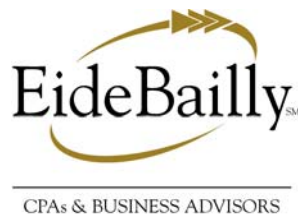




Financial Statements
September 30, 2015

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, each major fund, and the remaining fund information of Ada County Highway District (ACHD) as of and for the year ended September 30, 2015, 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, each major fund, and the remaining fund information of ACHD, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 11 to the financial statements, ACHD has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of October 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of net pension liability and employer contributions, 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 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 January 05, 2016, 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 cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Boise, Idaho
January 05, 2016

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, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of ACHD exceeded its liabilities and deferred inflows at September 30, 2015 by \$2.751 million. Of this amount \$23.4 million is unrestricted and available to meet ACHD's on-going obligations to citizens and creditors.
- During fiscal year 2015, ACHD's total Net Position increased \$36.0 million as compared to a decrease of \$15.3 million in fiscal year 2014.
- 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 97.7% of the budget. With encumbrances, the amount increased to 99.1% of the budget.
- Total fund balance at September 30, 2015 was \$33.3 million compared to a total at September 30, 2014 of \$32.9 million.

Condensed Financial Statements

The following tables on pages 6 through 7 presented for the year ended September 30, 2014, have not been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 the assets and deferred outflows and the liabilities and deferred inflows 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 funds:

- 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 and pension contributions and liability.

FINANCIAL ANALYSIS OF ACHD AS A WHOLE

Net Position. ACHD shows an increase in total Net Position of \$36.0 million or 1.0% from fiscal year 2014 to 2015. (See Table A-1.)

Capital assets increased \$36.6 million driven by an increase in right-of-way.

Long-Term debt outstanding increased 88.9% as a result of four new capital leases.

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

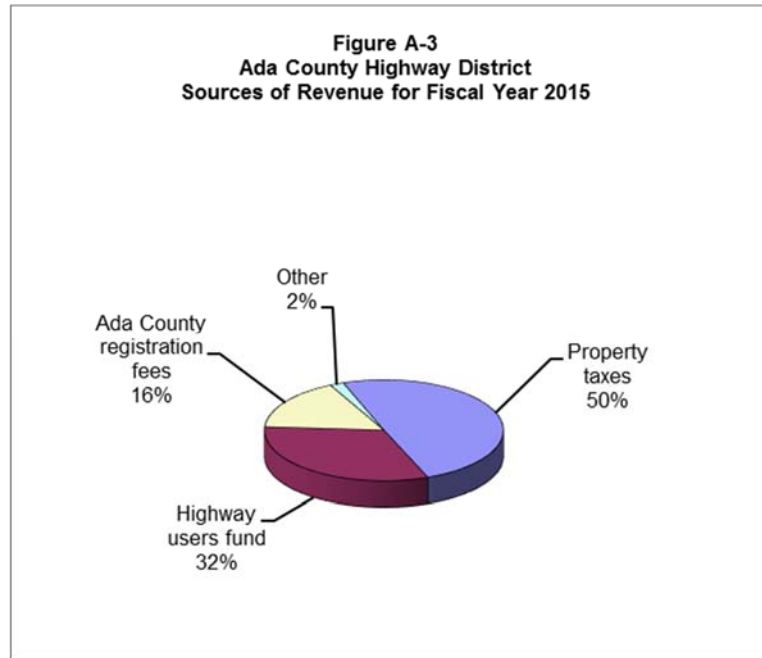
	Governmental Activities		Business-type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	2014-2015
Current assets	\$ 84,389,284	\$ 83,027,646	\$ 1,564,484	\$ 1,458,247	\$ 85,953,768	\$ 84,485,893	(1.7)%
Capital assets	2,693,405,163	2,730,145,122	1,641,113	1,511,681	2,695,046,276	2,731,656,803	1.4%
Total assets	2,777,794,447	2,813,172,768	3,205,597	2,969,928	2,781,000,044	2,816,142,696	1.3%
Deferred outflows of resources	-	3,848,215	-	78,535	-	3,926,750	100.0%
Long-term debt outstanding	1,482,204	2,799,252	-	-	1,482,204	2,799,252	88.9%
Other liabilities	19,788,430	25,496,414	193,251	322,429	19,981,681	25,818,843	29.2%
Total liabilities	21,270,634	28,295,666	193,251	322,429	21,463,885	28,618,095	33.3%
Deferred inflow of resources	33,280,254	38,147,512	-	99,332	33,280,254	38,246,844	100.0%
Net assets							
Invested in capital assets, net of related debt	2,691,238,421	2,726,767,675	1,641,113	1,511,681	2,692,879,534	2,728,279,356	1.3%
Restricted net assets	381,846	454,916	-	-	381,846	454,916	5.4%
Unrestricted net assets	31,623,292	23,355,214	1,371,233	1,115,021	32,994,525	24,470,235	(25.8)%
Total net position	\$ 2,723,243,559	\$ 2,750,577,805	\$ 3,012,346	\$ 2,626,702	\$ 2,726,255,905	\$ 2,753,204,507	1.0%

Changes in Net Position. ACHD's changes in Net Position are compared between fiscal year 2014 and 2015. (See Table A-2.) Again, total Net Position increased \$36.0 million in fiscal year 2015. The two largest components of revenues for ACHD are property taxes and capital grants & contributions which represents a combined 82.1% of total revenues in fiscal year 2015. On the expenses side, unallocated depreciation expense is the largest component, 67.7% of total expenses in fiscal year 2015. Depreciation is generally a fixed expense which occurs regardless of economic activity or how much business activity ACHD performs.

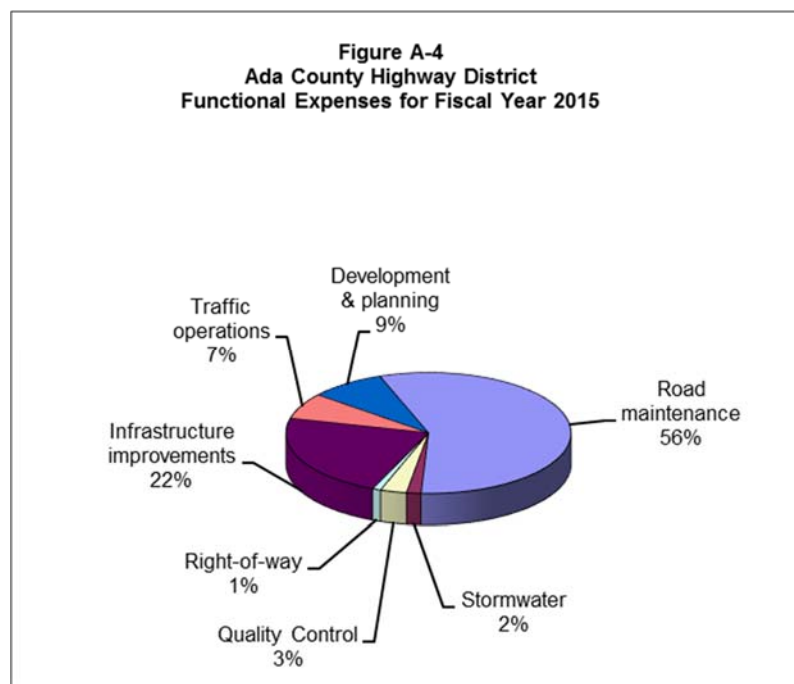
Table A-2
Changes in Ada County Highway District's Net Position

	Governmental Activities		Business-type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	2014-2015
Revenues							
Program revenues							
Charges for services	\$ 3,595,054	\$ 5,544,666	\$1,346,407	\$1,234,825	\$ 4,941,461	\$ 6,779,491	37.2%
Operating grants & contributions	-	-	490,000	526,136	490,000	526,136	7.4%
Capital grants & contributions	96,340,964	152,794,996	-	28,413	96,340,964	152,823,409	58.6%
General revenues							
Property taxes	32,607,781	33,808,238	-	-	32,607,781	33,808,238	3.7%
State highway users fund	20,750,619	21,840,105	-	-	20,750,619	21,840,105	5.3%
Sales tax & other governmental	10,826,781	11,273,009	-	-	10,826,781	11,273,009	4.1%
Investment earnings	23,583	36,680	-	-	23,583	36,680	55.5%
Miscellaneous	289,165	307,748	-	-	289,165	307,748	6.4%
Total revenues	164,433,947	225,605,442	1,836,407	1,789,374	166,270,354	227,394,816	36.8%
Expenses							
Road maintenance	32,780,470	32,298,651	-	-	32,780,470	32,298,651	(1.5)%
Stormwater	803,623	937,924	-	-	803,623	937,924	16.7%
Quality control	1,273,422	1,256,620	-	-	1,273,422	1,256,620	(1.3)%
Right-of-way	494,009	547,777	-	-	494,009	547,777	10.9%
Infrastructure improvements	7,211,140	12,875,203	-	-	7,211,140	12,875,203	78.5%
Traffic operations	3,947,785	3,993,177	-	-	3,947,785	3,993,177	1.1%
Development & planning	4,898,565	4,917,341	-	-	4,898,565	4,917,341	0.4%
Unallocated depreciation expense	116,902,259	129,519,265	-	-	116,902,259	129,519,265	10.8%
Transfer of assets-right of way	10,016,597	2,131,022	-	-	10,016,597	2,131,022	(78.7)%
Sale of assets	1,009,931	915,704	-	-	1,009,931	915,704	(9.3)%
Interest on long-term debt	83,157	55,077	-	-	83,157	55,077	(33.8)%
Vanpool	-	-	2,184,876	1,994,948	2,184,876	1,994,948	(8.7)%
Total expenses	179,420,958	189,447,761	2,184,876	1,994,948	181,605,834	191,442,709	5.4%
Increase (decrease) in net position	\$ (14,987,011)	\$ 36,157,681	\$ (348,469)	\$ (205,574)	\$ (15,335,480)	\$ 35,952,107	(334.4)%

ACHD's major revenue sources (excluding all program revenues such as developer contributions and impact fees) are property taxes (50%), highway users fund (32%), and Ada County registration fees (16%). (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 \$61.1 million driven by an increase in capital grants and contributions whereas total expenses increased \$9.8 million driven by increases in depreciation expenses 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 \$186.4 million, an increase of 10.7% 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 2015, the net cost of services decreased 59.0% due to a substantial decrease in infrastructure improvements.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2014	2015	2014-2015	2014	2015	2014-2015
Roadway Maintenance	\$32,780,470	\$ 32,298,651	(1.5)%	\$32,780,470	\$ 32,298,651	(1.5)%
Traffic Operations	3,947,785	3,993,177	1.1%	3,744,175	3,748,042	0.1%
Infrastructure Improvements	7,211,140	12,875,203	78.5%	(90,950,705)	(143,377,798)	(57.6)%
Quality Control	1,273,422	1,256,620	(1.3)%	103,079	27,923	(72.9)%
Development and planning	4,898,565	4,917,341	0.4%	4,678,595	4,704,938	0.6%
Other	118,283,048	131,060,043	10.8%	118,102,798	130,659,617	10.6%
Total	\$168,394,430	\$ 186,401,035	10.7%	\$68,458,412	\$ 28,061,373	(59.0)%

Business-Type Activities

The Net Position of ACHD's business-type activities (Refer back to Table A-2) decreased \$205.6 thousand or 6.8% compared to a decrease of \$348.5 thousand in the prior year.

This change in net position resulted from a decrease of \$111.6 thousand or 8.3% in revenues from user charges due to a 10.5% reduced ridership influenced by a sharp decrease in fuel prices from prior 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 \$19.9 million. The General Fund's total fund balance was \$33.3 million, a slight increase of \$453 thousand over last year.

Approximately 10% or \$3.5 million of the total fund balance is committed into fiscal year's 2016 budget as carryover funds.

General Fund Budgetary Highlights

Over the course of the year, ACHD Commission revised the budget several times. The budget committee comprised of senior management meeting on a monthly basis. This budget committee presents recommended budget adjustments to the Commission twice per year. 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 97.7% of the final budget amounts compared to 88.9% in the prior fiscal year. When taking encumbrances into consideration the percentage raises to 99.1% of the final budget amounts compared to 94.8% in the prior fiscal year.

ACHD increased the budget \$4.9 million for the fiscal year to promote increased spending on infrastructure improvements due to availability of funds from increased revenues \$3.3 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 2015, 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 increase (including additions and deductions) of \$36.7 million or 1.4% driven mostly by the increase in land, which includes right-of-way acquisitions.

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

	Governmental		Business-type		Total		Total
	Activities		Activities				%
	2014	2015	2014	2015	2014	2015	Change
							2014-2015
Land	\$1,889,335,935	\$1,981,258,934	\$ -	\$ -	\$ 1,889,335,935	\$ 1,981,258,934	4.9%
Buildings & improvements	4,515,425	4,377,968	-	-	4,515,425	4,377,968	(3.0)%
Equipment	14,302,671	17,751,490	1,641,111	1,511,680	15,943,782	19,263,170	20.8%
Infrastructure	757,386,960	693,155,953	-	-	757,386,960	693,155,953	(8.5)%
Construction in progress	27,864,172	33,600,776	-	-	27,864,172	33,600,776	20.6%
Total	\$2,693,405,163	\$2,730,145,122	\$1,641,111	\$1,511,680	\$ 2,695,046,274	\$2,731,656,801	1.4%

This year's major capital asset additions included:

- Twenty-seven (27) miles of roadway and right-of-way contributed by new development.
- Completion of Ustick Road, Cloverdale Road to Five Mile Road.
- Completion of Hill Road Extension/Horseshoe Bend/State Street.
- Construction in progress for Ten Mile, Cherry Ln/Ustick Rd.

The overall condition of ACHD's roadway category of capital assets, based upon the values listed and the depreciated portion (currently at 70.1%, an decrease of 4% from FY 2014), 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 55.5% 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 \$3.4 million in capital lease obligations. (See Table A-5.) In fiscal year 2015, ACHD entered into four new leases which contributed to an increase of 55.9% in total capital lease obligations.

**Table A-5
Ada County Highway District Outstanding Debt**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	2014-2015
	Current portion of capital leases	\$ 684,538	\$ 578,195	\$ -	\$ -	\$ 684,538	\$ 578,195
Noncurrent portion of capital leases	1,482,204	2,799,252	-	-	1,482,204	2,799,252	88.9%
Total capital lease obligations	\$2,166,742	\$3,377,447	\$ -	\$ -	\$2,166,742	\$3,377,447	55.9%

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 2014 is 426,236 which is an increase of 2.3% from the prior year.
- Unemployment in Ada County is at 2.89% compared to 3.4% from the prior year.
- Single-family housing starts in Ada County are up 28.9% cumulative year-to-date as of September, 2015 compared to the same period last year.
- Fuel prices in the local area have decreased 15.6% compared to last year.

These factors were considered in preparing ACHD's budget for the 2016 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. In addition, ACHD did not opt to take any increase in property taxes permitted for growth in new construction.
- Highway Users Fund revenue is anticipated to increase 28.4%. Registration fees and development impact fee revenue are anticipated to remain stable, whereas federal grants/cost share is expected to decrease 70.9%.
- The general fund budget for fiscal year 2016 is \$98.2 million, a slight decrease over the final 2015 budget of \$98.3 million.

- ACHD's fiscal year 2016 capital budget anticipates spending \$42.2 million for capital projects which includes the following key projects:
 - 36th St, Hill Rd. and Catalpa – Replace existing traffic signal with a “dog bone” shaped roundabout at the five-way intersection, including curb, gutter, and sidewalk in accordance with 2012 ACHD CIP. Project includes bridge #356AX.
 - Cloverdale Rd, Franklin Rd/ Fairview Ave – Widen Cloverdale Rd. to 5 lanes with curb, gutter, sidewalk and bike lanes, in accordance with the Cloverdale Rd. Concept Design and the 2012 CIP. Project includes Cloverdale/Executive intersection.
 - Executive Dr. Parkdale Ave /President Dr. – Widen Executive Dr. to 6 lanes at the Cloverdale intersection, and 5 lanes from there to Parkdale Ave to the west and Presidential Dr. to the east, to include curb, gutter, sidewalk, and bike lanes in accordance with the 2012 CIP. Project to be constructed concurrently with Cloverdale Rd, Franklin Rd/ Fairview Ave.
 - Five Mile Rd, Fairview Ave/ Ustick Rd. – Widen Five Mile Rd to 5 lanes with curb, gutter, sidewalk and bike lanes in accordance with the 2012 CIP. Project includes bridge #554.
 - 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 43,015,558	\$ 1,471,062	\$ 44,486,620
Receivables			
Property taxes from Ada County	33,756,405	-	33,756,405
Due from other governmental units	2,621,293	28,413	2,649,706
Other	563,276	288	563,564
Inventory			
Equipment parts and fuel	79,897	-	79,897
Materials	2,949,701	-	2,949,701
Internal balances	41,516	(41,516)	-
Capital assets			
Land, infrastructure, and other assets not depreciated	2,014,859,710	-	2,014,859,710
Buildings, improvements, equipment, and infrastructure, net of depreciation	715,285,412	1,511,681	716,797,093
Total assets	<u>2,813,172,768</u>	<u>2,969,928</u>	<u>2,816,142,696</u>
Deferred Outflows			
Net pension obligation	<u>3,848,215</u>	<u>78,535</u>	<u>3,926,750</u>

Ada County Highway District
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Vouchers payable	8,453,058	168,430	8,621,488
Accrued payroll	1,391,399	-	1,391,399
Impact fee contingency	2,100,000	-	2,100,000
Interest payable	21,528	-	21,528
Advanced revenue	357,735	-	357,735
Current portion of capital lease obligations	578,195	-	578,195
Noncurrent Liabilities			
Compensated absences	1,400,315	-	1,400,315
Capital lease obligations	2,799,252	-	2,799,252
Refundable performance deposits	3,648,220	-	3,648,220
Net pension liability	7,545,964	153,999	7,699,963
Total liabilities	28,295,666	322,429	28,618,095
Deferred Inflows of Resources			
Employer pension assumptions	4,867,253	99,332	4,966,585
Unavailable - property taxes	33,280,259	-	33,280,259
Total deferred inflows of resources	38,147,512	99,332	38,246,844
Net Position			
Net investment in capital assets	2,726,767,675	1,511,681	2,728,279,356
Restricted	454,916	-	454,916
Unrestricted	23,355,214	1,115,021	24,470,235
Total net position	\$ 2,750,577,805	\$ 2,626,702	\$ 2,753,204,507

Ada County Highway District
Statement of Activities
Year Ended September 30, 2015

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	\$ (32,298,651)	\$ -	\$ -	\$ -	\$ (32,298,651)
Stormwater	(937,924)	-	-	-	(937,924)
Quality control	(1,256,620)	1,228,697	-	-	(27,923)
Right-of-way	(547,777)	400,426	-	-	(147,351)
Infrastructure improvements	(12,875,203)	3,458,005	-	152,794,996	143,377,798
Traffic operations	(3,993,177)	245,135	-	-	(3,748,042)
Development and planning	(4,917,341)	212,403	-	-	(4,704,938)
Unallocated depreciation expense	(129,519,265)	-	-	-	(129,519,265)
Transfer of assets-right of way	(2,131,022)	-	-	-	(2,131,022)
Loss on sale of assets	(915,704)	-	-	-	(915,704)
Interest on long-term debt	(55,077)	-	-	-	(55,077)
Total Governmental Activities	(189,447,761)	5,544,666	-	152,794,996	(31,108,099)
Business-Type Activities					
Vanpool	(1,994,948)	1,234,825	526,136	28,413	(205,574)
Total Business-Type Activities	(1,994,948)	1,234,825	526,136	28,413	(205,574)
Total Primary Government	\$ (191,442,709)	\$ 6,779,491	\$ 526,136	\$ 152,823,409	\$ (31,313,673)

Ada County Highway District
Statement of Activities
Year Ended September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net (Expenses) Revenue	\$ (31,108,099)	\$ (205,574)	\$ (31,313,673)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	33,808,238	-	33,808,238
State highway users fund	21,840,105	-	21,840,105
Sales tax and other governmental	11,273,009	-	11,273,009
Unrestricted investment earnings	36,680	-	36,680
Miscellaneous	307,748	-	307,748
Total general revenues and transfers	<u>67,265,780</u>	<u>-</u>	<u>67,265,780</u>
Change in Net Position	36,157,681	(205,574)	35,952,107
Net Position, Beginning of Year, as restated	<u>2,714,420,124</u>	<u>2,832,276</u>	<u>2,717,252,400</u>
Net Position, End of Year	<u><u>\$ 2,750,577,805</u></u>	<u><u>\$ 2,626,702</u></u>	<u><u>\$ 2,753,204,507</u></u>

Ada County Highway District
Balance Sheet – Governmental Funds
September 30, 2015

	Governmental Funds General
Assets	
Cash and cash equivalents	\$ 43,015,558
Receivables	
Property taxes from Ada County	33,756,405
Due from other governmental units	2,621,293
Internal balances	41,516
Other	563,276
Inventories	
Equipment parts and fuel	79,897
Materials	2,949,701
	\$ 83,027,646
Liabilities, Deferred Inflows and Fund Balances	
Liabilities	
Vouchers payable	\$ 8,453,058
Accrued payroll	1,391,399
Advanced revenue	357,735
Impact fee contingency	2,100,000
Refundable performance deposits	3,648,220
Total liabilities	15,950,412
Deferred Inflows of Resources	
Unavailable - property tax	33,756,405
Total deferred inflows	33,756,405
Fund Balances	
Nonspendable	
Inventory	3,029,598
Restricted	
Extraordinary impact fees	454,916
Committed	
Carryover funds	3,462,500
Assigned	
Encumbrances	1,324,751
Self-Insurance	1,000,000
Right-of-way acquisitions	1,000,000
Future needs	4,341,652
Unassigned	18,707,411
Total fund balances	33,320,828
	\$ 83,027,646

Ada County Highway District
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2015

Fund balance - total governmental funds	\$	33,320,828
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.		2,730,145,122
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		476,147
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.		
Leases	(3,377,447)	
Net pension liability	<u>(7,545,964)</u>	(10,923,411)
Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.		(1,400,315)
Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(21,528)
Deferred outflows of resources related to pension obligations		3,848,215
Deferred inflows of resources related to pensions		<u>(4,867,253)</u>
Net assets of governmental activities	\$	<u><u>2,750,577,805</u></u>

Ada County Highway District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2015

	Governmental Funds
	General
Revenues	
Property taxes	\$ 33,878,609
State highway users fund	21,840,105
State sales tax distribution	1,628,502
Federal and state grants	5,385,508
Cost-sharing payments	3,337,841
Fees and services	2,086,460
Ada County vehicle registration fees	9,644,507
Development impact fees	14,391,607
Interest	36,681
Other	427,912
	92,657,732
Total revenues	92,657,732
Expenditures	
Commissioners	207,513
Director	656,514
Legal	747,270
Human resource	846,225
Communications	592,216
Planning and projects	3,232,744
Operations	23,816,452
Technical	11,769,559
Infrastructure improvements	45,927,491
Capital outlay	7,308,888
Debt service - principal	879,128
Debt service - interest	61,809
	96,045,809
Total expenditures	96,045,809
Deficiency of Revenues under Expenditures	(3,388,077)
Other Financing Sources	
Proceeds from sales of assets	1,495,747
Capital leases	2,345,947
	3,841,694
Net Change in Fund Balances	453,617
Fund Balance, Beginning of Year	32,867,585
Decrease in Reserve for Inventories	(374)
Fund Balance, End of Year	\$ 33,320,828

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, 2015

Net change in fund balances - total governmental funds \$ 453,617

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 (\$7,308,888) exceeded depreciation expense (\$3,479,754) in the current period. 3,829,134

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 (\$129,519,265) exceeded infrastructure additions (\$34,210,365) in the current period. (95,308,900)

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. 133,017,881

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 assets differs from the change in fund balance by the net book value of the assets disposed. (4,798,156)

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. (374)

Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (70,371)

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 assets. 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 assets. This is the amount by which proceeds (\$2,345,947) exceeded repayments (\$879,127) and returns (\$256,115). (1,210,704)

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. (19,814)

Expenditures (revenues) related to the net pension liability that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 258,636

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. 6,732

\$ 36,157,681

Ada County Highway District
Balance Sheet – Proprietary Funds
September 30, 2015

	Enterprise Fund
	Van Pool
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,471,062
Receivables	
Due from other governmental units	28,413
Accounts receivable	288
Total current assets	1,499,763
Noncurrent Assets	
Capital assets	
Machinery and equipment	4,107,104
Less accumulated depreciation	(2,595,423)
Total noncurrent assets	1,511,681
Deferred Outflow of Resources	
Deferred outflows - pension	78,535
	\$ 3,089,979
Liabilities, Deferred Inflow and Net Position	
Current Liabilities	
Vouchers payable	\$ 168,430
Internal balances	41,516
	209,946
Noncurrent Liabilities	
Net pension liability	153,999
Total liabilities	363,945
Deferred Inflow of Resources	
Deferred inflow - pension	99,332
Net Position	
Invested in capital assets	1,511,681
Unrestricted	1,115,021
Total net position	2,626,702
	\$ 3,089,979

Ada County Highway District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2015

	Enterprise Fund Van Pool
Operating Revenues	
User charges	\$ 1,173,560
Operational contribution from federal grants	276,136
Operational contribution from the general fund	250,000
Other	61,265
Total operating revenues	1,760,961
Operating Expenses	
Payroll and related costs	488,411
Insurance	41,083
Fuel	339,544
Licenses and operating costs	208,292
Advertising	92,822
Office and other	228,692
Depreciation	591,646
Leases and rentals	4,458
Total operating expenses	1,994,948
Operating Loss	(233,987)
Capital contributions	28,413
Changes in Net Position	(205,574)
Net Position, Beginning of Year, as restated	2,832,276
Net Position, End of Year	\$ 2,626,702

Ada County Highway District
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2015

	Enterprise Fund Van Pool
Operating Activities	
Received from user charges	\$ 1,146,692
Received from federal grant subsidies	276,136
Received from general fund subsidies	327,523
Received from other	29,269
Payments to employees for services	(493,685)
Payments to suppliers for goods and services	(939,714)
	346,221
Net Cash from Operating Activities	
Capital and Related Financing Activities	
Proceeds from sale of capital assets	35,712
Payments for capital acquisitions	(437,515)
	(401,803)
Net Cash used for Capital and Related Financing Activities	
Net Change in Cash and Cash Equivalents	(55,582)
Cash and Cash Equivalents, Beginning of Year	1,526,644
Cash and Cash Equivalents, End of Year	\$ 1,471,062
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (233,987)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	591,646
Gain on sale of capital assets	(31,998)
GASB 68 expense	(5,274)
Changes in assets and liabilities	
Accounts receivable	1,545
Due from government units	(28,413)
Due from other funds	86,708
Vouchers payable	(24,821)
Due to other funds	(9,185)
	346,221
Net Cash from Operating Activities	\$ 346,221

Ada County Highway District
Statement of Fiduciary Net Position – Agency Funds
September 30, 2015

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,380,614</u>
	<u>\$ 1,380,614</u>
Liabilities	
Accounts payable	\$ 15,508
Refundable performance bond deposits	<u>1,365,106</u>
	<u>\$ 1,380,614</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. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable).

Financial Reporting Entity

For financial reporting purposes, 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 changes in net position) 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, ACHD 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 ACHD.

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 Statement No. 54 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 (ACHD'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 (first-in, first-out) 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 Receivable and Deferred Revenue

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 revenues 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 Assets. 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.

Deferred Outflows/Inflows of Resources

The statement of financial position includes a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. ACHD's deferred outflow of resources consists of the pension obligation. The pension obligation results from the difference between the projected and actual investment earnings, the changes in assumptions, the change in the proportionate share of the net pension liability, and the contributions subsequent to the measurement date of ACHD's net pension liability.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflow of resources. This separate financial statement element 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 two items that qualify for reporting in this category: the deferred net pension and unavailable revenue. The employer deferred net pension results from the difference between the expected and actual experience of the pension plan and the net difference between projected and actual investment earnings on the pension plan investments. The unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Cash and Investments**Unrestricted Cash and Cash Equivalents**

At year-end, the carrying amount of ACHD's deposits was \$44,486,620 and the bank balance was \$45,051,085. Of the bank balance held by ACHD, \$1,000,000 was covered by federal depository insurance, \$34,845,540 was collateralized by securities held in ACHD's name, and \$9,205,545 was uninsured and uncollateralized. The fair market value of the securities used as collateral was \$35,683,486. In addition, ACHD held deposits of \$1,380,614 with a bank balance of \$1,380,614 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 \$1,101,070 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, 2015, ACHD had the following cash equivalents. (Amounts rounded to thousands)

Investment Type	Maturities	Fair Value
Cash Equivalents		
Money Market Savings (Including Road Trust)	Monthly	\$ 5,577,000
Certificates of Deposit	Annually	3,000,000
Cash Management Account	Daily	35,683,000
Total Investments		\$ 44,260,000

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 the 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 \$35,683,000 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 81% of ACHD's investments.

Note 3 - Defined Benefit Pension Plan

ACHD contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens, but not members of the Base Plan except by reason of having served on the Board.

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

Members	
Active Plan	67,008
Terminated and vested	11,859
Retirees and beneficiaries	42,657
	<u>121,524</u>

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employers are set by statute at 60% of the employer rate for general employees. As of June 30 2015, it was 6.79% for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees. ACHD's contributions were \$1,869,445 for the year ended September 30, 2015.

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

At September 30, 2015, ACHD reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. ACHD's proportion of the net pension liability was based on ACHD's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, ACHD's proportion was .005847315.

For the year ended September 30, 2015, ACHD recognized pension expense of \$1,369,635. At September 30, 2015, ACHD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 923,060
Changes in assumptions or other inputs	280,420	-
Net difference between projected and actual earnings on pension plan investments	2,833,800	4,043,525
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	314,226	-
ACHD's contributions subsequent to the measurement date	498,304	-
Total	\$ 3,926,750	\$ 4,966,585

ACHD reported \$498,304 as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014, the beginning of the measurement period ended June 30, 2015 is 5.5 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (revenue) as follows:

Year ended June 30:	
2016	\$ (720,026)
2017	(720,026)
2018	(720,026)
2019	643,123
2020	(21,184)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

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

Actuarial Assumptions

Inflation	3.25%
Salary increases	4.5-10.00%
Salary inflation	3.75%
Investment rate of return	7.10%
Cost-of-living adjustments	1.0%

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

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

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

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	Index	Target Allocation	Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

*Arithmetic return

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 18,754,312	\$ 7,699,963	\$ (1,490,262)

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At September 30, 2015, ACHD had no reported payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 4 - Interfund Receivables and Payables

	Receivables	Payables	Total
General Fund	\$ 41,516	\$ -	\$ 41,516
Enterprise Fund	-	(41,516)	(41,516)
	\$ 41,516	\$ (41,516)	\$ -

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.

Note 5 - Due from Other Governmental Units

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

	General Fund	Enterprise Fund	Total
State of Idaho	\$ 1,409,503	\$ -	\$ 1,409,503
Other cities and counties	1,211,790	28,413	1,240,203
	\$ 2,621,293	\$ 28,413	\$ 2,649,706

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.

Note 6 - Capital Assets

Changes in capital assets are as follows:

	Balance October 1, 2014	Additions	Deletions	Transfers from CIP	Balance September 30, 2015
Governmental activities					
Capital assets, not depreciated					
Land	\$ 855,602	\$ 2,311,052	\$ -	\$ -	\$ 3,166,654
Drainage ponds	10,911,998	774,815	-	-	11,686,813
Right-of-way	1,846,902,730	83,079,342	(2,131,022)	-	1,927,851,050
Easements	30,665,605	7,888,812	-	-	38,554,417
Construction in progress	27,864,172	37,713,270	-	(31,976,666)	33,600,776
Total capital assets, not depreciated	<u>1,917,200,107</u>	<u>131,767,291</u>	<u>(2,131,022)</u>	<u>(31,976,666)</u>	<u>2,014,859,710</u>
Capital assets, depreciated					
Buildings	8,579,528	161,002	(18,885)	-	8,721,645
Machinery and equipment	32,888,458	7,123,702	(1,685,879)	-	38,326,281
Furniture	5,642	-	-	-	5,642
Roadways	1,754,877,622	30,260,101	(4,026,467)	24,824,938	1,805,936,194
Curbs and gutters	124,528,808	2,550,277	-	1,122,586	128,201,671
Sidewalks	139,885,780	2,510,043	-	3,318,918	145,714,741
Bridges	99,680,097	-	(430,555)	938,617	100,188,159
Signals	38,492,284	164,718	(280,028)	1,771,607	40,148,581
Total capital assets, depreciated	<u>2,198,938,219</u>	<u>42,769,843</u>	<u>(6,441,814)</u>	<u>31,976,666</u>	<u>2,267,242,914</u>
Less accumulated depreciation for					
Buildings	(4,064,103)	(292,516)	12,942	-	(4,343,677)
Machinery and equipment	(18,585,787)	(3,187,238)	1,198,234	-	(20,574,791)
Furniture	(5,642)	-	-	-	(5,642)
Infrastructure	(1,400,077,631)	(129,519,265)	2,563,504	-	(1,527,033,392)
Total accumulated depreciation	<u>(1,422,733,163)</u>	<u>(132,999,019)</u>	<u>3,774,680</u>	<u>-</u>	<u>(1,551,957,502)</u>
Total net capital assets, depreciated	<u>776,205,056</u>	<u>(90,229,176)</u>	<u>(2,667,134)</u>	<u>31,976,666</u>	<u>715,285,412</u>
Governmental activities capital assets, net	<u>\$ 2,693,405,163</u>	<u>\$ 41,538,115</u>	<u>\$ (4,798,156)</u>	<u>\$ -</u>	<u>\$ 2,730,145,122</u>

Ada County Highway District
Notes to Financial Statements
September 30, 2015

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015
Business-type activities				
Capital assets, depreciated				
Buildings	\$ 3,712	\$ -	\$ -	\$ 3,712
Equipment	4,001,730	465,928	(364,266)	4,103,392
Total capital assets, depreciated	4,005,442	465,928	(364,266)	4,107,104
Less accumulated depreciation for				
Buildings	(3,712)	-	-	(3,712)
Equipment	(2,360,617)	(591,646)	360,552	(2,591,711)
Total accumulated depreciation	(2,364,329)	(591,646)	360,552	(2,595,423)
Total net capital assets, depreciated	1,641,113	(125,718)	(3,714)	1,511,681
Business-type activities capital assets, net	\$ 1,641,113	\$ (125,718)	\$ (3,714)	\$ 1,511,681
Governmental activities				
Road and highway construction and maintenance				\$ 3,479,753
Unallocated depreciation				129,519,266
Total depreciation expense - governmental activities				\$ 132,999,019
Business-type activities				
Vanpool				\$ 591,646

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, 2015:

	Cost	Accumulated Depreciation
General fund	\$ 5,359,327	\$ 1,283,458

Note 8 - Long-term Debt

Long-term debt at September 30, 2015, includes:

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.	\$ 28,994
Capital lease for four 140M2 Motor Graders and 1 95OH 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.	845,430
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.	59,786
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.	62,625
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.	29,016
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.	284,528
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, secured by wheel loader.	171,825
Capital lease for two Caterpillar 950M Wheel Loaders, 3.20%, payable in annual payments of \$21,836 through June 2019, and one balloon payment of \$320,000 due June 2020, secured by wheel loader.	354,153
Capital lease for one backhoe loader, 3.0% interest, payable in annual payments of \$13,199 through September 2019, and one balloon payment of \$50,341 due September 2020, secured by backhoe loader.	92,353

Capital lease for four Vacuum Sweepers, 2.445% interest, payable in annual payments of \$227,382 through September 2018, and one balloon payment of \$60,000 due September 2019, secured by vacuum sweepers. 704,574

Capital lease for four Vacuum Sweepers, 2.35% interest, payable in annual payments of \$187,792 through September 2019, and one balloon payment of \$40,000 due September 2020, secured by vacuum sweepers. 744,163

Total capital lease obligations \$ 3,377,447

Long-term debt at September 30, 2015 includes:

2016		\$ 674,149
2017		1,440,805
2018		662,494
2019		442,828
2020		<u>410,341</u>
		3,630,617
Less interest		<u>(253,170)</u>
Principal		<u><u>\$ 3,377,447</u></u>

Debt service requirements to maturity for capital lease obligations are:

Governmental Activities

	Balance October 1, 2014	Additions	Returns and Deletions	Balance Sept. 30, 2015	Due within one year
Governmental activities					
Compensated absences	\$ 1,380,501	\$ 19,814	\$ -	\$ 1,400,315	\$ -
Capital leases	<u>2,166,742</u>	<u>2,345,947</u>	<u>(1,135,242)</u>	<u>3,377,447</u>	<u>578,195</u>
Governmental activities long-term debt	<u>\$ 3,547,243</u>	<u>\$ 2,365,761</u>	<u>\$ (1,135,242)</u>	<u>\$ 4,777,762</u>	<u>\$ 578,195</u>

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 2015. Both governmental and proprietary funds participate in the self-insurance program. There were no claims liability outstanding and none were reported on September 30, 2015. The requirements of GASB Statement Nos. 10 and 30, require 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 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.

Note 11 - Adoption of New Standard

As of October 1, 2014, ACHD adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information.

Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities	Business-type Activities	Total
Net Position at September 30, 2014, as previously reported	\$ 2,723,243,559	\$ 3,012,346	\$ 2,726,255,905
Net Pension Liability at September 30, 2014	(4,054,336)	(82,741)	(4,137,077)
Deferred inflows related to investments and experience during the year ended September 30, 2014	(5,581,273)	(113,904)	(5,695,177)
Deferred outflows of resources related to contributions made during the year ended September 30, 2014	812,174	16,575	828,749
Net Position at September 30, 2014, restated	\$ 2,714,420,124	\$ 2,832,276	\$ 2,717,252,400



Required Supplementary Information
September 30, 2015

Ada County Highway District

Ada County Highway District
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2015

	<u>Budgeted Amounts-GAAP</u>		Actual, GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 33,306,000	\$ 33,571,000	\$ 33,878,609	\$ 307,609
State highway users fund	21,220,000	21,220,000	21,840,105	620,105
State sales tax distribution	1,500,000	1,500,000	1,628,502	128,502
Federal and state grants	8,372,755	6,656,995	5,385,508	(1,271,487)
Cost-sharing payments	300,000	3,437,502	3,337,841	(99,661)
Fees and services	1,291,000	1,939,000	2,086,460	147,460
Ada County vehicle registration fees	9,200,000	9,200,000	9,644,507	444,507
Development impact fees	13,000,000	13,025,000	14,391,607	1,366,607
Interest	20,000	20,000	36,681	16,681
Other	1,278,000	1,616,000	427,912	(1,188,088)
Total revenues	<u>89,487,755</u>	<u>92,185,497</u>	<u>92,657,732</u>	<u>472,235</u>
Expenditures				
Commissioners	200,100	202,100	207,513	(5,413)
Director	669,600	671,100	656,514	14,586
Legal	847,800	773,250	747,270	25,980
Human resource	896,100	879,100	846,225	32,875
Communications	672,800	598,800	592,216	6,584
Planning and projects	3,306,850	3,376,400	3,232,744	143,656
Operations	25,524,900	25,539,806	23,816,452	1,723,354
Technical	11,932,900	12,058,556	11,769,559	288,997
Infrastructure improvements	44,863,320	47,530,223	45,927,491	1,602,732
Capital outlay	4,506,385	6,645,504	7,308,888	(663,384)
Debt service - principal	-	-	879,128	(879,128)
Debt service - interest	-	-	61,809	(61,809)
Total expenditures	<u>93,420,755</u>	<u>98,274,839</u>	<u>96,045,809</u>	<u>2,229,030</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,933,000)</u>	<u>(6,089,342)</u>	<u>(3,388,077)</u>	<u>2,701,265</u>
Other Financing Sources				
Proceeds from sale of assets	-	-	1,495,747	1,495,747
Capital lease proceeds	-	-	2,345,947	2,345,947
Total other financing sources	<u>-</u>	<u>-</u>	<u>3,841,694</u>	<u>3,841,694</u>
Excess (Deficiency) of Revenues and Other Financing sources over (under) Expenditures	<u>\$ (3,933,000)</u>	<u>\$ (6,089,342)</u>	<u>\$ 453,617</u>	<u>\$ 6,542,959</u>

ACHD follows these procedures in establishing the budget for the General Fund:

1. ACHD, 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. ACHD'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).

Ada County Highway District
 Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 September 30, 2015

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

	2015	2014
Employer's portion of the net pension liability	0.005847315	0.005619833
Employer's proportionate share of the net pension liability	\$ 7,699,963	\$ 4,137,077
Employer's covered-employee payroll	16,431,297	15,574,983
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	46.86%	26.56%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However until a full 10-year trend is compiled, ACHD will present information for those years for which information is available.

Data reported is measured as of July 1, 2015

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

	2015	2014
Statutorily required contribution	\$ 2,975,708	\$ 2,820,629
Contributions in relation to the statutorily required contribution	2,975,565	2,821,803
Contribution (deficiency) excess	(143)	1,174
Employer's covered-employee payroll	16,431,297	15,574,983
Contributions as a percentage of covered-employee payroll	18.11%	18.12%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However until a full 10-year trend is compiled, ACHD will present information for those years for which information is available.

Data reported is measured as of September 30, 2015.



Federal Awards Reports in Accordance with the Single
Audit Act and OMB Circular A-133
September 30, 2015

Ada County Highway District

Ada County Highway District
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2015

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>\$ 5,685,733</u>
Total Department of Transportation			<u>5,685,733</u>
Total Federal Financial Assistance			<u><u>\$ 5,685,733</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, 2015. 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 a majority of 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. For the grant activity accounted for under the business-type funds, the expenditures in the schedule of expenditures of federal awards are recognized on the full 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.



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, and the remaining fund information of Ada County Highway District (ACHD) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise ACHD’s basic financial statements, and have issued our report thereon dated January 05, 2016.

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.

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See findings 2015-A through 2015-B.

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
January 05, 2016



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, 2015. 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, 2015.

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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in dark ink and is positioned above the typed name and date.

Boise, Idaho
January 05, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	Yes
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 that are required to be reported in accordance with Circular A-133, Section 510(a)?	No
Identification of major programs:	
Name of Federal Program	<u>CFDA Number</u>
Department of Transportation - Highway Planning & Construction	20.205
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

2015-A – Capital Asset Correction

Condition – In the current year, it was noted that a significant amount of construction in progress amounts had been removed from capital assets in a prior year that should have remained in capital assets, which resulted in a passed adjustment to correct the activity in the prior year of \$4,660,830.

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 policies in place were not reflective of the actual activities that take place within the construction in progress account.

Effect – Capital assets were understated causing a misstatement in the prior year’s financials statement.

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 – A thorough analysis of the projects included in the construction in progress will be carried out to ensure all costs incurred throughout the life of the project are recorded and retained in the account until the completion of the project. If an initiated project is delayed due to the funding or other circumstances, the incurred costs related to such a project will be kept in the construction in progress account until the activity is either completed or a determination is made to permanently cease the project.

2015-B – Timely Closing Process

Condition – The year end closing process was not complete at the time of the audit. As a result of the delayed closing process, there were multiple adjustments proposed by management as well as supporting schedules having to be adjusted multiple times during the audit as management finalized their trial balance.

Criteria – Management should establish a timeline of when the various steps of the year end close process need to be completed by in order to present a final trial balance and draft of the report at the time the audit.

Cause – Due to several projects management was focused on completing during the year with limited resources, the year end close process was delayed.

Effect – The trial balance and supporting schedules were adjusted by management multiple times during the audit.

Recommendation – Management should examine the current close process and set hard deadlines of when the various steps needed to be completed by to ensure a timely close and complete trial balance at the time of the audit.

Management’s Response and Action Plan – A comprehensive review of the closing process will be re-evaluated, and more efficient procedures will be put in place to remedy the delay in closing before the audit work begins. We will identify tasks typically performed only at year-end and examine the possibility of performing certain tasks prior to year-end as resources allow.

Section III – Federal Award Findings and Questioned Costs

None

No prior year findings.