	29,023,231	32,780,470	-	-	29,023,231	32,780,470	12.9%
Stormwater	862,036	803,623	-	-	862,036	803,623	(6.8)%
Quality control	1,170,336	1,273,422	-	-	1,170,336	1,273,422	8.8%
Right-of-way	483,087	494,009	-	-	483,087	494,009	2.3%
Infrastructure improvements	5,867,894	7,211,140	-	-	5,867,894	7,211,140	22.9%
Traffic operations	3,497,840	3,947,785	-	-	3,497,840	3,947,785	12.9%
Development & planning	4,520,717	4,898,565	-	-	4,520,717	4,898,565	8.4%
Unallocated depreciation expense	113,266,651	116,902,259	-	-	113,266,652	116,902,259	3.2%
Transfer of assets-right of way	2,035,440	10,016,597	-	-	2,035,440	10,016,597	392.1%
Sale of assets	571,284	1,009,931	-	-	571,284	1,009,931	76.8%
Interest on long-term debt	99,112	83,157	-	-	99,412	83,157	(16.4)%
Vanpool	-	-	2,513,194	2,184,876	2,513,194	2,184,876	(13.1)%
Total expenses	161,397,628	179,420,958	2,513,194	2,184,876	163,911,123	\$ 181,605,834	10.8%
Increase (decrease) in net position	\$ (46,049,621)	\$ (14,987,011)	\$ 155,750	\$ (348,469)	\$ (45,894,172)	\$ (15,335,480)	(66.6)%

ACHD's major revenue sources (excluding all program revenues such as developer contributions and impact fees) are property taxes (51%), highway users fund (32%), and Ada County registration fees (17%). (See Figure A-3.)



ACHD's expenses (excluding program expenses and unallocated depreciation expense) cover a range of services with road maintenance and infrastructure improvements comprising 78% of the total expenses. (See Figure A-4.)



Governmental Activities

Total revenues for ACHD's governmental activities increased \$49.1 million driven by an increase in capital grants and contributions whereas total expenses increased \$18.0 million driven by the increase in depreciation expense and infrastructure improvements.

Table A-3 presents the cost of each of ACHD's five largest programs—roadway maintenance, traffic operations, infrastructure improvements, quality control and development and planning—as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on ACHD taxpayers by each of these functions.

- The cost of all governmental activities this year was \$168.4 million, an increase of 6.0% over the prior year.
- However, those directly benefited from the programs or other governments and organizations that subsidized certain programs with grants and contributions shared the amount that our taxpayers paid for these activities. In fiscal year 2014, the net cost of services decreased 35.9% due to a substantial increase in infrastructure improvements.

Table A-3
Net Cost of Ada County Highway District's Governmental Activities

	Total Cost of Services		%	Net Cost of Services		%
	2013	2014	Change 2013-2014	2013	2014	Change 2013-2014
Roadway Maintenance	\$ 29,023,231	\$ 32,780,470	12.9%	\$ 29,023,231	\$ 32,780,470	12.9%
Traffic Operations	3,497,840	3,947,785	12.9%	3,397,279	3,744,175	10.2%
Infrastructure Improvements	5,867,894	7,211,140	22.9%	(44,711,861)	(90,950,705)	103.4%
Quality Control	1,170,336	1,273,422	8.8%	165,480	103,079	(37.7)%
Development and planning	4,520,717	4,898,565	8.4%	4,364,275	4,678,595	7.2%
Other	114,711,187	118,283,048	3.1%	114,522,286	118,102,798	3.1%
Total	\$ 158,791,205	\$ 168,394,430	6.0%	\$ 106,760,690	\$ 68,458,412	(35.9)%

Business-Type Activities

The Net Position of ACHD's business-type activities (Refer back to Table A-2) decreased \$348.5 thousand or 10.4% compared to an increase of \$155.8 thousand in the prior year.

This year, there were no vans purchased whereas last year, twenty-seven vans were purchased. Vans are typically purchased with federal grants and since no vans were needed for replacement or addition to the program, revenues from federal grants were lower this fiscal year.

FINANCIAL ANALYSIS OF ACHD'S FUNDS

As noted earlier, ACHD uses fund accounting to keep track of specific sources of funding and spending for particular purposes.

The focus of ACHD's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing ACHD's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of ACHD. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$14.9 million. The General Fund's total fund balance was \$32.9 million, an increase of \$1.5 million over last year.

Approximately 11.9% or \$3.9 million of the total fund balance is committed into fiscal year's 2015 budget as carryover funds.

General Fund Budgetary Highlights

Over the course of the year, ACHD Commission revised the budget several times. The budget committee is comprised of senior management meeting on a monthly basis. This budget committee presents recommended budget adjustments to the Commission at the end of each quarter. The budget adjustments fall into three categories:

- Adjustments due to actual revenues coming in higher/lower than originally projected.
- Adjustments due to project timelines changing.
- Adjustments due to actual expenditures coming in higher/lower than originally projected.

With these adjustments, actual expenditures were 88.9% of the final budget amounts compared to 94.8% in the prior fiscal year. When taking encumbrances into consideration the percentage raises to 94.8% of the final budget amounts compared to 99.0% in the prior fiscal year.

ACHD increased the budget \$3.6 million for the fiscal year to promote increased spending on infrastructure improvements due to availability of funds from increased revenues. \$2.2 million of the increase was in the area of infrastructure improvements involving project costs that were either encumbered or were re-budgeted into the next fiscal year.

CAPITAL ASSET and DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, ACHD had \$2.7 billion in capital assets including bridges, curbs and gutters, drainage ponds, easements, right-of-way, roads, sidewalks, and traffic signals. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$17.6 million or .7% driven mostly by the increase in accumulated depreciation.

**Table A-4
Ada County Highway District's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2014	2013	2014	2013	2014	2013-2014
	<i>Restated</i>				<i>Restated</i>		
Land	\$1,839,163,578	\$1,889,335,935	\$ -	\$ -	\$ 1,839,163,578	\$ 1,889,335,935	2.7%
Buildings & improvements	4,742,060	4,515,425	3	-	4,742,063	4,515,425	(4.8)%
Equipment	15,275,106	14,302,671	2,282,973	1,641,111	17,558,079	15,943,782	(9.2)%
Infrastructure	788,627,920	757,386,960	-	-	788,627,920	757,386,960	(4.0)%
Construction in progress	62,591,062	27,864,172	-	-	62,591,062	27,864,172	(55.5)%
Total	\$2,710,399,726	\$2,693,405,163	\$ 2,282,976	\$ 1,641,111	\$ 2,712,682,702	\$ 2,695,046,274	(0.7)%

This year's major capital asset additions included:

- Fourteen (14) miles of roadway and right-of-way contributed by new development.
- Construction in progress for Ustick Road, Cloverdale Road to Five Mile Road.
- Construction in progress for Ustick Road, Locust Grove Road to Leslie Way.
- Construction in progress for 30th Street Extension, Fairview Avenue to State Street.

The overall condition of ACHD's roadway category of capital assets, based upon the values listed and the depreciated portion (currently at 66%, an increase of 3% from FY 2013), indicates that the roadways are in good condition. Most of the roadway mileage is in residential areas and due to the population growth of Ada County in recent years are relatively new. This will create an additional burden on ACHD maintenance budget as these newer roadways age and begin to require normal maintenance activities. The overall condition of the roadways is separate from the traffic congestion issues faced by ACHD.

ACHD's bridges are inspected on a regular basis as a part of our bridge inspection program. The bridges are shown as approximately 53.5% depreciated, which would indicate that ACHD will need to pay particular attention to this category of capital assets.

See Note 6 for additional information related to capital assets.

Long-term Debt

ACHD has an equipment lease program designed to lease larger equipment (motor graders, loaders, backhoes, and dump trucks) and to rotate that equipment at least every five (5) years. At year-end, ACHD had \$2.2 million in capital lease obligations. (See Table A-5.) In fiscal year 2014, ACHD entered into one new lease with a value that is significantly less than the total principal reduction of lease payments thus resulting in a decrease of 21.4% in total capital lease obligations.

Table A-5
Ada County Highway District Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2014	2013	2014	2013	2014	2013-2014
Current portion of capital leases	\$ 767,301	\$ 684,538	\$ -	\$ -	\$ 767,301	\$ 684,538	(10.8)%
Noncurrent portion of capital leases	1,989,666	1,482,204	-	-	1,989,666	1,482,204	(25.5)%
Total capital lease obligations	\$2,756,967	\$2,166,742	\$ -	\$ -	\$2,756,967	2,166,742	(21.4)%

See Note 8 for additional information related to long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Current Economic Factors

- The U.S. Census Bureau estimate of Ada County population for 2013 is 416,464 which is an increase of 1.8% from the prior year.
- Unemployment in Ada County is at 3.4% compared to 5.8% from the prior year.
- Single-family housing starts in Ada County are down 4.8% cumulative year-to-date as of September, 2014 compared to the same period last year.
- Fuel prices in the local area have decreased 7.2% compared to last year.

These factors were considered in preparing ACHD's budget for the 2015 fiscal year.

Budgets and Rates

- For the sixth consecutive year, ACHD opted to not take the three-percent increase in the property tax rate allowed by law but did take a \$970 thousand increase permitted for growth in new construction.
- Highway users fund revenue is anticipated to increase 2.5%, registration fees are anticipated to remain stable, and development impact fee revenues are projected to increase.
- The general fund budget for fiscal year 2015 is \$93.4 million, a slight increase over the final 2014 budget of \$93.3 million.

- ACHD's fiscal year 2015 capital budget anticipates spending \$44.9 million for capital projects which includes the following key projects:
 - Hill Road Extension – Extend Hill Rd as a 3 lane road with curb, gutter, sidewalk and bike lanes from Hwy 55 to State Street to improve connectivity east of downtown Eagle.
 - Eagle Rd (SH55) McMillan Rd – Widen intersection to 7 lanes on all approaches and modify signal in order to relieve congestion and improve traffic operations.
 - McMillan Rd, Locust Grove / Eagle Rd (SH55) - Widen McMillan Rd to 5 lanes with curb, gutter, sidewalk and bike lanes to relieve congestion and improve safety.
 - Franklin Rd, Black Cat / Ten Mile - Federal Aid project to widen Franklin Rd to 5 lanes with curb, gutter and sidewalk to improve capacity.
 - Downtown Boise Implementation Plan – Perform road rehabilitation and 2-way conversions of select streets in downtown Boise.

Ada County Highway District
Statement of Net Position
September 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 46,160,123	\$ 1,526,644	\$ 47,686,767
Receivables			
Property taxes from Ada County	33,826,774	-	33,826,774
Due from other governmental units	878,302	-	878,302
Other	530,120	1,833	531,953
Inventory			
Equipment parts and fuel	113,826	-	113,826
Materials	2,916,146	-	2,916,146
Internal balances	(36,007)	36,007	-
Total current assets	<u>84,389,284</u>	<u>1,564,484</u>	<u>85,953,768</u>
Noncurrent Assets			
Capital assets			
Land, infrastructure, and other assets not depreciated	1,917,200,107	-	1,917,200,107
Buildings, improvements, equipment, and infrastructure, net of depreciation	<u>776,205,056</u>	<u>1,641,113</u>	<u>777,846,169</u>
Total noncurrent assets	<u>2,693,405,163</u>	<u>1,641,113</u>	<u>2,695,046,276</u>
	<u>\$ 2,777,794,447</u>	<u>\$ 3,205,597</u>	<u>\$ 2,781,000,044</u>

Ada County Highway District
Statement of Net Position
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows and Net Position			
Current Liabilities			
Vouchers payable	\$ 7,593,977	\$ 193,251	\$ 7,787,228
Accrued payroll	1,264,312	-	1,264,312
Impact fee contingency	2,298,000	-	2,298,000
Interest payable	28,260	-	28,260
Advanced revenue	2,199,386	-	2,199,386
Current portion of capital lease obligations	684,538	-	684,538
Total current liabilities	<u>14,068,473</u>	<u>193,251</u>	<u>14,261,724</u>
Noncurrent Liabilities			
Compensated absences	1,380,501	-	1,380,501
Capital lease obligations	1,482,204	-	1,482,204
Refundable performance deposits	4,339,456	-	4,339,456
Total liabilities	<u>21,270,634</u>	<u>193,251</u>	<u>21,463,885</u>
Deferred Inflows of Resources			
Unavailable - property tax	33,280,254	-	33,280,254
Total deferred inflows of resources	<u>33,280,254</u>	<u>-</u>	<u>33,280,254</u>
Net Position			
Net investment in capital assets	2,691,238,421	1,641,113	2,692,879,534
Restricted - expendable	381,846	-	381,846
Unrestricted	31,623,292	1,371,233	32,994,525
Total net position	<u>2,723,243,559</u>	<u>3,012,346</u>	<u>2,726,255,905</u>
	<u>\$ 2,777,794,447</u>	<u>\$ 3,205,597</u>	<u>\$ 2,781,000,044</u>

Ada County Highway District
Statement of Activities
Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Road and highway construction and maintenance	\$ (32,780,470)	\$ -	\$ -	\$ -	\$ (32,780,470)
Stormwater	(803,623)	-	-	-	(803,623)
Quality control	(1,273,422)	1,170,343	-	-	(103,079)
Right-of-way	(494,009)	180,250	-	-	(313,759)
Infrastructure improvements	(7,211,140)	1,820,881	-	96,340,964	90,950,705
Traffic operations	(3,947,785)	203,610	-	-	(3,744,175)
Development and planning	(4,898,565)	219,970	-	-	(4,678,595)
Unallocated depreciation expense	(116,902,259)	-	-	-	(116,902,259)
Transfer of assets-right of way	(10,016,597)	-	-	-	(10,016,597)
Loss on sale of assets	(1,009,931)	-	-	-	(1,009,931)
Interest on long-term debt	(83,157)	-	-	-	(83,157)
Total governmental activities	(179,420,958)	3,595,054	-	96,340,964	(79,484,940)
Business-Type Activities					
Vanpool	(2,184,876)	1,346,407	490,000	-	(348,469)
Total business-type activities	(2,184,876)	1,346,407	490,000	-	(348,469)
Total primary government	\$ (181,605,834)	\$ 4,941,461	\$ 490,000	\$ 96,340,964	\$ (79,833,409)

Ada County Highway District
Statement of Activities
Year Ended September 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net (Expenses) Revenue	\$ (79,484,940)	\$ (348,469)	\$ (79,833,409)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	32,607,781	-	32,607,781
State highway users fund	20,750,619	-	20,750,619
Sales tax and other governmental	10,826,781	-	10,826,781
Unrestricted investment earnings	23,583	-	23,583
Miscellaneous	289,165	-	289,165
Total general revenues and transfers	64,497,929	-	64,497,929
Change in Net Position	(14,987,011)	(348,469)	(15,335,480)
Net Position, Beginning of Year, as Restated	2,738,230,570	3,360,815	2,741,591,385
Net Position, End of Year	\$ 2,723,243,559	\$ 3,012,346	\$ 2,726,255,905

Ada County Highway District
Balance Sheet – Governmental Funds
September 30, 2014

	Governmental Funds General
Assets	
Cash and cash equivalents	\$ 46,160,123
Receivables	
Property taxes from Ada County	33,826,774
Due from other governmental units	878,302
Other	530,120
Equipment parts and fuel	113,826
Materials	2,916,146
Total assets	\$ 84,425,291
Liabilities, Deferred Inflows and Fund Balances	
Liabilities	
Vouchers payable	\$ 7,593,977
Accrued payroll	1,264,313
Internal balances	36,007
Advanced revenue	2,199,386
Impact fee contingency	2,298,000
Refundable performance deposits	4,339,456
Total liabilities	17,731,139
Deferred Inflows of Resources	
Unavailable - property tax	33,826,567
Total deferred Inflows	33,826,567
Fund Balances	
Nonspendable	
Inventory	3,029,972
Restricted	
Extraordinary impact fees	381,846
Committed	
Carryover funds	3,900,000
Assigned	
Encumbrances	5,491,792
Self-Insurance	1,000,000
Right-of-way acquisitions	1,000,000
Future Needs	3,155,615
Unassigned	14,908,360
Total fund balances	32,867,585
Total liabilities, deferred inflows, and fund balances	\$ 84,425,291

Ada County Highway District
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2014

Fund balance - total governmental funds	\$	32,867,585
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and infrastructure used in governmental activities are not financial resources and therefore are not reported in the funds.		2,693,405,163
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		546,314
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(2,166,742)
Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.		(1,380,501)
Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.		<u>(28,260)</u>
Net position of governmental activities	\$	<u><u>2,723,243,559</u></u>

Ada County Highway District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2014

	Governmental Funds General
Revenues	
Property taxes	\$ 32,688,575
State highway users fund	20,750,619
State sales tax distribution	1,504,815
Federal and state grants	2,524,264
Cost-sharing payments	1,782,210
Fees and services	1,774,173
Ada County vehicle registration fees	9,321,966
Development impact fees	12,212,577
Interest	23,583
Other	327,836
	82,910,618
 Total revenues	 82,910,618
Expenditures	
Commissioners	186,647
Director	626,675
Legal	802,655
Human resource	826,934
Communications	579,988
Planning and projects	3,092,323
Operations	23,047,622
Technical	11,403,545
Infrastructure improvements	39,408,197
Capital outlay	2,305,173
Debt service - principal	678,016
Debt service - interest	87,090
	83,044,865
 Total expenditures	 83,044,865
Excess of Revenues over Expenditures	(134,247)
Other Financing Sources	
Proceeds from sale of assets	1,572,846
Capital leases	187,995
	1,760,841
Net Change in Fund Balances	1,626,594
Fund Balance, October 1, 2013	31,355,962
Decrease in Reserve for Inventories	(114,971)
Fund Balance, September 30, 2014	\$ 32,867,585

Ada County Highway District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended September 30, 2014

Net change in fund balances - total governmental funds	\$ 1,626,594
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,242,887) exceeded depreciation expense (\$3,436,789) in the current period.	(1,193,902)
Governmental funds report infrastructure as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$116,902,259) exceeded infrastructure additions (\$32,197,055) in the current period.	(84,705,204)
Contributions from developers are not recorded in the governmental funds because they are not a source of financial resources. However, in the statement of activities, these contributions are recorded as a non-operating revenue.	81,604,120
In the statement of activities, only the gain or loss on disposal of assets is reported, whereas in the governmental funds, the entire proceeds from the disposal increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.	(12,699,577)
The purchase of inventory requires the use of financial resources and therefore is reported as expenditures in the governmental funds, whereas in the statement of activities, inventory is expensed as used.	(114,971)
Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(80,793)
Long-term debt and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces the debt in the statement of net position. This is the amount by which proceeds (\$187,995) exceeded repayments (\$678,016) and returns (\$100,204).	590,225
Expenditures related to the long-term portion of accrued vacation do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(17,436)
Interest expense accrued but not paid reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	3,933
Change in Net Position - Governmental Funds	<u>\$ (14,987,011)</u>

Ada County Highway District
Statement of Net Position – Proprietary Funds
September 30, 2014

	Enterprise Fund <u>Van Pool</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,526,644
Receivables	
Accounts receivable	1,833
Internal balances	<u>36,007</u>
Total current assets	<u>1,564,484</u>
Noncurrent Assets	
Capital assets	
Machinery and equipment	4,005,443
Less accumulated depreciation	<u>(2,364,330)</u>
Total noncurrent assets	<u>1,641,113</u>
	<u>\$ 3,205,597</u>
Liabilities and Net Position	
Current Liabilities	
Vouchers payable	<u>\$ 193,251</u>
Total liabilities	<u>193,251</u>
Net Position	
Invested in capital assets	1,641,113
Unrestricted	<u>1,371,233</u>
Total net position	<u>3,012,346</u>
	<u>\$ 3,205,597</u>

Ada County Highway District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2014

	Enterprise Fund <u>Van Pool</u>
Operating Revenues	
User charges	\$ 1,267,318
Operational contribution from federal grants	265,000
Operational contribution from the general fund	225,000
Other	<u>79,089</u>
Total operating revenues	<u>1,836,407</u>
Operating Expenses	
Payroll and related costs	466,273
Insurance	11,729
Fuel	448,847
Licenses and operating costs	184,301
Advertising	306,271
Office and other	149,007
Depreciation	613,115
Leases and rentals	<u>5,333</u>
Total operating expenses	<u>2,184,876</u>
Changes in Net Position	(348,469)
Net Position, Beginning of Year	<u>3,360,815</u>
Net Position, End of Year	<u><u>\$ 3,012,346</u></u>

Ada County Highway District
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2014

	Enterprise Fund Van Pool
Operating Activities	
Received from user charges	\$ 1,294,092
Received from federal grant subsidies	1,114,583
Received from general fund subsidies	127,122
Payments to employees for services	(466,273)
Payments to suppliers for goods and services	(1,888,606)
	180,918
Net Cash from Operating Activities	
Capital and Related Financing Activities	
Proceeds from sale of capital assets	86,561
	86,561
Net Cash from Capital and Related Financing Activities	
Net Change in Cash and Cash Equivalents	267,479
Cash and Cash Equivalents, October 1, 2013	1,259,165
Cash and Cash Equivalents, September 30, 2014	\$ 1,526,644
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (348,469)
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Depreciation	613,115
Gain on sale of capital assets	(57,811)
Changes in assets and liabilities	
Accounts receivable	5,495
Due from government units	849,583
Due from other funds	(86,708)
Vouchers payable	(783,118)
Due to other funds	(11,169)
	180,918
Net Cash from Operating Activities	\$ 180,918

Ada County Highway District
Statement of Fiduciary Net Position – Agency Funds
September 30, 2014

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,453,180</u>
	<u>\$ 1,453,180</u>
Liabilities	
Refundable performance bond deposits	<u>\$ 1,453,180</u>
	<u>\$ 1,453,180</u>

Note 1 - Summary of Significant Accounting Policies

Ada County Highway District (ACHD) was established by referendum on May 25, 1971. ACHD began operating as an independent governmental entity on January 1, 1972, and became a separate taxing authority at that time. ACHD is responsible for the construction and maintenance of all roads, streets, bridges, and related public rights-of-way in Ada County except for designated state and federal highway systems.

The accounting and reporting policies of ACHD relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments.

Financial Reporting Entity

For financial reporting purposes, in conformity with GASB, the financial statements for ACHD include all organizations for which ACHD is financially accountable, and other organizations for which the nature and significance of their relationships with ACHD are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

ACHD contributes to the multi-employer Public Employee Retirement System of Idaho (the System). The System is administered by the State of Idaho and ACHD is not the major participant in the plan; therefore, the plan's financial statements are not included in this report.

ACHD has a 457 Retirement Plan that is held in a trust account with a national financial firm. The funds held in the trust account are totally employee funds and are not included in the financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is ACHD's policy to use restricted resources first, then unrestricted resources as they are needed.

ACHD reports the following major Governmental Funds:

General Fund—The General Fund is the general operating fund of ACHD. It is used to account for all financial resources except those required to be accounted for in another fund.

ACHD reports the following major Proprietary Fund:

Enterprise Fund—The Enterprise Fund is used to account for operations financed and operated in a manner similar to private business enterprises - (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Fund consists of the Rideshare and Vanpool programs.

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

Additionally, ACHD reports the following fund type:

Fiduciary Fund—The Fiduciary Fund is used to account for assets held by ACHD as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund consists of the Road Trust deposits.

Fund Balance Reporting

GASB establishes accounting and financial reporting standards for all governments that report governmental funds. The Statement requires fund balance to be displayed in the following classifications depicting the relative strength of the spending constraints on the purposes for which resources can be used:

Non-spendable—Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted—Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed—Amounts constrained to specific purposes determined by a formal action of ACHD Commissioners (the district's highest level of decision making authority). These committed amounts cannot be used for any other purpose unless ACHD Commissioners remove or change the constraint.

Assigned—Amounts that are constrained by ACHD's intent to be used for specific purposes, but are neither restricted nor committed. The Chief of Staff/Treasurer is authorized by ACHD Commissioners to assign amounts for specific purposes.

Unassigned—This is the residual classification for ACHD's general fund and includes all spendable amounts not contained in the other classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 18). ACHD uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, when an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, ACHD considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless ACHD Commissioners have provided otherwise in its commitment or assignment actions.

ACHD does not have a formal minimum fund balance policy.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. These encumbrances lapse at the end of the year and become part of the following year's budgetary amounts. Encumbrances outstanding at year-end are included in assigned fund balance within the Governmental Fund financial statements and consist principally of design and construction commitments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost (average) or market. Inventories in the General Fund consist of expendable supplies and materials held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Within the Governmental Fund financial statements, reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Property Taxes

Within the Governmental Fund financial statements, property taxes are recognized as revenue when the amount of taxes levied is measurable, and tax proceeds are available to finance current period expenditures. Available tax proceeds include those property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1 and are levied in September of each year.

Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one-half of their tax liability on or before December 20, and if one-half of the amount is paid, may pay the remaining balance by the following June 20. Since ACHD is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at ACHD's year end and are recognized as revenues as the property taxes are collected in the following fiscal year.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date donated.

Public domain ("infrastructure") capital assets consisting of roads, ponds, bridges, curbs and gutters, streets, sidewalks, drainage systems, and signal systems are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are valued at historical cost.

Depreciation of all exhaustible capital assets used by ACHD is charged as an expense against their operations in the applicable governmental or business-type activities column in the government-wide financial statements. Accumulated depreciation is reported on the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method and includes amortization of assets acquired under capital leases.

The estimated useful lives of capital assets are as follows:

Transportation equipment	6-10 years
Office equipment	6 years
Buildings	30 years
Public Domain Infrastructure	20-50 years

Accumulated Compensated Absences and Other Benefit Amounts

Accumulated compensated absences are accrued as earned, subject to a maximum accrual determined by the employee's length of service. Compensated absences include paid time off. Other employee benefits, which do not carry over to the employee upon termination, are not accrued.

Impact of Recently Issued Accounting Principles

During 2014, ACHD implemented GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. ACHD has only one item which qualifies for reporting in this category. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Impact of Upcoming Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27* (GASB 68). GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on ACHD's financial statements.

Note 2 - Cash and Investments

Unrestricted Cash and Cash Equivalents

At year-end, the carrying amount of ACHD’s deposits was \$47,686,767 and the bank balance was \$47,938,449. Of the bank balance held by ACHD, \$1,000,000 was covered by federal depository insurance \$34,632,389 was collateralized by securities held in ACHD’s name, \$12,306,060 and was uninsured and uncollateralized. The fair market value of the securities used as collateral was \$35,952,666. In addition, ACHD held deposits of \$1,453,179 with a bank balance of \$1,453,179 in a custodial capacity for the Road Trust Agency Fund. Of the bank balance for these trust funds, \$279,544 was covered by federal depository insurance and \$1,173,635 was uninsured and uncollateralized. All cash is held in national financial institutions.

Investments

Idaho statutes authorize highway districts to invest in obligations of the United States Treasury, agencies and instrumentalities of the United States, repurchase agreements, interest-bearing bonds of any city, county, school district or municipality in Idaho, tax anticipation notes, time deposit accounts in State depositories, accounts in financial institutions, and the State of Idaho’s General Fund Investment Pool. ACHD has adopted an investment policy that complies with State statutes.

As of September 30, 2014, ACHD had the following cash equivalents. (Amounts rounded to thousands)

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash Equivalents		
Money Market Savings (including Road Trust)	Monthly	\$ 5,543,000
Certificates of Deposit	Semi-Annually	5,001,000
Cash Management Account	Daily	<u>36,748,000</u>
 Total Investments		 <u><u>\$ 47,292,000</u></u>

Interest Rate Risk. ACHD has an investment policy that limits the maturities on individual investments to no more than one year. Approval is required by ACHD Board of Commissioners prior to any investment exceeding one year. ACHD investment policy limits investments to areas prescribed by Idaho Code 67-1210 and 67-1210A.

Credit Risk. The investments of ACHD are not rated and ACHD does not have a policy regarding rated investments except for those expressly stated in Idaho Code 67-1210A.

Concentration of Credit Risk. When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. ACHD has no policy limiting the amount it may invest in any one issuer. Idaho Code 67-2739 does limit the total deposits of a state depository.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, ACHD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. ACHD’s \$36,748,000 investment in the Cash Management Account was held by the counterparty that was acting as ACHD’s agent in the securities transactions. This amount represents 78% of ACHD’s investments.

Note 3 - Defined Benefit Pension Plan

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

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2% of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of ACHD and its employees are established and may be amended by the PERSI Board of Trustees. For the fiscal year ended September 30, 2014 the required contribution rate as a percentage of covered payroll was 6.79% for general members and the employer rate as a percentage of covered payroll was 11.32% for general members.

ACHD's contributions required and paid were \$1,745,020, \$1,530,475, and \$1,400,763 for the three fiscal years ended September 30, 2014, 2013, and 2012, respectively.

Note 4 - Interfund Receivables and Payables

	Receivables	Payables	Total
General Fund	\$ 50,701	\$ (86,708)	\$ (36,007)
Enterprise Fund	86,708	(50,701)	36,007
	\$ 137,409	\$ (137,409)	\$ -

The receivable in the General Fund from the Enterprise Fund is for reimbursement of payroll paid to the Enterprise Fund employees by the General Fund. The receivable in the Enterprise Fund from the General Fund is for reimbursement of overhead.

Note 5 - Due from Other Governmental Units

Amounts due from other agencies and units of government are as follows:

	General Fund	Enterprise Fund
State of Idaho	\$ 715,873	\$ -
Other cities and counties	162,429	-
	\$ 878,302	\$ -

Governmental funds report advanced revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that were raised for the subsequent fiscal year.

At the end of the current fiscal year, the advanced revenue reported in the governmental funds were \$2,199,386 related to cost sharing contracts (General Fund).

Note 6 - Capital Assets

Changes in capital assets are as follows:

	Balance October 1, 2013 (Restated)	Additions	Deletions	Transfers from CIP	Balance September 30, 2014
Governmental activities					
Capital assets, not depreciated					
Land	\$ 855,602	\$ -	\$ -	\$ -	\$ 855,602
Drainage ponds	10,519,976	392,022	-	-	10,911,998
Right-of-way	1,798,452,749	58,466,578	(10,016,597)	-	1,846,902,730
Easements	29,335,251	1,330,354	-	-	30,665,605
Construction in progress	62,591,062	33,488,927	(2,161,397)	(66,054,420)	27,864,172
Total capital assets, not depreciated	1,901,754,640	93,677,881	(12,177,994)	(66,054,420)	1,917,200,107
Capital assets, depreciated					
Buildings	8,522,918	56,610	-	-	8,579,528
Machinery and equipment	32,200,284	2,186,277	(1,498,103)	-	32,888,458
Furniture	5,642	-	-	-	5,642
Roadways	1,692,745,367	14,340,603	(4,811,775)	52,603,427	1,754,877,622
Curbs and gutters	115,468,069	1,780,815	-	7,279,924	124,528,808
Sidewalks	133,354,768	2,377,826	(57,976)	4,211,162	139,885,780
Bridges	97,240,547	1,251,191	(37,845)	1,226,204	99,680,097
Signals	37,385,723	372,858	-	733,703	38,492,284
Total capital assets, depreciated	2,116,923,318	22,366,180	(6,405,699)	66,054,420	2,198,938,219
Less accumulated depreciation for					
Buildings	(3,780,858)	(283,245)	-	-	(4,064,103)
Machinery and equipment	(16,925,178)	(3,153,543)	1,492,934	-	(18,585,787)
Furniture	(5,642)	-	-	-	(5,642)
Infrastructure	(1,287,566,554)	(116,902,259)	4,391,182	-	(1,400,077,631)
Total accumulated depreciation	(1,308,278,232)	(120,339,047)	5,884,116	-	(1,422,733,163)
Total net capital assets, depreciated	808,645,086	(97,972,867)	(521,583)	66,054,420	776,205,056
Governmental activities capital assets, net	\$ 2,710,399,726	\$ (4,294,986)	\$ (12,699,577)	\$ -	\$ 2,693,405,163

Ada County Highway District
Notes to Financial Statements
September 30, 2014

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
Business type activities				
Capital assets, depreciated				
Buildings	\$ 3,712	\$ -	\$ -	\$ 3,712
Equipment	4,764,637	-	(762,907)	4,001,730
Total capital assets, depreciated	4,768,349	-	(762,907)	4,005,442
Less accumulated depreciation for				
Buildings	(3,712)	-	-	(3,712)
Equipment	(2,481,663)	(613,115)	734,161	(2,360,617)
Total accumulated depreciation	(2,485,375)	(613,115)	734,161	(2,364,329)
Total net capital assets, depreciated	2,282,974	(613,115)	(28,746)	1,641,113
Business type activities capital assets, net	\$ 2,282,974	\$ (613,115)	\$ (28,746)	\$ 1,641,113
Governmental activities				
Road and highway construction and maintenance				\$ 3,436,788
Unallocated depreciation				116,902,259
Total depreciation expense - governmental activities				\$ 120,339,047
Business-type activities				
Vanpool				\$ 613,115

Note 7 - Leases

ACHD leases various items of equipment under capital lease agreements. Amortization expense for capital assets is included in depreciation expense. Information for capital leased asset cost and related accumulated depreciation by fund is as follows at September 30, 2014:

	Cost	Accumulated Depreciation
General fund	\$ 5,299,302	\$ 2,489,836

Note 8 - Long-term Debt

Long-term debt at September 30, 2014 includes:

Capital lease for two Caterpillar 938H Wheel Loaders, 3.50% interest, payable in annual payments of \$30,261 through July 2014, and one balloon payment of \$222,000 due July 2015, secured by loaders.	\$ 214,493
Capital lease for one John Deere 410J Backhoe Loader, 3.85% interest, payable in annual payments of \$10,469 through August 2014, and one balloon payment of \$43,253 due August 2015, secured by loader.	41,622
Capital lease for two Allianz Johnston VT650 Vacuum Sweepers, 3.65% interest, payable in annual payments of \$103,998 through July 2014, and one balloon payment of \$20,000 due July 2015, secured by sweepers.	19,284
Capital lease for two Elgin UD3300 Mechanical Sweepers, 3.65% interest, payable in annual payments of \$112,250 through August 2014, and one balloon payment of \$20,000 due August 2015, secured by sweepers.	19,284
Capital lease for three Mechanical Sweepers, 3.49% interest, payable in annual payments of \$167,739 through January 2015, and one balloon payment of \$30,000 due January 2016, secured by sweepers.	190,136
Capital lease for four 140M2 Motor Graders and 1 950H Wheel Loader, 3.05% interest, payable in annual payments of \$69,627 through March 2016, and one balloon payment of \$826,037 due March 2017, secured by graders and loader.	887,975
Capital lease for one backhoe loader, 3.3% interest, payable in annual payments of \$13,410 through August 2016, and one balloon payment of \$50,000 due August 2017, secured by backhoe loader.	70,823
Capital lease for one backhoe loader, 3.3% interest, payable in annual payments of \$16,344 through August 2016, and one balloon payment of \$50,000 due August 2017, secured by backhoe loader.	76,409
Capital lease for two Vacuum Sweepers, 3.39% interest, payable in annual payments of \$118,249 through September 2015, and one balloon payment of \$30,000 due September 2016, secured by vacuum sweepers.	142,436
Capital lease for four John Deere 410K backhoe loaders, 3.30% interest, payable in annual payments of \$53,639 through August 2017, and one balloon payment of \$201,365 due August 2018, secured by backhoe loaders.	327,204

Capital lease for one Caterpillar 950K Wheel Loader, 3.20%, payable in annual Payments of \$10,918 through September 2018, and one balloon payment of \$160,000 due September 2019, secure by wheel loader.

	177,076
Total capital lease obligations	\$ 2,166,742

Long-term debt at September 30, 2014 includes:

2015	\$ 755,180
2016	223,939
2017	990,594
2018	212,283
2019	160,000
	2,341,996
Less interest	(175,254)
Principal	\$ 2,166,742

Debt service requirements to maturity for capital lease obligations are:

Governmental Activities

	Balance October 1, 2013	Additions	Returns and Deletions	Balance September 30, 2014	Due Within One Year
Governmental activities					
Compensated absences	\$ 1,363,064	\$ 17,437	\$ -	\$ 1,380,501	\$ -
Capital leases	2,756,967	187,995	(778,220)	2,166,742	684,538
Governmental activities long-term debt	\$ 4,120,031	\$ 205,432	\$ (778,220)	\$ 3,547,243	\$ 684,538

For governmental activities, the liability for compensated absences are generally liquidated by the General Fund.

Note 9 - Contingencies

ACHD is involved in various litigation resulting from operations in the ordinary course of business, the outcome of which cannot be presently determined. The opinion of management is that all outstanding litigation and claims will be resolved without materially affecting the financial statements of ACHD.

Under the terms of federal and state grants, periodic audits are required and certain expenditures may not be allowed under the terms of the grant. Any disallowed claims, including amounts already collected, would be reimbursed to the grantor. Management believes disallowances, if any, will not be material.

Note 10 - Risk Management

ACHD purchases liability, medical and disability insurance through a commercial insurance carrier. Workers compensation insurance is maintained through the State Insurance Fund.

ACHD became self-insured with respect to general auto liability in fiscal year 2014. Both governmental and proprietary funds participate in the self-insurance program. There were no claims liability outstanding on September 30, 2014. GASB requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. Claim liabilities, including incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience. Claim liabilities also include specific, incremental claim adjustment expenses. In addition, estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims, if any, are deducted from the liability for unpaid claims. Expenses and liabilities are estimated through a case-by-case review of all claims and the application of historical experience for outstanding claims. Estimates of IBNR losses are based on historical general auto liability. Claims of \$15,903 were incurred and paid in 2014 with no outstanding liability as of September 30, 2014. As of September 30, 2014, management has assigned \$1 million of the fund balance to fund future claims.

Note 11 - Correction of an Error

The accompanying financial statements reflect adjustments resulting from a restatement of the beginning net position of the governmental activities as of September 30, 2013, as follows:

- Decrease in net position of the governmental activities of \$10,855,976 to reflect adjustment for an accounting error. Management determined an error was made in the valuation of the construction in progress asset.

The following schedule summarizes the effect of the prior period adjustment to the beginning net position of the governmental activities at September, 30, 2013:

Net Position at beginning of year, as previously reported	\$ 2,749,086,546
Decrease to net position	
Correction of the error	<u>(10,855,976)</u>
Net position at beginning of year, as restated	<u><u>\$ 2,738,230,570</u></u>



Required Supplementary Information
September 30, 2014

Ada County Highway District

Ada County Highway District
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2014

	Budgeted Amounts-GAAP Basis		Actual, GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		(Unfavorable)
Revenues				
Property taxes	\$ 32,336,000	\$ 32,336,000	\$ 32,688,575	\$ 352,575
State highway users fund	20,700,000	20,700,000	20,750,619	50,619
State sales tax distribution	1,326,000	1,326,000	1,504,815	178,815
Federal and state grants	3,994,000	2,823,055	2,524,264	(298,791)
Cost-sharing payments	660,000	1,338,275	1,782,210	443,935
Fees and services	1,058,000	1,559,000	1,774,173	215,173
Ada County vehicle registration fees	9,100,000	9,100,000	9,321,966	221,966
Development impact fees	12,000,000	12,050,000	12,212,577	162,577
Interest	36,000	36,000	23,583	(12,417)
Other	1,099,000	1,457,000	327,836	(1,129,164)
Total revenues	82,309,000	82,725,330	82,910,618	185,288
Expenditures				
Commissioners	190,000	192,300	186,647	5,653
Director	635,900	639,100	626,675	12,425
Legal	862,950	864,250	802,655	61,595
Human resource	1,164,950	878,850	826,934	51,916
Communications	613,800	623,800	579,988	43,812
Planning and projects	3,330,050	3,155,870	3,092,323	63,547
Operations	23,346,780	24,147,300	23,047,622	1,075,839
Technical	11,265,900	11,710,496	11,403,545	306,951
Infrastructure improvements	42,352,400	44,525,146	39,408,197	5,116,949
Capital outlay	6,024,270	6,605,288	2,305,173	4,300,115
Debt service - principal	-	-	678,016	(678,016)
Debt service - interest	-	-	87,090	(87,090)
Total expenditures	89,787,000	93,342,400	83,044,865	10,273,696
Excess (Deficiency) of Revenues over (Under) Expenditures	(7,478,000)	(10,617,070)	(134,247)	10,458,984
Other Financing Sources				
Proceeds from sale of assets	-	-	1,572,846	1,572,846
Capital lease proceeds	-	-	187,995	187,995
Total other financing sources	-	-	1,760,841	1,760,841
Excess (Deficiency) of Revenues and Other Financing Sources over (Under) Expenditures	\$ (7,478,000)	\$ (10,617,070)	\$ 1,626,594	\$ 12,219,825

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budget for the General Fund:

1. The District, prior to certifying a tax levy to the Board of County Commissioners, adopts a proposed budget.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is completed and finalized no later than the Tuesday following the first Monday in September for the ensuing fiscal year.
4. Budgets are amended quarterly after regularly scheduled meetings and Commission approval to reflect changes in revenue and expenditure estimates. The budget presented in the report has been amended.
5. The District's Director is authorized to transfer budgeted amounts between departments within any fund.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).



Federal Awards Reports in Accordance with the Single
Audit Act and OMB Circular A-133
September 30, 2014

Ada County Highway District

Ada County Highway District
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U. S. Department of Transportation			
Passed through Idaho Transportation Department:			
Highway Planning and Construction	20.205	Various	<u>\$ 2,657,762</u>
Total Department of Transportation			<u>2,657,762</u>
Department of Homeland Security			
Passed through Ada County:			
Military Division - Homeland Security Grant Program	97.067		<u>131,502</u>
Total Department of Homeland Security			<u>131,502</u>
Total Federal Financial Assistance			<u><u>\$ 2,789,264</u></u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal grant activity of ACHD under programs of the Federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operation of ACHD, it is not intended to and does not present the financial position, changes in Net Position or cash flows of ACHD. The reporting entity is defined in Note 1 to ACHD's financial statements.

Note 2 - Significant Accounting Policies

Governmental fund types account for ACHD's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis - when they become a demand on current available financial resources. ACHD's summary of significant accounting policies is presented in Note 1 in ACHD's basic financial statements.

Note 3 - Major Programs

The following programs have been identified as major programs for the year ended September 30, 2014.

<u>Program</u>	<u>CFDA Number</u>
Highway Planning & Construction	20.205



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Commissioners
Ada County Highway District
Garden City, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Ada County Highway District (ACHD) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise ACHD's basic financial statements, and have issued our report thereon dated March 03, 2015. An explanatory paragraph was included in the auditor's report to emphasize the implementation of GASB 65. An additional explanatory paragraph was included in the auditor's report because certain errors resulting in overstatement of previously reported infrastructure assets as of September, 30, 2013.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. See finding 2014-A.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

ACHD's Response to Findings

ACHD's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ACHD's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
March 03, 2015



Independent Auditor's Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

To the Commissioners
Ada County Highway District
Garden City, Idaho

Report on Compliance for Each Major Federal Program

We have audited Ada County Highway District's (ACHD) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on ACHD's major federal program for the year ended September 30, 2014. ACHD's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of ACHD's compliance.

Opinion on Each Major Federal Program

In our opinion, ACHD complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended September 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
March 03, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed what are required to be proeted in accordance with Circular A-133, Section 510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Dept. of Transportation - Highway Planning & Construction

Dollar threshold used to distinguish between Tupe A and Type B programs	\$	300,000
Auditee qualified as a low-risk auditee?	No	

Section II – Financial Statement Findings

2014-A – Capital Assets Proposed Adjustments

Condition – During the testing over capital assets in the current year there were two errors that were noted. The first adjustment resulted in a prior period adjustment over construction in progress in which several assets had not been removed from construction in progress when the asset was placed into service as well as several assets that should not have been considered a capital asset.

The second adjustment related to right of way assets that were added in prior years. Management now has the capability to specifically identify right of way assets and value them instead of valuing them according to their zone, as was done previously. As a result, management has corrected the value of the right of way assets in the current year and passed on an adjustment to correct this in the prior year to which the difference relates.

Criteria – Management should have an internal control structure in place to prevent, or detect and correct, material misstatements of financial statements on a timely basis.

Cause – The controls in place were not sufficient to detect the misstatement.

Effect – Capital assets were overstated by a material amount causing a material misstatement in the prior year's financial statements.

Recommendation – Management should examine the current internal control structure to make sure what is in place is sufficient to prevent, or detect, and correct, material misstatements of the financial statements on a timely basis.

Management's Response and Action Plan – After a thorough review of the process and the timing of the transferring project costs related to construction in progress, we will be applying additional controls to prevent further misstatements in infrastructure values. In summary, when assets are valued and added to infrastructure, any corresponding construction in progress projects will be transferred out in the same fiscal year.

Section III – Federal Award Findings and Questioned Costs

None

No prior year findings.