



Financial Statements
September 30, 2016

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, 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of ACHD, as of September 30, 2016, 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.

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 of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 4, 2017, 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 "Eide Bailly LLP".

Boise, Idaho
January 4, 2017

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of ACHD exceeded its liabilities and deferred inflows at September 30, 2016 by \$2.735 million. Of this amount \$39.8 million is unrestricted and available to meet ACHD's on-going obligations to citizens and creditors.
- During fiscal year 2016, ACHD's total Net Position decreased \$18.1 million as compared to an increase of \$36.0 million in fiscal year 2015.
- 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 96.6% of the budget. With encumbrances, the amount increased to 99.8% of the budget.
- Total fund balance at September 30, 2016 was \$48.8 million compared to a total at September 30, 2015 of \$33.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net position presents information on all of ACHD's assets, deferred outflows, liabilities, and deferred inflows with the difference between the two 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 a decrease in total Net Position of \$18.1 million or 0.7% from fiscal year 2015 to 2016. (See Table A-1.) The decrease is driven by a capital assets base that depreciated \$145.1 million in fiscal year 2016 which is higher than the total value \$113.4 million of new assets. Due to a stable economic condition and consistent new development, the amount of Net Position decrease was minor from the prior year.

Long-Term debt outstanding decreased \$491 thousand or 17.5% driven by a large balloon payment due current in the next fiscal year for a capital lease on four graders and a loader.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Current assets	\$ 83,027,646	\$ 94,100,493	\$ 1,458,247	\$ 1,730,261	\$ 84,485,893	\$ 95,830,754	13.4%
Capital assets	2,730,145,122	2,696,956,501	1,511,681	1,741,338	2,731,656,803	2,698,697,839	(1.2)%
Total assets	2,813,172,768	2,791,056,994	2,969,928	3,471,599	2,816,142,696	2,794,528,593	(0.8)%
Deferred outflows of of resources	3,848,215	3,996,860	78,535	81,568	3,926,750	4,078,428	3.9%
Long-term debt outstanding	2,799,252	2,308,236	-	-	2,799,252	2,308,236	(17.5)%
Other liabilities	25,496,414	24,968,085	322,429	443,356	25,818,843	25,411,441	(1.6)%
Total liabilities	28,295,666	27,276,321	322,429	443,356	28,618,095	27,719,677	(3.1)%
Deferred inflows of resources	38,147,512	35,756,931	99,332	25,273	38,246,844	35,782,204	(6.4)%
Net position							
Net investment in capital assets	2,726,767,675	2,693,025,202	1,511,681	1,741,338	2,728,279,356	2,694,766,540	(1.2)%
Restricted net position	454,916	500,028	-	-	454,916	500,028	5.4%
Unrestricted net position	23,355,214	38,495,372	1,115,021	1,343,200	24,470,235	39,838,572	62.8%
Total net position	\$ 2,750,577,805	\$ 2,732,020,602	\$ 2,626,702	\$ 3,084,538	\$ 2,753,204,507	\$ 2,735,105,140	(0.7)%

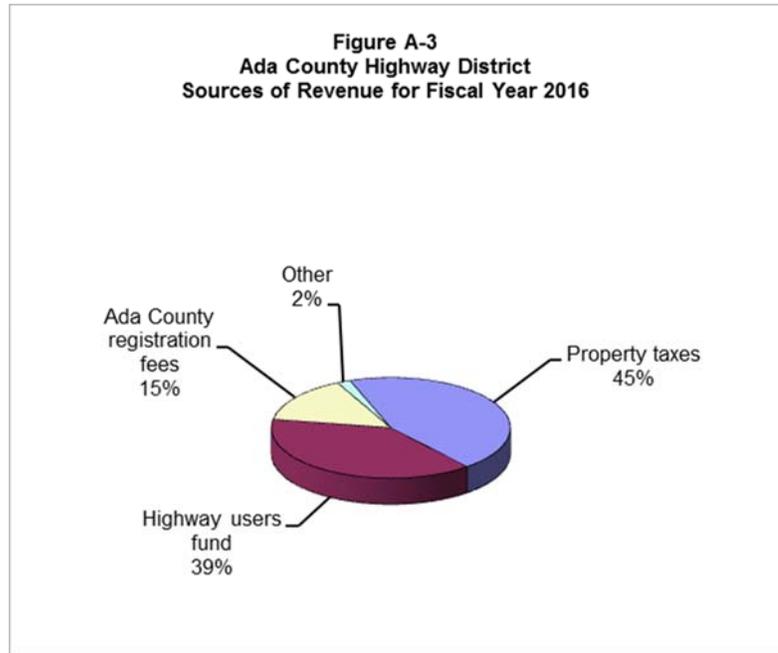
Changes in Net Position. ACHD's changes in Net Position are compared between fiscal year 2015 and 2016. (See Table A-2.) Net Position decreased \$18.1 million in fiscal year 2016. This decrease resulted from a reduction in grants and contributions and a capital asset base which was depreciated \$31.7 million more than the total value of new assets.

The two largest components of revenues for ACHD are property taxes and capital grants & contributions which represents a combined 72.5% of total revenues in fiscal year 2016. On the expenses side, unallocated depreciation expense is the largest component, 74.1% of total expenses in fiscal year 2016. Depreciation is generally a fixed expense which occurs regardless of economic activity or how much business activity ACHD performs.

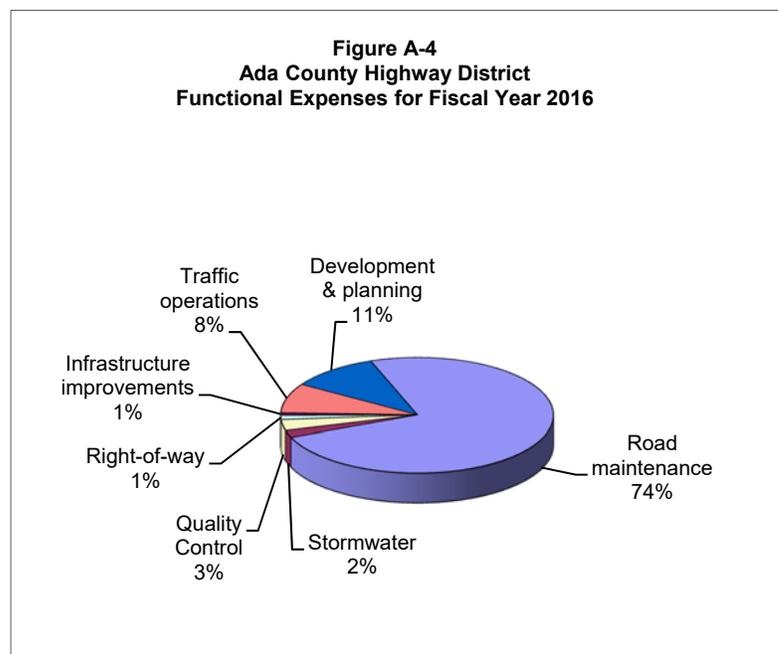
**Table A-2
Changes in Ada County Highway District's Net Position**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Revenues							
Program revenues							
Charges for services	\$ 5,544,666	\$ 4,187,139	\$ 1,234,825	\$ 1,144,235	\$ 6,779,491	\$ 5,331,374	(21.4)%
Operating grants & contributions	-	-	526,136	576,798	526,136	576,798	9.6%
Capital grants & contributions	152,794,996	90,066,859	28,413	717,283	152,823,409	90,784,142	(40.6)%
General revenues							
Property taxes	33,808,238	33,840,348	-	-	33,808,238	33,840,348	0.1%
State highway users fund	21,840,105	29,316,885	-	-	21,840,105	29,316,885	34.2%
Sales tax & other governmental	11,273,009	11,341,565	-	-	11,273,009	11,341,565	0.6%
Investment earnings	36,680	47,276	-	-	36,680	47,276	28.9%
Miscellaneous	307,748	608,120	-	-	307,748	608,120	97.6%
Total revenues	225,605,442	169,408,192	1,789,374	2,438,316	227,394,816	171,846,508	(24.4)%
Expenses							
Road maintenance	32,298,651	35,442,307	-	-	32,298,651	35,442,307	9.7%
Stormwater	937,924	952,950	-	-	937,924	952,950	1.6%
Quality control	1,256,620	1,310,809	-	-	1,256,620	1,310,809	4.3%
Right-of-way	547,777	572,035	-	-	547,777	572,035	4.4%
Infrastructure improvements	12,875,203	334,924	-	-	12,875,203	334,924	(97.4)%
Traffic operations	3,993,177	3,977,460	-	-	3,993,177	3,977,460	(0.4)%
Development & planning	4,917,341	5,031,745	-	-	4,917,341	5,031,745	2.3%
Unallocated depreciation expense	129,519,265	140,718,795	-	-	129,519,265	140,718,795	8.6%
Transfer of assets-right of way	2,131,022	260,155	-	-	2,131,022	260,155	(87.8)%
Sale of assets	915,704	(736,033)	-	-	915,704	(736,033)	(180.4)%
Interest on long-term debt	55,077	100,248	-	-	55,077	100,248	82.0%
Vanpool	-	-	1,994,948	1,980,480	1,994,948	1,980,480	(0.7)%
Total expenses	189,447,761	187,965,395	1,994,948	1,980,480	191,442,709	189,945,875	(0.8)%
Increase (decrease) in net position	\$ 36,157,681	\$ (18,557,203)	\$ (205,574)	\$ 457,836	\$ 35,952,107	\$ (18,099,367)	(150.3)%

ACHD's major revenue sources (excluding all program revenues such as developer contributions and impact fees) are property taxes (45%), highway users fund (39%), and Ada County registration fees (15%). (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 75% of the total expenses. (See Figure A-4.)



Governmental Activities

Total revenues for ACHD's governmental activities decreased \$56.2 million primarily driven by a significant decrease in capital grant and contributions, whereas total expenses decreased \$1.5 million.

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 \$188.4 million, an increase of 1.1% 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 2016, the net cost of services increased 235.6% due to a lesser amount received in developer contributions than in the prior year.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2015	2016	2015-2016	2015	2016	2015-2016
Roadway Maintenance	\$ 32,298,651	\$ 35,442,307	9.7%	\$ 32,298,651	\$ 35,442,307	9.7%
Traffic Operations	3,993,177	3,977,460	(0.4)%	3,748,042	3,759,016	0.3%
Infrastructure Improvements	12,875,203	334,924	(97.4)%	(143,377,798)	(91,690,527)	36.0%
Quality Control	1,256,620	1,310,809	4.3%	27,923	(239,575)	(958.0)%
Development and planning	4,917,341	5,031,745	2.3%	4,704,938	4,742,252	0.8%
Other	131,060,043	142,344,028	8.6%	130,659,617	142,173,802	8.8%
Total	\$ 186,401,035	\$ 188,441,273	1.1%	\$ 28,061,373	\$ 94,187,275	235.6%

Business-Type Activities

The Net Position of ACHD's business-type activities (Refer back to Table A-2) increased \$457.8 thousand or 17.4% compared to a decrease of \$205.6 thousand in the prior year.

This change in net position resulted from an increase in revenue related to grants received for the purchase of 20 new vans.

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 \$23.2 million. The General Fund's total fund balance was \$48.8 million, an increase of \$15.5 million over last year.

Approximately 7.5% or \$3.6 million of the total fund balance is committed into fiscal year's 2017 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 96.9% of the final budget amounts compared to 97.7% in the prior fiscal year. When taking encumbrances into consideration the percentage raises to 100.2% of the final budget amounts compared to 99.1% in the prior fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, ACHD had \$2.7 billion in capital assets including bridges, curbs and gutters, drainage ponds, easements, right-of-way, roads, sidewalks, and traffic signals. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$32.9 million or 1.2% driven mostly by the increase in accumulated depreciation.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Land	\$ 1,981,258,934	\$ 2,035,244,348	\$ -	\$ -	\$ 1,981,258,934	\$ 2,035,244,348	2.7%
Buildings & improvements	4,377,968	4,211,901	-	-	4,377,968	4,211,901	(3.8)%
Equipment	17,751,490	18,775,529	1,511,680	1,741,338	19,263,170	20,516,867	6.5%
Infrastructure	693,155,953	605,673,184	-	-	693,155,953	605,673,184	(12.6)%
Construction in progress	33,600,776	33,051,539	-	-	33,600,776	33,051,539	(1.6)%
Total	<u>\$ 2,730,145,121</u>	<u>\$ 2,696,956,501</u>	<u>\$ 1,511,680</u>	<u>\$ 1,741,338</u>	<u>\$ 2,731,656,801</u>	<u>\$ 2,698,697,839</u>	<u>(1.2)%</u>

This year's major capital asset additions included:

- Thirty (30) miles of roadway and right-of-way contributed by new development.
- Completion of 36th St, Hill Rd, and Catalpa intersection.
- Construction in progress for Cloverdale Rd, Franklin Rd to Fairview Ave.
- Construction in progress for Five Mile Rd, Fairview Ave to Ustick Rd.
- Completion of Linder Ave, Main St, 3rd St Roundabout.
- Completion of Linder Rd, 1/4 mile North of Chinden Rd to 2/3 mile North of Chinden Rd.

At the end of fiscal year 2016 the average Pavement Condition Index (PCI) Rating for ACHD roadways was Very Good (PCI Rating between 100-70).

ACHD's bridges are inspected on a regular basis as a part of our bridge inspection program. The bridges are shown as approximately 55.7% depreciated, which would indicate that ACHD will need to pay particular attention to this category of 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 \$3.9 million in capital lease obligations. (See Table A-5.) In fiscal year 2016, ACHD entered into **one** new lease which contributed to an increase of 16.4% in total capital lease obligations.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Current portion of capital leases	\$ 578,195	\$ 1,623,063	\$ -	\$ -	\$ 578,195	\$ 1,623,063	180.7%
Noncurrent portion of capital leases	2,799,252	2,308,236	-	-	2,799,252	2,308,236	(17.5)%
Total capital lease obligations	\$ 3,377,447	\$ 3,931,299	\$ -	\$ -	\$ 3,377,447	\$ 3,931,299	16.4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Current Economic Factors

- The U.S. Census Bureau estimate of Ada County population for 2015 is 434,211 which is an increase of 1.9% from the prior year.
- Unemployment in Ada County is at 3.3% compared to 3.4% from the prior year.
- Single-family housing starts in Ada County are up 26.4% cumulative year-to-date as of September, 2016 compared to the same period last year.
- Fuel prices in the local area have decreased 5.1% compared to last year.

These factors were considered in preparing ACHD's budget for the 2017 fiscal year.

Budgets and Rates

- The general fund budget for fiscal year 2017 is \$100.8 million, a 2.8% increase over the final 2016 budget of \$98.1 million.
- For the eighth consecutive year, ACHD opted to not take the three-percent increase in the property tax rate allowed by law. Conversely, ACHD opted to take the three-percent increase or \$1.2 million in property taxes permitted for the growth in new construction.
- Development impact fee revenue is budgeted at \$14 million in FY17 which is \$8.0 million less than actual revenue collected in the current year. This year's revenue included \$2.5 million in deferred impact fee collections and additional unexpected revenue from several major commercial developments.
- Highway Users Fund revenue is anticipated to increase \$750 thousand.

- ACHD's fiscal year 2017 capital budget anticipates spending \$49.3 million for capital projects which includes the following key projects:
 - Community Projects – Approximately \$9.6 million of the capital budget, nearly 19 percent, is set aside for 50 projects providing safe routes to school, bike lane additions and neighborhood enhancements.
 - Fairview Ave and Cole Rd – Widen intersection to 8 lanes on Fairview and 7 lanes on Cole Rd. including curb, gutter, sidewalk, and bike lanes, in accordance with the 2012 CIP. Project includes non-traversable raised medians.
 - Ustick Rd. and Meridian Rd. – Widen intersection to 7 lanes on all approaches, in accordance with the 2012 CIP. Project to be constructed concurrently with the Ustick Rd., Meridian Rd. / Locust Grove Rd. and Ustick Rd., Linder Rd. / Meridian Rd.
 - Ustick Rd., Linder Rd. / Meridian Rd. – Widen Ustick Rd. to 5 lanes with curb, gutter, sidewalks and bike lanes, in accordance with the 2012 CIP. Project to be constructed concurrently with the Ustick Rd./Meridian Rd. intersection and Ustick Rd., Linder Rd./ Locust Grove Rd.
 - Ustick Rd., Meridian Rd. / Locust Grove Rd. - Widen Ustick Rd. to 5 lanes with curb, gutter, sidewalks and bike lanes, in accordance with the 2012 CIP. Project to be constructed concurrently with the Ustick Rd. /Meridian Rd. intersection and Ustick Rd., Linder Rd. / Meridian Rd.

Ada County Highway District
Statement of Net Position
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 55,211,823	\$ 1,793,711	\$ 57,005,534
Receivables			
Property taxes from Ada County	34,943,104	-	34,943,104
Due from other governmental units	564,029	24	564,053
Other	364,350	-	364,350
Inventory			
Equipment parts and fuel	79,036	-	79,036
Materials	2,874,677	-	2,874,677
Internal balances	63,474	(63,474)	-
Total current assets	<u>94,100,493</u>	<u>1,730,261</u>	<u>95,830,754</u>
Noncurrent Assets			
Capital assets			
Land, infrastructure, and other assets not depreciated	2,068,295,887	-	2,068,295,887
Buildings, improvements, equipment, and infrastructure, net of depreciation	<u>628,660,614</u>	<u>1,741,338</u>	<u>630,401,952</u>
Total noncurrent assets	<u>2,696,956,501</u>	<u>1,741,338</u>	<u>2,698,697,839</u>
Total assets	<u>2,791,056,994</u>	<u>3,471,599</u>	<u>2,794,528,593</u>
Deferred Outflows			
Net pension obligation	<u>3,996,860</u>	<u>81,568</u>	<u>4,078,428</u>

Ada County Highway District
Statement of Net Position
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Vouchers payable	\$ 4,580,701	\$ 209,238	\$ 4,789,939
Accrued payroll	1,018,976	-	1,018,976
Interest payable	25,822	-	25,822
Advanced revenue	458,499	-	458,499
Current portion of capital lease obligations	1,623,063	-	1,623,063
Total current liabilities	<u>7,707,061</u>	<u>209,238</u>	<u>7,916,299</u>
Noncurrent Liabilities			
Compensated absences	1,490,979	-	1,490,979
Capital lease obligations	2,308,236	-	2,308,236
Refundable performance deposits	4,298,271	-	4,298,271
Net pension liability	11,471,774	234,118	11,705,892
Total liabilities	<u>27,276,321</u>	<u>443,356</u>	<u>27,719,677</u>
Deferred Inflows of Resources			
Employee pension assumptions	1,238,396	25,273	1,263,669
Unavailable - property tax	34,518,535	-	34,518,535
Total deferred inflows of resources	<u>35,756,931</u>	<u>25,273</u>	<u>35,782,204</u>
Net Position			
Net investment in capital assets	2,693,025,202	1,741,338	2,694,766,540
Restricted	500,028	-	500,028
Unrestricted	38,495,372	1,343,200	39,838,572
Total Net Position	<u><u>\$ 2,732,020,602</u></u>	<u><u>\$ 3,084,538</u></u>	<u><u>\$ 2,735,105,140</u></u>

Ada County Highway District
Statement of Activities
Year Ended September 30, 2016

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	\$ (35,442,307)	\$ -	\$ -	\$ -	\$ (35,442,307)
Stormwater	(952,950)	-	-	-	(952,950)
Quality control	(1,310,809)	1,550,384	-	-	239,575
Right-of-way	(572,035)	170,226	-	-	(401,809)
Infrastructure improvements	(334,924)	1,958,592	-	90,066,859	91,690,527
Traffic operations	(3,977,460)	218,444	-	-	(3,759,016)
Development and planning	(5,031,745)	289,493	-	-	(4,742,252)
Unallocated depreciation expense	(140,718,795)	-	-	-	(140,718,795)
Transfer of assets-right of way	(260,155)	-	-	-	(260,155)
Gain on sale of assets	736,033	-	-	-	736,033
Interest on long-term debt	(100,248)	-	-	-	(100,248)
Total Governmental Activities	(187,965,395)	4,187,139	-	90,066,859	(93,711,397)
Business-Type Activities					
Vanpool	(1,980,480)	1,144,235	576,798	717,283	457,836
Total Business-Type Activities	(1,980,480)	1,144,235	576,798	717,283	457,836
Total Primary Government	\$ (189,945,875)	\$ 5,331,374	\$ 576,798	\$ 90,784,142	\$ (93,253,561)

Ada County Highway District
Statement of Activities
Year Ended September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net (Expenses) Revenue	\$ (93,711,397)	\$ 457,836	\$ (93,253,561)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	33,840,348	-	33,840,348
State highway users fund	29,316,885	-	29,316,885
Sales tax and other governmental	11,341,565	-	11,341,565
Unrestricted investment earnings	47,276	-	47,276
Miscellaneous	608,120	-	608,120
Total General Revenues	75,154,194	-	75,154,194
Change in Net Position	(18,557,203)	457,836	(18,099,367)
Net Position, Beginning of Year	2,750,577,805	2,626,702	2,753,204,507
Net Position, End of Year	\$ 2,732,020,602	\$ 3,084,538	\$ 2,735,105,140

Ada County Highway District
Balance Sheet – Governmental Funds
September 30, 2016

	Governmental Funds General
Assets	
Cash and cash equivalents	\$ 55,211,823
Receivables	
Property taxes from Ada County	34,943,104
Due from other governmental units	564,029
Internal Balances	63,474
Other	364,350
Inventories	
Equipment parts and fuel	79,036
Materials	2,874,677
Total assets	\$ 94,100,493
Liabilities, Deferred Inflows, and Fund Balances	
Liabilities	
Vouchers payable	\$ 4,580,701
Accrued payroll	1,018,976
Advanced revenue	458,500
Refundable performance deposits	4,298,271
Total liabilities	10,356,448
Deferred Inflows of Resources	
Unavailable - property tax	34,943,105
Total deferred inflows	34,943,105
Fund Balances	
Nonspendable	
Inventory	2,953,713
Restricted	
Extraordinary impact fees	500,028
Committed	
Carryover funds	3,647,300
Assigned	
Encumbrances	3,066,000
Self-Insurance	2,000,000
Right-of-way acquisitions	1,000,000
Future needs	6,100,000
Priority corridor	6,300,000
Unassigned	23,233,898
Total fund balances	48,800,939
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 94,100,493

Ada County Highway District
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2016

Fund balance - total governmental funds	\$	48,800,939
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets and infrastructure used in governmental activities are not financial resources and therefore are not reported in the funds.		2,696,956,501
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		424,572
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.		
Leases	(3,931,299)	
Net Pension Liability	<u>(11,471,774)</u>	(15,403,073)
Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.		(1,490,979)
Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(25,822)
Deferred outflows of resources related to pension obligations		3,996,860
Deferred inflows of resources related to pensions		<u>(1,238,396)</u>
Net position of governmental activities	\$	<u><u>2,732,020,602</u></u>

Ada County Highway District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2016

	Governmental Funds
	General
Revenues	
Property taxes	\$ 33,891,723
State highway users fund	29,316,885
State sales tax distribution	1,779,669
Federal and state grants	2,073,415
Cost-sharing payments	1,911,927
Fees and services	2,228,581
Ada County vehicle registration fees	9,608,562
Development impact fees	22,090,460
Interest	47,276
Other	608,120
Total revenues	103,556,618
Expenditures	
Commissioners	220,455
Director	641,488
Legal	1,035,347
Human resource	827,688
Communications	693,252
Planning and projects	3,110,868
Operations	24,657,776
Technical	12,028,241
Infrastructure improvements	42,195,490
Capital outlay	4,688,855
Debt service - principal	864,349
Debt service - interest	95,954
Total expenditures	91,059,763
Excess of Revenues over Expenditures	12,496,855
Other Financing Sources	
Proceeds from sales of assets	1,640,940
Capital leases	1,418,201
Net Change in Fund Balances	15,555,996
Fund Balance, Beginning of Year	33,320,828
Decrease in Reserve for Inventories	(75,885)
Fund Balance, End of Year	\$ 48,800,939

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, 2016

Net change in fund balances - total governmental funds	\$ 15,555,996
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 (\$4,688,855) exceeded depreciation expense (\$3,757,242) in the current period.	931,613
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 (\$140,718,795) exceeded infrastructure additions (\$41,860,568) in the current period.	(98,858,227)
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.	65,902,985
In the statement of activities, only the gain or loss on disposal of assets is reported, whereas in the governmental funds, the entire proceeds from the disposal increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.	(1,164,992)
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.	(75,885)
Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(51,375)
Long-term debt and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces the debt in the statement of net position. This is the amount by which proceeds (\$1,418,201) exceeded repayments (\$864,349) and returns (\$0).	(553,852)
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.	(90,664)
Expenditures (revenues) related to the net pension liability do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(148,508)
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.	(4,294)
Total	<u><u>\$ (18,557,203)</u></u>

Ada County Highway District
Balance Sheet – Proprietary Funds
September 30, 2016

	Enterprise Fund Van Pool
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,793,711
Receivables	
Due from other governmental units	24
Total current assets	1,793,735
Noncurrent Assets	
Capital assets	
Machinery and equipment	4,408,033
Less accumulated depreciation	(2,666,695)
Total noncurrent assets	1,741,338
Deferred Outflow of Resources	
Deferred Outflows-Pension	81,568
	\$ 3,616,641
 Liabilities, Deferred Inflows, and Net Position	
Current Liabilities	
Vouchers payable	\$ 209,238
Internal balances	63,474
	272,712
Noncurrent Liabilities	
Net Pension Liability	234,118
Total liabilities	506,830
Deferred Inflow of Resources	
Deferred Inflows-Pension	25,273
Net Position	
Invested in capital assets	1,741,338
Unrestricted	1,343,200
Total net position	3,084,538
	\$ 3,616,641

Ada County Highway District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2016

	Enterprise Fund
	Van Pool
Operating Revenues	
User charges	\$ 1,029,087
Operational contribution from federal grants	326,798
Operational contribution from the general fund	250,000
Other	115,148
Total operating revenues	1,721,033
Operating Expenses	
Payroll and related costs	573,120
Insurance	28,945
Fuel	234,297
Licenses and operating costs	179,110
Advertising	87,916
Office and other	204,642
Depreciation	669,583
Leases and rentals	2,867
Total operating expenses	1,980,480
Operating Loss	(259,447)
Capital contributions	717,283
Changes in Net Position	457,836
Net Position, Beginning of Year	2,626,702
Net Position, End of Year	\$ 3,084,538

Ada County Highway District
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2016

	Enterprise Fund Van Pool
Operating Activities	
Received from user charges	\$ 1,029,375
Received from federal grant subsidies	355,187
Received from general fund subsidies	271,957
Received from other	34,786
Payments to employees for services	(570,094)
Payments to suppliers for goods and services	(760,187)
	361,024
Net Cash from Operating Activities	
Capital and Related Financing Activities	
Proceeds from federal grants (vans)	717,283
Proceeds from sale of capital assets	143,582
Payments for capital acquisitions	(899,240)
	(38,375)
Net Cash used for Capital and Related Financing Activities	
Net Change in Cash and Cash Equivalents	322,649
Cash and Cash Equivalents, Beginning of Year	1,471,062
Cash and Cash Equivalents, End of Year	\$ 1,793,711
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (259,447)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	669,583
Gain on sale of capital assets	(143,582)
GASB 68 Expense	3,027
Changes in assets and liabilities	
Accounts receivable	288
Due from government units	28,389
Vouchers payable	40,808
Due to other funds	21,958
	361,024
Net Cash from Operating Activities	\$ 361,024

Ada County Highway District
Statement of Fiduciary Net Position – Agency Funds
September 30, 2016

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,202,857</u>
	<u>\$ 1,202,857</u>
Liabilities	
Refundable performance bond deposits	<u>\$ 1,202,857</u>
	<u>\$ 1,202,857</u>

Note 1 - Summary of Significant Accounting Policies

Ada County Highway District (ACHD or the District) 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 activities report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, 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 inflows of resources at ACHD's year end and are recognized as revenues as the property taxes are collected in the following fiscal year.

Capital Assets

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

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

The estimated useful lives of capital assets are as follows:

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

Accumulated Compensated Absences and Other Benefit Amounts

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 net 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 in the statement of net position and the governmental funds balance sheet. The governmental activities and 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 \$57,005,534 and the bank balance was \$59,007,562. Of the bank balance held by ACHD, \$773,115 was covered by federal depository insurance, \$47,515,660 was collateralized by securities held in ACHD's name, and \$10,718,787 was uninsured and uncollateralized. The fair market value of the securities used as collateral was \$48,465,973. In addition, ACHD held deposits of \$1,202,857 with a bank balance of \$1,202,857 in a custodial capacity for the Road Trust Agency Fund. Of the bank balance for these trust funds, \$279,500 was covered by federal depository insurance and \$923,357 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, 2016, ACHD had the following cash equivalents. (Amounts rounded to thousands)

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash Equivalents		
Money Market Savings (Including Road Trust)	Monthly	\$ 5,425,000
Certificates of Deposit	Annually	5,000,000
Cash Management Account	Daily	<u>47,516,000</u>
 Total Investments		 <u><u>\$ 57,941,000</u></u>

Interest Rate Risk. ACHD has an investment policy that limits the maturities on individual investments to no more than one year. Approval is required by 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 \$47,516,000 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 82% 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.

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, 2016, 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 \$1,944,724 for the year ended September 30, 2016.

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

At September 30, 2016, ACHD reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 June 30, 2016, ACHD's proportion was .005774546.

For the year ended September 30, 2016, ACHD recognized pension expense of \$151,334. At September 30, 2016, 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	\$ -	\$ 1,166,406
Changes in assumptions or other inputs	260,214	-
Net difference between projected and actual earnings on pension plan investments	3,035,357	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions for 2015	244,398	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions for 2016	-	97,263
ACHD's contributions subsequent to the measurement date	538,459	-
Total	\$ 4,078,428	\$ 1,263,669

ACHD reported \$538,459 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, 2017.

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, 2015, the beginning of the measurement period ended June 30, 2016 is 4.9 years and 5.5 for the measurement period June 30, 2015.

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:		
2017	\$	60,110
2018		60,110
2019		1,406,295
2020		760,594
2021		(10,809)

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 June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions

Inflation	3.25%
Salary increases	4.25-10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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 for the period July 1, 2007, through June 30, 2013, 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, 2016, is based on the results of an actuarial valuation date of July 1, 2016.

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, 2016.

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70.00%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55.00%	50%-65%
International	9.25%	20.20%	15.00%	10%-20%
Fixed Income	3.05%	3.75%	30.00%	23%-33%
Cash	2.25%	0.90%	0	0%-5%
	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

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)	\$ 22,962,805	\$ 11,705,892	\$ 2,344,525

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 ww.persi.idaho.gov.

Payables to the Pension Plan

At September 30, 2016, 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

	<u>Receivables</u>	<u>Payables</u>	<u>Total</u>
General Fund	\$ 63,474	\$ -	\$ 63,474
Enterprise Fund	-	(63,474)	(63,474)
	<u>\$ 63,474</u>	<u>\$ (63,474)</u>	<u>\$ -</u>

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:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
State of Idaho	\$ 499,726	\$ -	\$ 499,726
Other cities and counties	64,303	24	64,327
	<u>\$ 564,029</u>	<u>\$ 24</u>	<u>\$ 564,053</u>

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, 2015	Additions	Deletions	Transfers from CIP	Balance September 30, 2016
Governmental activities					
Capital assets, not depreciated					
Land	\$ 3,166,654	\$ -	\$ -	\$ -	\$ 3,166,654
Drainage ponds	11,686,813	98,969	-	343,890	12,129,672
Right-of-way	1,927,851,050	45,945,826	(260,155)	-	1,973,536,721
Easements	38,554,417	7,856,884	-	-	46,411,301
Construction in progress	33,600,776	17,514,962	-	(18,064,199)	33,051,539
Total capital assets, not depreciated	<u>2,014,859,710</u>	<u>71,416,641</u>	<u>(260,155)</u>	<u>(17,720,309)</u>	<u>2,068,295,887</u>
Capital assets, depreciated					
Buildings	8,721,645	161,024	(9,050)	-	8,873,619
Machinery and equipment	38,326,281	4,527,831	(4,081,364)	-	38,772,748
Furniture	5,642	-	-	-	5,642
Roadways	1,805,936,194	27,841,444	(2,765,725)	10,837,385	1,841,849,298
Curbs and gutters	128,201,671	3,647,071	(10,032)	1,547,398	133,386,108
Sidewalks	145,714,741	4,267,605	(3,229)	862,600	150,841,717
Bridges	100,188,159	545,730	(173,858)	3,207,262	103,767,293
Signals	40,148,581	45,062	(55,900)	1,265,664	41,403,407
Total capital assets, depreciated	<u>2,267,242,914</u>	<u>41,035,767</u>	<u>(7,099,158)</u>	<u>17,720,309</u>	<u>2,318,899,832</u>
Less accumulated depreciation for					
Buildings	(4,343,677)	(323,320)	5,279	-	(4,661,718)
Machinery and equipment	(20,574,791)	(3,433,922)	4,011,494	-	(19,997,219)
Furniture	(5,642)	-	-	-	(5,642)
Infrastructure	(1,527,033,392)	(140,718,795)	2,177,548	-	(1,665,574,639)
Total accumulated depreciation	<u>(1,551,957,502)</u>	<u>(144,476,037)</u>	<u>6,194,321</u>	<u>-</u>	<u>(1,690,239,218)</u>
Total net capital assets, depreciated	<u>715,285,412</u>	<u>(103,440,270)</u>	<u>(904,837)</u>	<u>17,720,309</u>	<u>628,660,614</u>
Governmental activities capital assets, net	<u>\$ 2,730,145,122</u>	<u>\$(32,023,629)</u>	<u>\$ (1,164,992)</u>	<u>\$ -</u>	<u>\$ 2,696,956,501</u>

Ada County Highway District
Notes to Financial Statements
September 30, 2016

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Business-type activities				
Capital assets, depreciated				
Buildings	\$ 3,712	\$ -	\$ -	\$ 3,712
Equipment	4,103,392	899,240	(598,311)	4,404,321
Total capital assets, depreciated	4,107,104	899,240	(598,311)	4,408,033
Less accumulated depreciation for				
Buildings	(3,712)	-	-	(3,712)
Equipment	(2,591,711)	(669,583)	598,311	(2,662,983)
Total accumulated depreciation	(2,595,423)	(669,583)	598,311	(2,666,695)
Total net capital assets, depreciated	1,511,681	229,657	-	1,741,338
Business-type activities capital assets, net	\$ 1,511,681	\$ 229,657	\$ -	\$ 1,741,338
 Governmental activities				
Road and highway construction and maintenance			\$ 3,757,242	
Unallocated depreciation			140,718,795	
Total depreciation expense - governmental activities			\$ 144,476,037	
 Business-type activities				
Vanpool			\$ 669,583	

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, 2016:

	Cost	Accumulated Depreciation
General fund	\$ 5,636,310	\$ 661,156

Note 8 - Long-term Debt

Long-term debt at September 30, 2016, includes:

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.	\$ 801,588
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.	48,379
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.	48,379
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.	240,421
Capital lease for one Caterpillar 950K Wheel Loader, 3.20%, payable in annual payments of \$10,918 through October 2018, and one balloon payment of \$160,000 due September 2019, secured by wheel loader.	166,405
Capital lease for two Carterpillar 950M Wheel Loaders, 3.20%, payable in annual payments of \$21,836 through July 2019, and one balloon payment of \$320,000 due July 2020, secured by wheel loader.	343,649
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.	81,962
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.	494,419
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.	574,049
Capital lease for three Mechanical Sweepers and two Vacuum Sweepers, 2.04% interest, payable in annual payments of \$285,854 through August 2020, and one balloon payment of \$50,000 due August 2020, secured by sweepers.	1,132,048
Total capital lease obligations	<u><u>\$ 3,931,299</u></u>

Debt service requirements to maturity for capital lease obligations are:

Long-Term at September 30, 2016 includes:

2017	\$ 1,726,658
2018	948,347
2019	728,682
2020	746,197
	4,149,884
Less interest	(218,585)
Principal	\$ 3,931,299

Long-term debt at September 30, 2016 includes:

	Balance October 1, 2015	Additions	Returns and Deletions	Balance September 30, 2016	Due within one year
Governmental activities					
Compensated absences	\$ 1,400,315	\$ 90,664	\$ -	\$ 1,490,979	\$ -
Capital leases	3,377,447	1,418,201	(864,349)	3,931,299	1,623,063
Governmental activities					
long-term debt	\$ 4,777,762	\$ 1,508,865	\$ (864,349)	\$ 5,422,278	\$ 1,623,063

Note 9 - Contingencies

ACHD is involved in various litigation and legal claims 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 statement of ACHD. Notwithstanding, ACHD currently is a party to an appeal before the Idaho Supreme Court regarding alleged damages and attorney fees and costs in excess of \$1 million associated with a subdivision entrance wall ("Brookview Litigation"). At this time ACHD is unable to determine the probability of the outcome of the litigation and therefore no liability has been accrued as of September 30, 2016.

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 is self-insured with respect to general auto liability. Both governmental and proprietary funds participate in the self-insurance program. There was no claims liability outstanding at September 30, 2016 and there were claims paid subsequent to year-end of \$7,381. 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. There was no IBNR accrued as of September 30, 2016.

Note 11 - Subsequent Events

The Commission approved at its regular meeting held on June 23, 2016, and adopted at its regular meeting held on July 6, 2016, Resolution Number 2140 authorizing the vacation of public right-of-way by and between ACHD and St. Luke's Regional Medical Center, Ltd. St. Luke's submitted an application to vacate the portion of public right-of-way on Jefferson Street located between Avenue B and 1st Street in Boise City for the purpose of expanding its healthcare facilities. An appraisal/determination of value of the subject ROW was prepared and submitted by St. Luke's with its application. The appraisal/determination of value set the fair market value of the subject ROW to be approximately \$1,825,000.

The Commission determined that it is in the best interest of the public that the vacation of subject ROW be approved with conditions as specified in a development agreement entered into on March 30, 2016 between ACHD, St. Luke's, and Boise City. Furthermore, the Resolution also directed ACHD staff to negotiate a contract of sale with St. Luke's for the property which culminated with a Vacation Transfer Agreement signed on September 28, 2016 between ACHD and St. Luke's.

The Vacation Transfer Agreement specifically cited that the ownership of the subject ROW through a quit claim deed will not be recorded until St. Luke's has completed the construction of Phases 1A and 1B of the project as described in the development agreement. ACHD has since received the full payment of \$1,825,000 from St. Luke's on October 4, 2016, but as of today, all conditions have not yet been met to transfer ownership of the subject ROW.



Required Supplementary Information
September 30, 2016

Ada County Highway District

Ada County Highway District
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2016

	<u>Budgeted Amounts-GAAP</u>		Actual, GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues				
Property taxes	33,570,000	\$ 33,570,000	\$ 33,891,723	\$ 321,723
State highway users fund	27,250,000	28,050,000	29,316,885	1,266,885
State sales tax distribution	1,600,000	1,800,000	1,779,669	(20,331)
Federal and state grants	2,358,500	1,980,000	2,073,415	93,415
Cost-sharing payments	1,152,000	1,858,800	1,911,927	53,127
Fees and services	1,930,000	2,205,000	2,228,581	23,581
Ada County vehicle registration fees	9,300,000	9,300,000	9,608,562	308,562
Development impact fees	13,000,000	17,575,000	22,090,460	4,515,460
Interest	20,000	20,000	47,276	27,276
Other	1,270,000	1,721,300	608,120	(1,113,180)
Total revenues	91,450,500	98,080,100	103,556,618	5,476,518
Expenditures				
Commissioners	224,000	224,000	220,455	3,545
Director	696,100	654,100	641,488	12,612
Legal	847,600	911,900	1,035,347	(123,447)
Human resource	911,300	911,300	827,688	83,612
Communications	691,100	691,100	693,252	(2,152)
Planning and projects	3,286,800	3,259,700	3,110,868	148,832
Operations	27,509,900	25,656,800	24,657,775	999,024
Technical	12,994,400	12,166,800	12,028,241	138,559
Infrastructure improvements	42,207,800	44,989,350	42,195,490	2,793,860
Capital outlay	5,544,000	4,502,300	4,688,856	(186,556)
Debt service - principal			864,349	(864,349)
Debt service - interest			95,954	(95,954)
Total expenditures	94,913,000	93,967,350	91,059,763	2,907,588
Excess (Deficiency) of Revenues over (Under) Expenditures	(3,462,500)	4,112,750	12,496,855	8,384,106
Other Financing Sources				
Proceeds from sale of assets			1,640,940	1,640,940
Capital lease proceeds	-	-	1,418,201	1,418,201
Total other financing sources			3,059,141	3,059,141
Excess (Deficiency) of Revenues and Other Financing Sources over (Under) Expenditures	\$ (3,462,500)	\$ 4,112,750	\$ 15,555,996	\$ 11,443,248

Budgets and Budgetary Accounting

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. Once the budget is adopted, it can be amended twice during the fiscal year 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, 2016

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

	2016	2015	2014
Employer's portion of the net pension liability	0.005774546	0.005847315	0.005619833
Employer's proportionate share of the net pension liability	\$ 11,705,892	\$ 7,699,963	\$ 4,137,077
Employer's covered-employee payroll	16,431,297	15,574,983	14,129,270
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	71.24%	49.44%	29.28%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	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 June 30, 2016.

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

	2016	2015	2014
Statutorily required contribution	\$ 3,123,423	\$ 2,975,708	\$ 2,820,629
Contributions in relation to the statutorily required contribution	3,115,449	2,975,565	2,821,803
Contribution (deficiency) excess	(7,974)	(143)	1,174
Employer's covered-employee payroll	16,431,297	15,574,983	14,129,270
Contributions as a percentage of covered-employee payroll	18.96%	19.10%	19.97%

*

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, 2016.



Single Audit Information
September 30, 2016

Ada County Highway District

Ada County Highway District
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Passed through Idaho Transportation:			
Highway Planning and Construction	20.205	Various	\$ 1,927,932
Passed through Western Federal Lands:			
Highway Planning and Construction	20.205	Various	<u>443,868</u>
			2,371,800
Federal Transit Cluster			
Passed through Valley Regional Transit:			
Federal Transit - Formula Grants	20.507	ID-90-0133, ID-2016-003	<u>745,696</u>
Total Department of Transportation			<u>3,117,496</u>
Total Federal Financial Assistance			<u><u>\$ 3,117,496</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Ada County Highway District (ACHD), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. ACHD received federal awards indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

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.

ACHD has not elected to use the 10% de minimis cost rate.



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, 2016, and the related notes to the financial statements, which collectively comprise ACHD's basic financial statements, and have issued our report thereon dated January 4, 2017.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

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*.

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 "Erik Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 4, 2017



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Commissioners
Ada County Highway District
Garden City, Idaho

Report on Compliance for the Major Federal Program

We have audited Ada County Highway District’s (ACHD) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on ACHD’s major federal program for the year ended September 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of ACHD’s major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the Uniform Guidance 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 each major federal program. However, our audit does not provide a legal determination of ACHD’s compliance.

Opinion on the Major Federal Program

In our opinion, ACHD’s 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, 2016.

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 Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Boise, Idaho
January 4, 2017

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	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

Name of Federal Program	CFDA Number
Department of Transportation - Highway Planning & Construction	20.205

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

2015-A – Capital Asset Correction

Condition – In the prior year, a significant amount of construction in progress amounts had been removed from capital assets in a previous year that should have remained in capital assets, which resulted in a passed adjustment to correct the activity.

Status: Corrected.

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.

Status: – Corrected.