



Financial Statements  
September 30, 2017

# Ada County Highway District

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## Independent Auditor's Report

To the Commissioners  
Ada County Highway District  
Garden City, 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, 2017, 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, 2017, 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, budgetary comparison schedule – general fund, schedule of employer's share of net pension liability and employer contributions as presented 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ACHD's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 2, 2018 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 solely 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 effectiveness of ACHD's 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 2, 2018

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, 2017.

## **FINANCIAL HIGHLIGHTS**

- The assets of ACHD exceeded its liabilities at September 30, 2017 by \$2.726 billion. Of this amount \$48.9 million is unrestricted and available to meet ACHD's on-going obligations to citizens and creditors.
- During fiscal year 2017, ACHD's total Net Position decreased \$9.5 million as compared to a decrease of \$18.1 million in fiscal year 2016.
- 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 94.3% of the budget. With encumbrances, the amount increased to 97.1% of the budget.
- Total fund balance at September 30, 2017 was \$57.5 million compared to a total at September 30, 2016 of \$48.8 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 \$9.5 million or 0.3% from fiscal year 2016 to 2017. (See Table A-1.) The decrease is driven by a capital assets base that depreciated \$159.2 million in fiscal year 2017 which is higher than the total value \$140.3 million of new assets. Due to a stable economic condition and consistent new development, the amount of Net Position decrease was lower in fiscal year 2017 than in the prior year.

Long-Term debt outstanding decreased \$889.6 thousand or 38.5% due to three equipment leases that expired and no new equipment leases entered into in the current year.

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

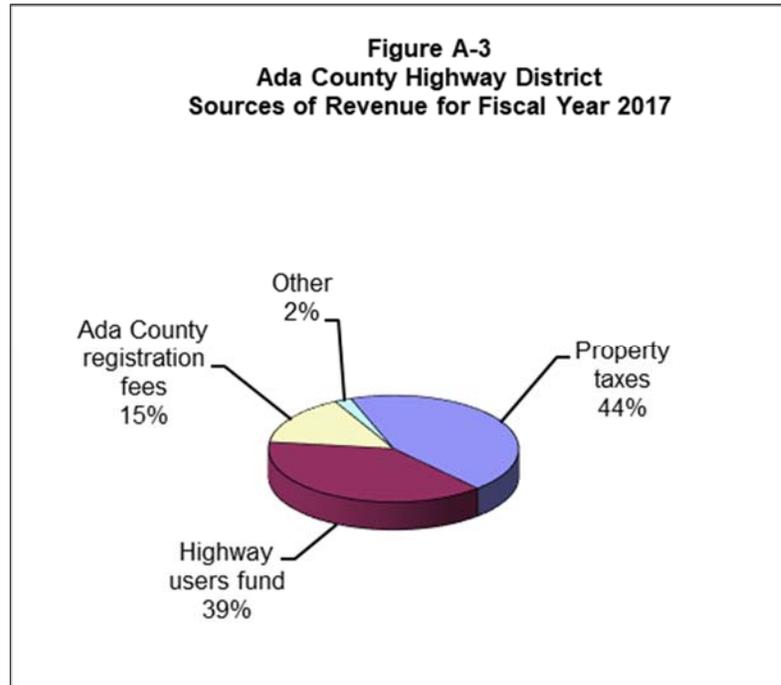
	Governmental Activities		Business-type Activities		Total		Total %
	2016	2017	2016	2017	2016	2017	2016-2017
Current assets	\$ 94,100,493	\$ 108,720,343	\$ 1,730,261	\$ 1,869,085	\$ 95,830,754	\$ 110,589,428	15.4%
Capital assets	2,696,956,501	2,676,566,895	1,741,338	1,788,786	2,698,697,839	2,678,355,681	(0.8)%
<b>Total assets</b>	<b>2,791,056,994</b>	<b>2,785,287,238</b>	<b>3,471,599</b>	<b>3,657,871</b>	<b>2,794,528,593</b>	<b>2,788,945,109</b>	<b>(0.2)%</b>
<b>Deferred outflows of resources</b>	<b>3,996,860</b>	<b>2,197,723</b>	<b>81,568</b>	<b>44,851</b>	<b>4,078,428</b>	<b>2,242,574</b>	<b>(45.0)%</b>
Long-term debt outstanding	2,308,236	1,418,609	-	-	2,308,236	1,418,609	(38.5)%
Other liabilities	24,968,085	25,542,229	443,356	432,487	25,411,441	25,974,716	2.2%
<b>Total liabilities</b>	<b>27,276,321</b>	<b>26,960,838</b>	<b>443,356</b>	<b>432,487</b>	<b>27,719,677</b>	<b>27,393,325</b>	<b>(1.2)%</b>
<b>Deferred inflows of resources</b>	<b>35,756,931</b>	<b>38,160,331</b>	<b>25,273</b>	<b>28,890</b>	<b>35,782,204</b>	<b>38,189,221</b>	<b>6.3%</b>
Net Position							
Net investment in capital assets	2,693,025,202	2,674,258,658	1,741,338	1,788,786	2,694,766,540	2,676,047,444	(0.7)%
Restricted net position	500,028	647,558	-	-	500,028	647,558	5.4%
Unrestricted net position	38,495,372	47,457,576	1,343,200	1,452,559	39,838,572	48,910,135	22.8%
<b>Total net position</b>	<b>\$ 2,732,020,602</b>	<b>\$ 2,722,363,792</b>	<b>\$ 3,084,538</b>	<b>\$ 3,241,345</b>	<b>\$ 2,735,105,140</b>	<b>\$ 2,725,605,137</b>	<b>(0.3)%</b>

**Changes in Net Position.** ACHD's changes in Net Position are compared between fiscal year 2016 and 2017. (See Table A-2.) Again, total Net Position decreased \$9.5 million in fiscal year 2017. The two largest components of revenues for ACHD are property taxes and capital grants & contributions which represents a combined 75.4% of total revenues in fiscal year 2017. On the expenses side, unallocated depreciation expense is the largest component, 70.8% of total expenses in fiscal year 2017. Depreciation is generally a fixed expense which occurs regardless of economic activity or how much business activity ACHD performs.

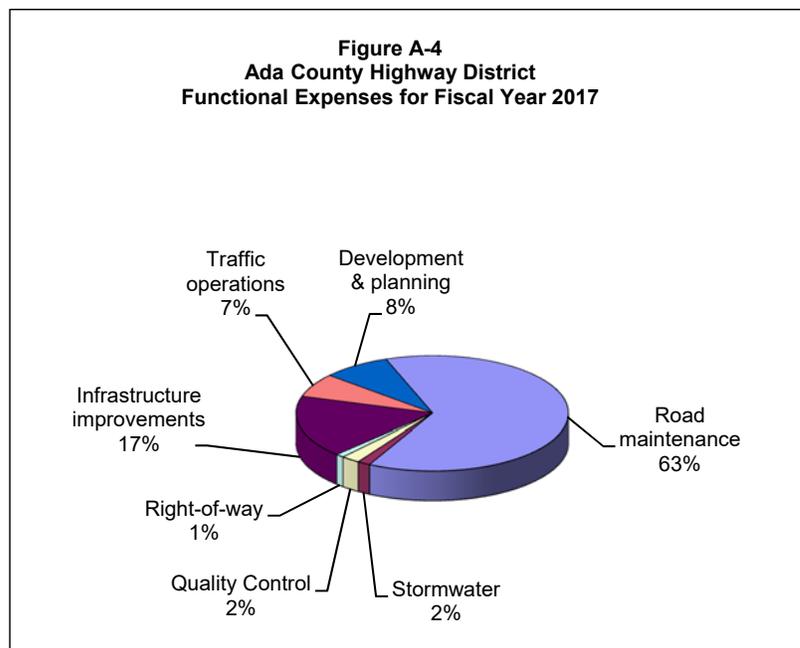
**Table A-2**  
**Changes in Ada County Highway District's Net Position**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2016	2017	2016	2017	2016	2017	2016-2017
<b>Revenues</b>							
<b>Program revenues</b>							
Charges for services	\$ 4,187,139	\$ 5,078,197	\$ 1,144,235	\$ 1,030,813	\$ 5,331,374	\$ 6,109,010	14.6%
Operating grants & contributions	-	-	576,798	611,794	576,798	611,794	6.1%
Capital grants & contributions	90,066,859	122,680,728	717,283	403,334	90,784,142	123,084,062	35.6%
<b>General revenues</b>							
Property taxes	33,840,348	35,094,442	-	-	33,840,348	35,094,442	3.7%
State highway users fund	29,316,885	30,906,700	-	-	29,316,885	30,906,700	5.4%
Sales tax & other governmental	11,341,565	12,222,156	-	-	11,341,565	12,222,156	7.8%
Investment earnings	47,276	127,440	-	-	47,276	127,440	169.6%
Sale of assets	736,033	962,901	-	-	736,033	962,901	30.8%
Miscellaneous	608,120	650,067	-	-	608,120	650,067	6.9%
<b>Total revenues</b>	<b>170,144,225</b>	<b>207,722,631</b>	<b>2,438,316</b>	<b>2,045,941</b>	<b>172,582,541</b>	<b>209,768,572</b>	<b>21.5%</b>
<b>Expenses</b>							
Road maintenance	35,442,307	39,107,196	-	-	35,442,307	39,107,196	10.3%
Stormwater	952,950	925,930	-	-	952,950	925,930	(2.8)%
Quality control	1,310,809	1,349,491	-	-	1,310,809	1,349,491	3.0%
Right-of-way	572,035	597,918	-	-	572,035	597,918	4.5%
Infrastructure improvements	334,924	10,560,314	-	-	334,924	10,560,314	3053.0%
Traffic operations	3,977,460	4,069,323	-	-	3,977,460	4,069,323	2.3%
Development & planning	5,031,745	4,920,936	-	-	5,031,745	4,920,936	(2.2)%
Unallocated depreciation expense	140,718,795	155,293,288	-	-	140,718,795	155,293,288	10.4%
Transfer of assets-right of way	260,155	477,894	-	-	260,155	477,894	83.7%
Interest on long-term debt	100,248	77,151	-	-	100,248	77,151	(23.0)%
Vanpool	-	-	1,980,480	1,889,134	1,980,480	1,889,134	(4.6)%
<b>Total expenses</b>	<b>188,701,428</b>	<b>217,379,441</b>	<b>1,980,480</b>	<b>1,889,134</b>	<b>190,681,908</b>	<b>219,268,575</b>	<b>15.0%</b>
<b>Increase (decrease) in net position</b>	<b>\$ (18,557,203)</b>	<b>\$ (9,656,810)</b>	<b>\$ 457,836</b>	<b>\$ 156,807</b>	<b>\$ (18,099,367)</b>	<b>\$ (9,500,003)</b>	<b>(47.5)%</b>

ACHD's major revenue sources (excluding all program revenues such as developer contributions and impact fees) are property taxes (44%), 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 80% of the total expenses. (See Figure A-4.)



### Governmental Activities

Total revenues for ACHD's governmental activities increased \$37.6 million primarily driven by a significant increase in capital grants and contributions, whereas total expenses increased \$28.7 million driven by increases in infrastructure improvements and depreciation expense.

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 \$216.9 million, an increase of 15.1% 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 2017, the net cost of services decreased 5.4% due to a larger 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		%	Net Cost of Services		%
	2016	2017	Change 2016-2017	2016	2017	Change 2016-2017
Roadway Maintenance	\$ 35,442,307	\$ 39,107,196	10.3%	\$ 35,442,307	\$ 39,107,196	10.3%
Traffic Operations	3,977,460	4,069,323	2.3%	3,759,016	3,845,373	2.3%
Infrastructure Improvements	334,924	10,560,314	3053.0%	(91,690,527)	(114,397,562)	(24.8)%
Quality Control	1,310,809	1,349,491	3.0%	(239,575)	(239,099)	(0.2)%
Development and planning	5,031,745	4,920,936	(2.2)%	4,742,252	4,632,875	(2.3)%
Other	142,344,028	156,894,287	10.2%	142,173,802	156,193,839	9.9%
<b>Total</b>	<b>\$ 188,441,273</b>	<b>\$ 216,901,547</b>	<b>15.1%</b>	<b>\$ 94,187,275</b>	<b>\$ 89,142,622</b>	<b>(5.4)%</b>

### Business-Type Activities

The Net Position of ACHD's business-type activities (Refer back to Table A-2) increased \$156.8 thousand or 5.1% compared to an increase of \$457.8 thousand in the prior year.

The reserve from capital grants and contributions decreased since there were less vans purchased this year, and subsequently, less reimbursements by federal grants were received this year than prior year.

### FINANCIAL ANALYSIS OF ACHD'S FUNDS

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

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

The General Fund is the chief operating fund of ACHD. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$24 million. The General Fund's total fund balance was \$57.5 million, an increase of \$8.7 million over last year.

Approximately 6.6% or \$3.8 million of the total fund balance is committed into fiscal year's 2018 budget as carryover funds.

### General Fund Budgetary Highlights

Over the course of the year, ACHD Commission revised the budget several times. The budget committee is comprised of senior management meeting on a monthly basis. This budget committee presents recommended budget adjustments to the Commission 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 94.3% of the final budget amounts compared to 96.9% in the prior fiscal year. When taking encumbrances into consideration the percentage raises to 97.2% of the final budget amounts compared to 100.2% in the prior fiscal year.

### CAPITAL ASSET and DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2017, 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 \$20.3 million or .8% 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
	2016	2017	2016	2017	2016	2017	2016-2017
Land	\$ 2,035,244,348	\$ 2,096,172,729	\$ -	\$ -	\$ 2,035,244,348	\$ 2,096,172,729	3.0%
Buildings & improvements	4,211,901	4,624,996	-	-	4,211,901	4,624,996	9.8%
Equipment	18,775,529	18,030,244	1,741,338	1,788,786	20,516,867	19,819,030	(3.4)%
Infrastructure	605,673,184	513,332,888	-	-	605,673,184	513,332,888	(15.2)%
Construction in progress	33,051,539	44,406,038	-	-	33,051,539	44,406,038	34.4%
<b>Total</b>	<b>\$ 2,696,956,501</b>	<b>\$ 2,676,566,895</b>	<b>\$ 1,741,338</b>	<b>\$ 1,788,786</b>	<b>\$ 2,698,697,839</b>	<b>\$ 2,678,355,681</b>	<b>(0.8)%</b>

This year's major capital asset additions included:

- Twenty-nine (29) miles of roadway and right-of-way contributed by new development.
- Completion of Five Mile Rd, Fairview Ave to Ustick Rd.
- Construction in progress for Ustick Rd and Meridian Rd intersection.
- Construction in progress for Franklin Rd, Black Cat Rd to Ten Mile Rd.
- Construction in progress for Fairview Ave and Cole Rd intersection.
- Construction in progress for Ustick Rd, Linder Rd to Meridian Rd.

At the end of fiscal year 2017 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 57% 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 \$2.3 million in capital lease obligations. (See Table A-5.) In fiscal year 2017, ACHD entered into no new lease agreements.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2016	2017	2016	2017	2016	2017	2016-2017
	Current portion of capital leases	\$ 1,623,063	\$ 889,628	\$ -	\$ -	\$ 1,623,063	\$ 889,628
Noncurrent portion of capital leases	2,308,236	1,418,609	-	-	2,308,236	1,418,609	(38.5)%
<b>Total capital lease obligations</b>	<b>\$ 3,931,299</b>	<b>\$ 2,308,237</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,931,299</b>	<b>\$ 2,308,237</b>	<b>(83.7)%</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

### Current Economic Factors

- The U.S. Census Bureau estimate of Ada County population for 2016 is 444,028 which is an increase of 2.3% from the prior year.
- Unemployment in Ada County is at 2.4% compared to 3.3% from the prior year.

- Single-family housing starts in Ada County are up 7.4% cumulative year-to-date as of September, 2017 compared to the same period last year.
- Fuel prices in the local area have increased 9% compared to last year.

These factors were considered in preparing ACHD's budget for the 2018 fiscal year.

### **Budget and Rates**

- The general fund budget for fiscal year 2018 is \$114.9 million, an 8.7% increase over the final 2017 budget of \$105.3 million.
- Property tax revenue is projected at \$37.0 million which includes a \$2.2 million increase reflective of the 3% increase allowed by Idaho Statute plus growth in new construction.
- Development impact fee revenue is budgeted at \$15.8 million in FY18 which is \$3.9 million less than actual revenue collected in the current year. This year's revenue included unexpected revenue from several major commercial developments.
- Highway Users Fund revenue is anticipated to increase \$700 thousand.
- ACHD's fiscal year 2018 capital budget anticipates spending \$60.7 million for capital projects which includes the following key projects:
  - Community Projects - Approximately \$13.5 million of the capital budget, nearly 22 percent, is set aside for 50 projects providing safe routes to school, bike lane additions and neighborhood enhancements.
  - State St and Veterans Memorial Pkwy - Widen intersection in accordance with the State St/Veterans Memorial Pkwy/36th St. Intersection Concept Study, including installation of median U-turns and modification of pedestrian crossings on the State St approaches.
  - Cloverdale Rd, Fairview Ave/Ustick Rd -Widen Cloverdale Rd to 5 lanes with curb, gutter, sidewalk, and bike lanes in accordance with the Cloverdale Rd Concept Design and the 2016 CIP.
  - Cole Rd and Lake Hazel Rd Intersection (and Bridge) -Widen intersection to 5/6 lanes on Lake Hazel Rd and 3 lanes on Cole Rd in accordance with the 2016 CIP.
  - Pine Ave, Meridian Rd/Locust Grove - Reconstruct roadway to include widening at intersections, curb, gutter, sidewalk, and bike lanes in partnership with the City of Meridian and the Meridian Development Corporation. Project includes Pine Bridge.

Ada County Highway District  
Statement of Net Position  
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 65,826,101	\$ 1,920,943	\$ 67,747,044
Receivables			
Property taxes from Ada County	37,126,605	-	37,126,605
Due from other governmental units	2,086,514	-	2,086,514
Other	582,614	2,340	584,954
Inventory			
Equipment parts and fuel	66,450	-	66,450
Materials	2,977,861	-	2,977,861
Internal balances	54,198	(54,198)	-
Total current assets	<u>108,720,343</u>	<u>1,869,085</u>	<u>110,589,428</u>
Noncurrent Assets			
Capital assets			
Land, infrastructure, and other assets not depreciated	2,140,578,767	-	2,140,578,767
Buildings, improvements, equipment, and infrastructure, net of depreciation	535,988,128	1,788,786	537,776,914
Total noncurrent assets	<u>2,676,566,895</u>	<u>1,788,786</u>	<u>2,678,355,681</u>
Total assets	<u>2,785,287,238</u>	<u>3,657,871</u>	<u>2,788,945,109</u>
Deferred Outflows			
Net pension obligation	2,197,723	44,851	2,242,574
Total assets and deferred outflows	<u>\$ 2,787,484,961</u>	<u>\$ 3,702,722</u>	<u>\$ 2,791,187,683</u>

Ada County Highway District  
Statement of Net Position  
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities, Deferred Inflows and Net Position</b>			
<b>Current Liabilities</b>			
Vouchers payable	\$ 4,961,573	\$ 249,626	\$ 5,211,199
Accrued payroll	1,086,148	-	1,086,148
Interest payable	7,505	-	7,505
Advanced revenue	2,283,500	-	2,283,500
Current portion of capital lease obligations	889,628	-	889,628
Total current liabilities	<u>9,228,354</u>	<u>249,626</u>	<u>9,477,980</u>
<b>Noncurrent Liabilities</b>			
Compensated absences	1,610,538	-	1,610,538
Capital lease obligations	1,418,609	-	1,418,609
Refundable performance deposits	5,743,156	-	5,743,156
Net pension liability	8,960,181	182,861	9,143,042
Total liabilities	<u>26,960,838</u>	<u>432,487</u>	<u>27,393,325</u>
<b>Deferred Inflows of Resources</b>			
Net pension obligations	1,415,621	28,890	1,444,511
Unavailable - property tax	36,744,710	-	36,744,710
Total deferred inflows of resources	<u>38,160,331</u>	<u>28,890</u>	<u>38,189,221</u>
<b>Net Position</b>			
Net investment in capital assets	2,674,258,658	1,788,786	2,676,047,444
Restricted	647,558	-	647,558
Unrestricted	47,457,576	1,452,559	48,910,135
Total net position	<u>2,722,363,792</u>	<u>3,241,345</u>	<u>2,725,605,137</u>
<b>Total liabilities, deferred inflows, and net position</b>	<u><u>\$ 2,787,484,961</u></u>	<u><u>\$ 3,702,722</u></u>	<u><u>\$ 2,791,187,683</u></u>

Ada County Highway District  
Statement of Activities  
Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Road and highway construction and maintenance	\$ (39,107,196)	\$ -	\$ -	\$ -	\$ (39,107,196)
Stormwater	(925,930)	-	-	-	(925,930)
Quality control	(1,349,491)	1,588,590	-	-	239,099
Right-of-way	(597,918)	700,448	-	-	102,530
Infrastructure improvements	(10,560,314)	2,277,148	-	122,680,728	114,397,562
Traffic operations	(4,069,323)	223,950	-	-	(3,845,373)
Development and planning	(4,920,936)	288,061	-	-	(4,632,875)
Unallocated depreciation expense	(155,293,288)	-	-	-	(155,293,288)
Transfer of assets-right of way	(477,894)	-	-	-	(477,894)
Interest on long-term debt	(77,151)	-	-	-	(77,151)
<b>Total Governmental Activities</b>	<b>(217,379,441)</b>	<b>5,078,197</b>	<b>-</b>	<b>122,680,728</b>	<b>(89,620,516)</b>
<b>Business-Type Activities</b>					
Vanpool	(1,889,134)	1,030,813	611,794	403,334	156,807
<b>Total Business-Type Activities</b>	<b>(1,889,134)</b>	<b>1,030,813</b>	<b>611,794</b>	<b>403,334</b>	<b>156,807</b>
<b>Total Primary Government</b>	<b>\$ (219,268,575)</b>	<b>\$ 6,109,010</b>	<b>\$ 611,794</b>	<b>\$ 123,084,062</b>	<b>\$ (89,463,709)</b>

Ada County Highway District  
Statement of Activities  
Year Ended September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net (Expenses) Revenue	\$ (89,620,516)	\$ 156,807	\$ (89,463,709)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	35,094,442	-	35,094,442
State highway users fund	30,906,700	-	30,906,700
Sales tax and other governmental	12,222,156	-	12,222,156
Unrestricted investment earnings	127,440	-	127,440
Gain on sale of assets	962,901	-	962,901
Miscellaneous	650,067	-	650,067
Total general revenues and transfers	<u>79,963,706</u>	<u>-</u>	<u>79,963,706</u>
Change in Net Position	(9,656,810)	156,807	(9,500,003)
Net Position, Beginning of Year	<u>2,732,020,602</u>	<u>3,084,538</u>	<u>2,735,105,140</u>
Net Position, End of Year	<u>\$ 2,722,363,792</u>	<u>\$ 3,241,345</u>	<u>\$ 2,725,605,137</u>

Ada County Highway District  
Balance Sheet – Governmental Funds  
September 30, 2017

	Governmental Funds
	General
<b>Assets</b>	
Cash and cash equivalents	\$ 65,826,101
Receivables	
Property taxes from Ada County	37,126,605
Due from other governmental units	2,086,514
Internal balances	54,198
Other	582,614
Inventories	
Equipment parts and fuel	66,450
Materials	2,977,861
	\$ 108,720,343
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Vouchers payable	\$ 4,961,573
Accrued payroll	1,086,148
Advanced revenue	2,283,500
Refundable performance deposits	5,743,157
	14,074,378
<b>Deferred Inflows of Resources</b>	
Unavailable - property tax	37,126,605
	37,126,605
<b>Fund Balances</b>	
Nonspendable	
Inventory	3,044,311
Restricted	
Extraordinary impact fees	647,558
Committed	
Carryover funds	3,841,100
Assigned	
Encumbrances	3,122,000
Self-Insurance	2,000,000
Right-of-way acquisitions	1,000,000
Future needs	6,830,000
Priority corridor	13,011,500
Unassigned	24,022,891
	57,519,360
	\$ 108,720,343
	\$ 108,720,343

Ada County Highway District  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2017

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Fund balance - total governmental funds		\$ 57,519,360
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and infrastructure used in governmental activities are not financial resources and therefore are not reported in the funds.		2,676,566,895
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		381,896
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.		
Leases	(2,308,237)	
Net pension liability	(8,960,181)	(11,268,418)
Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.		(1,610,538)
Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(7,505)
Deferred outflows of resources related to pension obligations		2,197,723
Deferred inflows of resources related to pensions		(1,415,621)
Net position of governmental activities		<u>\$ 2,722,363,792</u>

Ada County Highway District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2017

	Governmental Funds <u>General</u>
Revenues	
Property taxes	\$ 35,137,116
State highway users fund	30,906,700
State sales tax distribution	1,920,892
Federal and state grants	3,393,499
Cost-sharing payments	2,277,148
Fees and services	2,801,049
Ada County vehicle registration fees	10,301,264
Development impact fees	19,663,295
Interest	127,440
Other	650,022
	<u>107,178,425</u>
Expenditures	
Commissioners	235,534
Director	652,282
Legal	1,084,297
Human resource	901,613
Communications	642,045
Planning and projects	3,181,819
Operations	28,173,211
Technical	12,672,719
Infrastructure improvements	46,823,679
Capital outlay	3,866,391
Debt service - principal	1,366,105
Debt service - interest	95,468
	<u>99,695,163</u>
Excess of Revenues over Expenditures	7,483,262
Other Financing Sources	
Proceeds from sales of assets	<u>1,144,561</u>
Net Change in Fund Balances	8,627,823
Fund Balance, Beginning of Year	48,800,939
Increase in Reserve for Inventories	<u>90,598</u>
Fund Balance, End of Year	<u><u>\$ 57,519,360</u></u>

Ada County Highway District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental  
 Funds to the Statement of Activities  
 Year Ended September 30, 2017

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Net change in fund balances - total governmental funds	\$ 8,627,823
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 (\$3,843,211) exceeded depreciation expense (\$3,910,316) in the current period.	(67,105)
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 (\$155,293,288) exceeded infrastructure additions (\$36,263,364) in the current period.	(119,029,924)
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.	99,622,450
In the statement of activities, only the gain or loss on disposal of assets is reported, whereas in the governmental funds, the entire proceeds from the disposal increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.	(915,027)
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.	90,598
Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(42,674)
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 (\$0) exceeded repayments (\$1,366,105) and returns (\$256,957).	1,623,062
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.	(119,559)
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.	535,229
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.	18,317
	\$ (9,656,810)

Ada County Highway District  
Statement of Net Position – Proprietary Funds  
September 30, 2017

	Enterprise Fund Van Pool
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,920,943
Receivables	
Accounts receivable	2,340
Total current assets	1,923,283
Noncurrent Assets	
Capital assets	
Machinery and equipment	4,429,662
Less accumulated depreciation	(2,640,876)
Total noncurrent assets	1,788,786
Deferred Outflow of Resources	
Deferred outflows-pension	44,851
	\$ 3,756,920
Liabilities and Net Position	
Current Liabilities	
Vouchers payable	\$ 249,626
Internal balances	54,198
	303,824
Noncurrent Liabilities	
Net pension liability	182,861
Total liabilities	486,685
Deferred Outflow of Resources	
Deferred outflows-pension	28,890
	28,890
Net Position	
Net investment in capital assets	1,788,786
Unrestricted	1,452,559
Total net position	3,241,345
	\$ 3,756,920

Ada County Highway District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Proprietary Funds  
Year Ended September 30, 2017

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	Enterprise Fund <u>Van Pool</u>
Operating Revenues	
User charges	\$ 980,002
Operational contribution from federal grants	336,794
Operational contribution from the general fund	275,000
Other	<u>50,812</u>
Total operating revenues	<u>1,642,608</u>
Operating Expenses	
Payroll and related costs	585,600
Insurance	25,259
Fuel	242,720
Licenses and operating costs	204,827
Advertising	96,766
Office and other	175,555
Depreciation	554,440
Leases and rentals	<u>3,968</u>
Total operating expenses	<u>1,889,135</u>
Operating Loss	(246,527)
Capital contributions	<u>403,334</u>
Changes in Net Position	156,807
Net Position, Beginning of Year	<u>3,084,538</u>
Net Position, End of Year	<u><u>\$ 3,241,345</u></u>

Ada County Highway District  
Statement of Cash Flows – Proprietary Funds  
Year Ended September 30, 2017

	Enterprise Fund Van Pool
Operating Activities	
Received from user charges	\$ 977,662
Received from federal grant subsidies	336,818
Received from general fund subsidies	265,724
Received from other	23,538
Payments to employees for services	(596,521)
Payments to suppliers for goods and services	(823,900)
Net Cash from Operating Activities	183,321
Capital and Related Financing Activities	
Proceeds from federal grants	403,334
Proceeds from sale of capital assets	142,464
Payments for capital acquisitions	(601,887)
Net Cash used for Capital and Related Financing Activities	(56,089)
Net Change in Cash and Cash Equivalents	127,232
Cash and Cash Equivalents, Beginning of Year	1,793,711
Cash and Cash Equivalents, End of Year	\$ 1,920,943
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (246,527)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	554,440
Gain on sale of capital assets	(142,464)
GASB 68 expense	(10,924)
Changes in assets and liabilities	
Accounts receivable	(2,340)
Due from government units	24
Vouchers payable	40,388
Due to other funds	(9,276)
Net Cash from Operating Activities	\$ 183,321

Ada County Highway District  
Statement of Fiduciary Net Position – Agency Funds  
September 30, 2017

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	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,624,792</u>
	<u><u>\$ 1,624,792</u></u>
Liabilities	
Refundable performance bond deposits	<u>\$ 1,624,792</u>
	<u><u>\$ 1,624,792</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

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

The accounting and reporting policies of ACHD relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

### **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, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

ACHD reports the following major Governmental Funds:

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

ACHD reports the following major Proprietary Fund:

Enterprise Fund—The Enterprise Fund is used to account for operations financed and operated in a manner similar to private business enterprises - (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Fund consists of the Rideshare and Van Pool 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 (the district's highest level of decision making authority). These committed amounts cannot be used for any other purpose unless ACHD Commissioners remove or change the constraint.

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

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

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 17). ACHD uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, when an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, ACHD considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless ACHD Commissioners have provided otherwise in its commitment or assignment actions.

ACHD does not have a formal minimum fund balance policy.

### **Encumbrances**

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

### **Cash and Cash Equivalents**

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

### **Inventories**

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

### **Property Taxes Receivable and Deferred Revenue**

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

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

### **Capital Assets**

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

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

The estimated useful lives of capital assets are as follows:

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

### **Accumulated Compensated Absences and Other Benefit Amounts**

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

### **Deferred Outflows/Inflows of Resources**

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 financial position includes a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. ACHD has two items that qualify for reporting in this category: the deferred net pension and unavailable revenue. The employer deferred net pension results from the difference between the expected and actual experience of the pension plan and the net difference between projected and actual investment earnings on the pension plan investments. The unavailable revenue is reported on in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **Pensions**

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

## **Note 2 - Cash and Cash Equivalents**

### **Unrestricted Cash and Cash Equivalents**

At year-end, the carrying amount of ACHD's deposits was \$67,747,044 and the bank balance was \$71,172,930. Of the bank balance held by ACHD, \$832,456 was covered by federal depository insurance \$59,446,464 was collateralized by securities held in the entity's name, and \$10,894,010 was uninsured and uncollateralized. The fair market value of the securities used as collateral was \$58,995,560. In addition, ACHD held deposits of

\$1,624,792 with a bank balance of \$1,636,777 in a custodial capacity for the Road Trust Agency Fund. Of the bank balance for these trust funds, \$250,000 was covered by federal depository insurance and \$1,386,777 was uninsured and uncollateralized. All cash is held in national financial institutions.

**Cash Equivalents**

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, 2017, ACHD had the following cash equivalents. (Amounts rounded to thousands).

	Maturities	Fair Value
Cash Equivalents		
Money market savings (including Road Trust)	Monthly	\$ 5,868,000
Certificates of deposit	Annually	5,003,000
Cash management account	Daily	59,446,000
Total Cash Equivalents		\$ 70,317,000

Interest Rate Risk. ACHD has an investment policy that limits the maturities on individual investments to no more than one year. Approval is required by 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 \$59,446,000 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 85% of ACHD’s cash equivalents. ACHD’s \$5,003,000 investment in the certificates of deposit represented 7% of ACHD’s cash equivalents.

### **Note 3 - Pension Plan**

#### **Plan Description**

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](http://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 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 employees are set by statute at 60% of the employer rate for general employees. As of June 30, 2017 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% general employees. ACHD's contributions were \$2,072,137 for the year ended September 30, 2017.

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

At September 30, 2017, ACHD reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, ACHD's proportion was 0.005816820.

For the year ended September 30, 2017, ACHD recognized pension revenue of \$546,150. At September 30, 2017, 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	\$ 1,266,600	\$ 823,711
Changes in assumptions or other inputs	169,080	-
Net difference between projected and actual earnings on pension plan investments	-	547,797
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share - 2015	174,568	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share - 2016	-	73,003
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share - 2017	55,799	-
ACHD's contributions subsequent to the measurement date	576,527	-
Total	\$ 2,242,574	\$ 1,444,511

ACHD reported \$576,527 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, 2018.

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, 2016 the beginning of the measurement period ended June 30, 2017 is 4.9 and 5.5 for the measurement period June 30, 2016.

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

Year ended September 30:

2018	\$ (437,172)
2019	918,867
2020	268,692
2021	(528,851)

### 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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, 2017 is based on the results of an actuarial valuation date July 1, 2017.

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, 2017.

Capital Market Assumptions Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	3.25%	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%
<b>Long-term Expected Geometric Rate of Return, Net of Investment Expenses</b>	<b>7.10%</b>

**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)	\$ 21,250,310	\$ 9,143,042	\$ (918,419)

**Pension plan fiduciary net position**

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

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

**Payables to the pension plan**

At September 30, 2017, 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 - Inter-fund Receivables and Payables**

	Receivables	Payables	Total
General Fund	\$ 54,198	\$ -	\$ 54,198
Enterprise Fund	-	(54,198)	(54,198)
	\$ 54,198	\$ (54,198)	\$ -

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

**Note 5 - Due from Other Governmental Units**

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

	General Fund
State of Idaho	\$ 1,063,549
Other local agencies	966,742
Western Federal lands (USDOT)	56,223
	\$ 2,086,514

Governmental funds report unavailable 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 September 30, 2016	Additions	Deletions	Transfers from CIP	Balance September 30, 2017
<b>Governmental Activities</b>					
Capital assets, not depreciated					
Land	\$ 3,166,654	\$ -	\$ -	\$ -	\$ 3,166,654
Ponds	12,129,672	-	-	1,029,209	13,158,881
Right-of-way	1,973,536,721	48,682,006	(477,894)	-	2,021,740,833
Easements	46,411,301	11,695,060	-	-	58,106,361
Construction in progress	33,051,539	27,641,638	-	(16,287,139)	44,406,038
Total capital assets, not depreciated	<u>2,068,295,887</u>	<u>88,018,704</u>	<u>(477,894)</u>	<u>(15,257,930)</u>	<u>2,140,578,767</u>
Capital assets, depreciated					
Buildings	8,873,619	757,246	-	-	9,630,865
Machinery and equipment	38,772,748	3,085,965	(1,329,076)	-	40,529,637
Furniture	5,642	-	-	-	5,642
Roadways	1,841,849,298	36,518,818	(3,082,469)	5,127,477	1,880,413,124
Curbs and gutters	133,386,108	5,331,939	(55,596)	2,286,817	140,949,268
Sidewalks	150,841,717	5,614,669	(104,377)	3,620,818	159,972,827
Bridges	103,767,293	359,040	(105,681)	1,282,008	105,302,660
Signals	41,403,407	42,644	(223,600)	2,940,810	44,163,261
Total capital assets, depreciated	<u>2,318,899,832</u>	<u>51,710,321</u>	<u>(4,900,799)</u>	<u>15,257,930</u>	<u>2,380,967,284</u>
Less accumulated depreciation for					
Buildings	(4,661,718)	(344,151)	-	-	(5,005,869)
Machinery and equipment	(19,997,219)	(3,566,165)	1,063,991	-	(22,499,393)
Furniture	(5,642)	-	-	-	(5,642)
Roadways	(1,380,031,390)	(126,835,113)	3,083,953	-	(1,503,782,550)
Curbs and gutters	(92,163,833)	(11,566,497)	55,596	-	(103,674,734)
Sidewalks	(104,188,705)	(13,269,109)	104,377	-	(117,353,437)
Bridges	(57,755,492)	(2,322,366)	82,170	-	(59,995,688)
Signals	(31,435,219)	(1,300,203)	73,579	-	(32,661,843)
Total accumulated depreciation	<u>(1,690,239,218)</u>	<u>(159,203,604)</u>	<u>4,463,666</u>	<u>-</u>	<u>(1,844,979,156)</u>
Total net capital assets, depreciated	<u>628,660,614</u>	<u>(107,493,283)</u>	<u>(437,133)</u>	<u>15,257,930</u>	<u>535,988,128</u>
Governmental activities capital assets, net	<u>\$ 2,696,956,501</u>	<u>\$ (19,474,579)</u>	<u>\$ (915,027)</u>	<u>\$ -</u>	<u>\$ 2,676,566,895</u>

Ada County Highway District  
Notes to Financial Statements  
September 30, 2017

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
<b>Business-type Activities</b>				
Capital assets, depreciated				
Buildings	\$ 3,712	\$ -	\$ -	\$ 3,712
Equipment	4,404,321	601,887	(580,258)	4,425,950
Total capital assets, depreciated	4,408,033	601,887	(580,258)	4,429,662
Less accumulated depreciation for				
Buildings	(3,712)	-	-	(3,712)
Equipment	(2,662,982)	(554,440)	580,258	(2,637,164)
Total accumulated depreciation	(2,666,694)	(554,440)	580,258	(2,640,876)
Total net capital assets, depreciated	1,741,339	47,447	-	1,788,786
Business-type activities capital assets, net	\$ 1,741,339	\$ 47,447	\$ -	\$ 1,788,786
 <b>Governmental activities</b>				
Road and highway construction and maintenance				\$ 3,910,316
Unallocated depreciation				155,293,288
Total depreciation expense - government activities				\$ 159,203,604
 <b>Business-type activities</b>				
Vanpool				\$ 554,440

**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, 2017:

	Cost	Accumulated Depreciation
General fund	\$ 4,373,121	\$ 694,961

**Note 8 - Long-term Debt**

Debt service requirements to maturity for capital leases obligations are:

Capital lease for four John Deere 410K backhoe loaders, 3.30% interest, payable in annual payments of \$53,639 through September 2017, and one balloon payment of \$201,365 due September 2018, secured by backhoe loaders	\$ 194,837
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 October 2019, secure by wheel loader	160,811
Capital lease for two 950M Wheel Loaders, 3.20% interest, payable in annual payments of \$21,837 through July 2019, and one balloon payment of \$320,000 due July 2020, secured by wheel loaders	332,809
Capital lease for one backhoe loader, 3.00% 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	71,255
Capital lease for four 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 sweepers	279,126
Capital lease for four 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 sweepers	399,893
Capital lease for three Mechanical Sweepers and two Vacuum Sweeper, 2.04% interest, payable in annual payments of \$285,854 through August 2020, and one balloon payment of \$50,000 due August 2021, secured by sweepers	<u>869,506</u>
Total capital lease obligations	<u><u>\$ 2,308,237</u></u>

Debt service requirements to maturity for capital leases obligations are:

2018		\$ 948,349
2019		728,682
2020		696,195
2021		<u>50,000</u>
		2,423,226
Less interest		<u>(114,989)</u>
Principal		<u><u>\$ 2,308,237</u></u>

Long-term debt at September 30, 2017 includes:

	Balance September 30, 2016	Additions	Returns and Retirements	Balance September 30, 2017	Due Within One Year
Governmental Activities					
Compensated absences	\$ 1,490,979	\$ 119,559	\$ -	\$ 1,610,538	\$ -
Capital leases	<u>3,931,299</u>	<u>-</u>	<u>(1,623,062)</u>	<u>2,308,237</u>	<u>889,628</u>
Governmental activities					
long-term debt	<u><u>\$ 5,422,278</u></u>	<u><u>\$ 119,559</u></u>	<u><u>\$ (1,623,062)</u></u>	<u><u>\$ 3,918,775</u></u>	<u><u>\$ 889,628</u></u>

### Note 9 - Contingencies

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

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

### **Note 10 - Risk Management**

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

ACHD became self-insured with respect to general auto liability in fiscal year 2014. Both governmental and proprietary funds participate in the self-insurance program. There were no claims liability outstanding at September 30, 2017, and there were claims paid subsequent to year-end in the amount of \$5,111. 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.



Required Supplementary Information  
September 30, 2017

# Ada County Highway District

Ada County Highway District  
Budgetary Comparison Schedule – General Fund  
Year Ended September 30, 2017

	<u>Budgeted Amounts-GAAP Basis</u>		Actual, GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 34,810,000	\$ 34,810,000	\$ 35,137,116	\$ 327,116
State highway users fund	28,800,000	28,800,000	30,906,700	2,106,700
State sales tax distribution	1,650,000	1,700,000	1,920,892	220,892
Federal and state grants	3,753,900	4,434,450	3,393,499	(1,040,951)
Cost-sharing payments	1,635,000	1,906,400	2,277,148	370,748
Fees and services	1,914,000	4,527,000	2,801,049	(1,725,951)
Ada County vehicle registration fees	9,400,000	9,500,000	10,301,264	801,264
Development impact fees	14,075,000	17,802,000	19,663,295	1,861,295
Interest	38,000	88,000	127,440	39,440
Other	1,057,000	1,767,000	650,022	(1,116,978)
Total revenues	<u>97,132,900</u>	<u>105,334,850</u>	<u>107,178,425</u>	<u>1,843,575</u>
<b>Expenditures</b>				
Commissioners	233,300	236,100	235,534	566
Director	652,100	653,300	652,282	1,018
Legal	914,000	934,000	1,084,297	(150,297)
Human resource	944,550	934,050	901,613	32,437
Communications	678,100	692,100	642,045	50,055
Planning and projects	3,340,800	3,354,700	3,181,819	172,881
Operations	27,238,600	29,567,900	28,173,211	1,394,689
Technical	12,556,250	12,814,200	12,672,719	141,481
Infrastructure improvements	49,268,300	50,434,500	46,823,679	3,610,821
Capital outlay	5,049,200	6,109,300	3,866,391	2,242,909
Debt service - principal	-	-	1,366,105	(1,366,105)
Debt service - interest	-	-	95,468	(95,468)
Total expenditures	<u>100,875,200</u>	<u>105,730,150</u>	<u>99,695,163</u>	<u>6,034,987</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,742,300)	(395,300)	7,483,262	7,878,562
<b>Other Financing Sources</b>				
Proceeds from sale of assets	-	-	1,144,561	1,144,561
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,144,561</u>	<u>1,144,561</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ (3,742,300)</u>	<u>\$ (395,300)</u>	<u>\$ 8,627,823</u>	<u>\$ 9,023,123</u>

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

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

Ada County Highway District  
 Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 September 30, 2017

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

	2017	2016	2015	2014
Employer's portion of net pension liability	0.00581682	0.00577456	0.005847315	0.005619833
Employer's portion of net pension liability	\$ 9,143,042	\$ 11,705,892	\$ 7,699,963	\$ 4,137,077
Employer's covered payroll	\$ 18,075,756	\$ 16,815,129	\$ 16,450,471	\$ 15,275,490
Employer's proportionate share of net pension liability as a percentage of its covered payroll	50.6%	69.6%	46.8%	27.1%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	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, 2017.

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

	2017	2016	2015	2014
Statutorily required contributions	\$ 3,316,298	\$ 3,123,423	\$ 2,975,708	\$ 2,820,629
Contributions in relation to the statutorily required contributions	\$ 3,316,250	\$ 3,115,449	\$ 2,987,531	\$ 2,838,079
Contribution (deficiency) excess	(48)	(7,974)	11,823	17,450
Employer's covered payroll	\$ 18,311,972	\$ 17,174,979	\$ 16,559,701	\$ 15,765,170
Contributions as a percentage of covered-employee payroll	18.11%	18.14%	18.04%	18.00%

\* 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, 2017.



Single Audit Information  
September 30, 2017

# Ada County Highway District

Ada County Highway District  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Passed through Idaho Transportation			
Highway Planning and Construction	20.205	N/A	\$ 3,690,628
Passed through Western Federal Lands			
Highway Planning and Construction	20.205	N/A	<u>39,665</u>
			3,730,293
Federal Transit Cluster			
Passed through Valley Regional Transit			
Federal Transit - Formula Grants	20.507	ID-90-0133, ID-2016-003	<u>403,334</u>
Total Department of Transportation			<u>4,133,627</u>
Total Federal Financial Assistance			<u><u>\$ 4,133,627</u></u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) 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. No federal financial assistance has been provided to a 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, each major fund, and the remaining fund information of Ada County Highway District (ACHD) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise ACHD’s basic financial statements, and have issued our report thereon dated January 2, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ada County Highway District’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 Ada County Highway District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Ada County Highway District’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 been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-A, that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**ACHD's Response to Finding**

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

**Purpose of this Report**

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

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

Boise, Idaho  
January 2, 2018



## **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 Each 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, 2017. 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 ACHD's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended September 30, 2017.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 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 a 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.



Boise, Idaho  
January 2, 2018

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	Yes
Noncompliance material to the financial statements noted?	No

**Federal Awards**

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

Identification of major programs

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Department of Transportation - Highway planning and construction	20.205
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as a low-risk auditee?	Yes

## Section II - Financial Statement Findings

### 2017-A – Significant Adjustment to Revenue Significant Deficiency in Internal Control

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

*Condition:* In the current fiscal year, ACHD received \$1.825 million associated with the sale of land. Per the sales agreement, the title to the land was not to transfer until certain conditions had been met. As of year-end, these conditions had not been met and thus the revenue was not considered earned as of year-end. As a result, an adjustment was made to move the monies out of general fund revenue and into advanced revenue until the conditions associated with the sale of the land have been met and the revenue is earned.

*Cause:* Management's current internal control structure was not sufficient to detect the misstatement in revenue.

*Effect:* Revenue was overstated causing a significant adjustment to the financial statements in the current year.

*Recommendation:* Management should review their contracts to ensure that there are no conditions associated with the revenue earned from those contracts. If there are any conditions, management should put a process in place to monitor the conditions to ensure that the revenue is recognized once the conditions have been met.

*Views of Responsible Officials:*

ACHD originally recorded the transaction as earned revenue because we felt that the action of giving up control of the road was sufficient to satisfy the recording of earned revenue. ACHD now understands that the transfer of title is the ultimate factor and will review all future contracts to make sure that this type of condition is met before recognizing revenue.

## Section III – Federal Award Findings and Questioned Costs

None reported



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Sara M. Baker, President  
Rebecca W. Arnold, Vice President  
Jim D. Hansen, Commissioner  
Kent Goldthorpe, Commissioner  
Paul Woods, Commissioner

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## Corrective Action Plan

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### Financial Statement Findings

#### *Finding 2017-A*

##### *Finding Summary:*

In the current fiscal year, ACHD received \$1.825 million associated with the sale of land. Per the sales agreement, the title to the land was not to transfer until certain conditions had not been met. As of year-end, these conditions had not been met and thus the revenue was not considered earned as of year-end. As a result, an adjustment was made to move the monies out of general fund revenue and into advanced revenue until the conditions associated with the sale of land have been met and the revenue is earned.

##### *Responsible Individuals:*

Sherwin Pestka, Treasurer

##### *Corrective Action Plan:*

We originally recorded the transaction as earned revenue because we felt that the action of giving up control of the road was sufficient to satisfy the recording of earned revenue. We now understand that the transfer of title is the ultimate factor and will review all future contracts to make sure that this type of condition is met before recognizing revenue.

##### *Anticipated Completion Date:*

Ongoing