



Financial Statements  
September 30, 2018

# 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter – Correction of an Error**

As discussed in Note 11 to the financial statements, certain errors resulting in an overstatement previously reported in the construction in progress of the capital assets as of September 30, 2017, were discovered during the current year. Accordingly, the net position of governmental activities as of September 30, 2017 has been restated to correct the error. Our opinions are not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 or 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, 2019 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed text of the firm's name.

Boise, Idaho  
January 2, 2019

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, 2018.

## **FINANCIAL HIGHLIGHTS**

- The assets of ACHD exceeded its liabilities at September 30, 2018 by \$2.8 billion. Of this amount \$47.6 million is unrestricted and available to meet ACHD's on-going obligations to citizens and creditors.
- During fiscal year 2018, ACHD's total Net Position increased \$141.2 million as compared to a decrease of \$9.5 million in fiscal year 2017.
- ACHD established a goal to expend and/or have under contract 100% of the total budget. Without encumbrances, we expended and/or have under contract 97.9% of the budget. With encumbrances, the amount increased to 99.7% of the budget.
- Total fund balance at September 30, 2018 was \$56.2 million compared to a total at September 30, 2017 of \$57.5 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 an increase in total Net Position of \$141.3 million in 2018 or 5.2% from fiscal year 2017 to 2018. (See Table A-1.) The increase in net position was primarily caused by a change in the method of depreciating roadway infrastructure that took place this fiscal year.

In the past, roadways were depreciated based on their geographical grouping by township and range, which resulted in an accelerated depreciation of recently constructed assets at the same rate as older roads included in the same geographical range. This year, roadways were separated into individual road segments which allowed for a more accurate depreciation of each individual asset. Changing the depreciation method of roadways had a significant effect in the amount of infrastructure accumulated depreciation. As a comparison, in 2017, the net change in depreciation of roadways was \$123.8 million, while in 2018, after the roadway conversion, the roadway accumulated depreciation was only \$15.5 million.

Another major determinant of Net Position is Developer Contributions. Per accounting standards, ACHD is required to record the value of donated infrastructure as non-cash revenue. ACHD receives every year a significant amount of Developer Contributions that impact the District's net position. In FY18, ACHD received \$149.7 million in donated infrastructure.

Other Liabilities outstanding increased \$9.3 million. This increase resulted due to large FY18 expenses incurred late in the year that were subsequently paid early in FY19.

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

	Governmental Activities		Business-type Activities		Total		Total % Change 2017-2018
	2017 <i>(as restated)</i>	2018	2017	2018	2017	2018	
Current assets	\$ 108,720,343	\$ 119,815,508	\$ 1,869,085	\$ 1,757,294	\$ 110,589,428	\$ 121,572,802	9.9%
Capital assets	2,668,453,617	2,810,444,620	1,788,786	1,740,359	2,670,242,403	2,812,184,979	5.3%
<b>Total assets</b>	<b>2,777,173,960</b>	<b>2,930,260,128</b>	<b>3,657,871</b>	<b>3,497,653</b>	<b>2,780,831,831</b>	<b>2,933,757,781</b>	<b>5.5%</b>
<b>Deferred outflows of resources</b>	2,197,723	2,369,149	44,851	48,350	2,242,574	2,417,499	7.8%
Long-term debt outstanding	1,418,609	1,166,549	-	-	1,418,609	1,166,549	(17.8)%
Other liabilities	25,542,229	35,050,496	432,487	262,721	25,974,716	35,313,217	36.0%
<b>Total liabilities</b>	<b>26,960,838</b>	<b>36,217,045</b>	<b>432,487</b>	<b>262,721</b>	<b>27,393,325</b>	<b>36,479,766</b>	<b>33.2%</b>
<b>Deferred inflows of resources</b>	38,160,331	40,919,012	28,890	33,592	38,189,221	40,952,604	6.7%
Net assets							
Invested in capital assets, net of related debt	2,666,145,380	2,808,528,932	1,788,786	1,740,359	2,667,934,166	2,810,269,291	5.3%
Restricted net assets	647,558	843,028	-	-	647,558	843,028	30.2%
Unrestricted net assets	47,457,576	46,121,260	1,452,559	1,509,331	48,910,135	47,630,591	(2.6)%
<b>Total net position</b>	<b>\$ 2,714,250,514</b>	<b>\$ 2,855,493,220</b>	<b>\$ 3,241,345</b>	<b>\$ 3,249,690</b>	<b>\$ 2,717,491,859</b>	<b>\$ 2,858,742,910</b>	<b>5.2%</b>

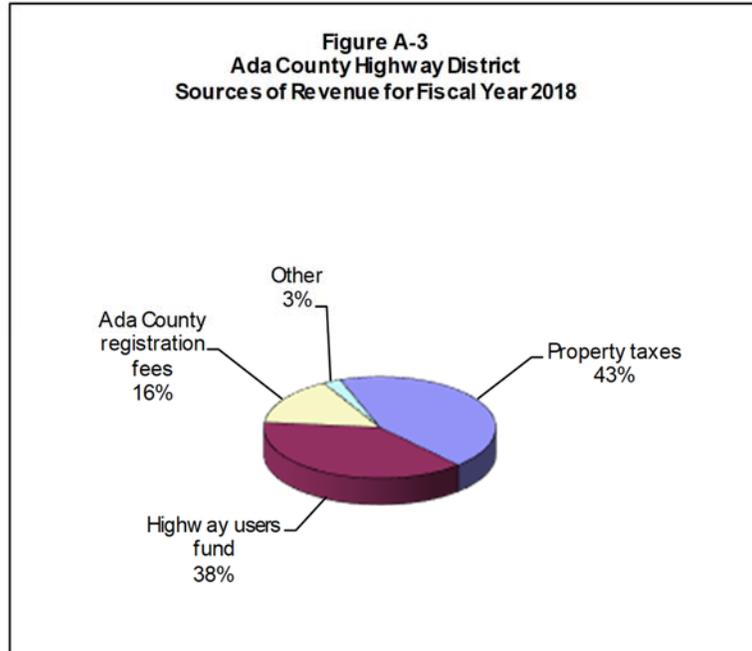
**Changes in Net Position.** ACHD's changes in Net Position are compared between fiscal year 2017 and 2018. (See Table A-2.) Again, total Net Position increased \$141.3 million in fiscal year 2018. The two largest components of revenues for ACHD are property taxes and capital grants & contributions which represents a combined 78.3% of total revenues in fiscal year 2018. In fiscal year 18, ACHD received \$149.7 million in developer contributions.

On the expenses side, unallocated depreciation expense is the largest component, 40.2% of total expenses in fiscal year 2018. As it was explained in Financial Analysis section above, this year ACHD changed its method of depreciating roadways from a geographical grouping by township and range, to an individual segment identification method, which allowed for a more accurate depreciation of each individual asset. Changing the depreciation method of roadways had a significant decrease in the amount of infrastructure accumulated depreciation. Depreciation is generally a fixed expense which occurs regardless of economic activity or how much business activity ACHD performs.

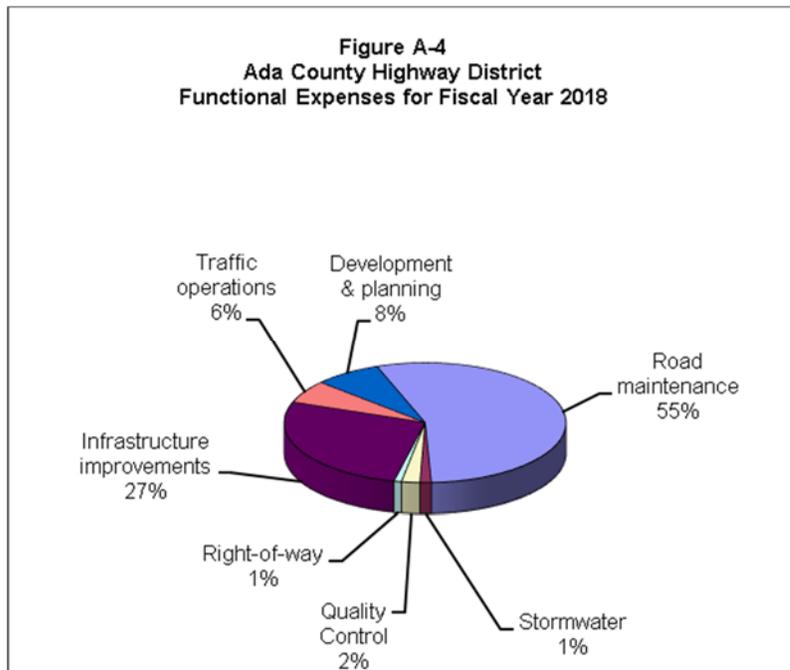
**Table A-2**  
**Changes in Ada County Highway District's Net Position**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2017	2018	2017	2018	2017	2018	2017-2018
<b>Revenues</b>							
<b>Program revenues</b>							
Charges for services	\$ 5,078,197	\$ 6,752,478	\$1,030,813	\$ 1,035,351	\$ 6,109,010	\$ 7,787,829	27.5%
Operating grants & contributions	-	-	611,794	582,912	611,794	582,912	(4.7)%
Capital grants & contributions	122,680,728	174,792,299	403,334	384,564	123,084,062	175,176,863	42.3%
<b>General revenues</b>							
Property taxes	35,094,442	37,294,612	-	-	35,094,442	37,294,612	6.3%
State highway users fund	30,906,700	32,659,232	-	-	30,906,700	32,659,232	5.7%
Sales tax & other governmental	12,222,156	13,047,381	-	-	12,222,156	13,047,381	6.8%
Investment earnings	127,440	411,952	-	-	127,440	411,952	223.3%
Sale of assets	962,901	1,504,260	-	-	962,901	1,504,260	56.2%
Miscellaneous	650,067	579,406	-	-	650,067	579,406	(10.9)%
<b>Total revenues</b>	<b>207,722,631</b>	<b>267,041,620</b>	<b>2,045,941</b>	<b>2,002,827</b>	<b>209,768,572</b>	<b>269,044,447</b>	<b>28.3%</b>
<b>Expenses</b>							
Road maintenance	39,107,196	39,867,787	-	-	39,107,196	39,867,787	1.9%
Stormwater	925,930	940,280	-	-	925,930	940,280	1.5%
Quality control	1,349,491	1,521,489	-	-	1,349,491	1,521,489	12.7%
Right-of-way	597,918	631,121	-	-	597,918	631,121	5.6%
Infrastructure improvements	10,560,314	19,664,742	-	-	10,560,314	19,664,742	86.2%
Traffic operations	4,069,323	4,463,025	-	-	4,069,323	4,463,025	9.7%
Development & planning	4,920,936	5,629,603	-	-	4,920,936	5,629,603	14.4%
Unallocated depreciation expense	155,293,288	51,360,957	-	-	155,293,288	51,360,957	(66.9)%
Transfer of assets-right of way	477,894	1,670,441	-	-	477,894	1,670,441	249.5%
Interest on long-term debt	77,151	49,469	-	-	77,151	49,469	(35.9)%
Vanpool	-	-	1,889,134	1,994,482	1,889,134	1,994,482	5.6%
<b>Total expenses</b>	<b>217,379,441</b>	<b>125,798,914</b>	<b>1,889,134</b>	<b>1,994,482</b>	<b>219,268,575</b>	<b>127,793,396</b>	<b>(41.7)%</b>
<b>Increase (decrease) in net position</b>	<b>\$ (9,656,810)</b>	<b>\$ 141,242,706</b>	<b>\$ 156,807</b>	<b>\$ 8,345</b>	<b>\$ (9,500,003)</b>	<b>\$ 141,251,051</b>	<b>(1586.9)%</b>

ACHD's major revenue sources (excluding all program revenues such as developer contributions and impact fees) are property taxes (43%), highway users fund (38%), and Ada County registration fees (16%). (See Figure A-3.)



ACHD's expenses (excluding program expenses and unallocated depreciation expense) cover a range of services with road maintenance and infrastructure improvements comprising 82% of the total expenses. (See Figure A-4.)



## Governmental Activities

Total revenues for ACHD's governmental activities increased \$59.3 million driven by a significant increase in capital grants and contributions, whereas total expenses decreased \$91.5 million driven by a significant decrease in 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 \$124.1 million, a decrease of 42.8% over the prior year primarily due to the significant decrease in infrastructure depreciation. 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 2018, the net cost of services decreased 164.4% due to a significant amount received in developer contributions.

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

	Total Cost of Services			Net Cost of Services		
	2017	2018	% Change 2017-2018	2017	2018	% Change 2017-2018
Roadway Maintenance	\$ 39,107,196	\$ 39,867,787	1.9%	\$ 39,107,196	\$ 39,867,787	1.9%
Traffic Operations	4,069,323	4,463,025	9.7%	3,845,373	4,161,610	8.2%
Infrastructure Improvements	10,560,314	19,664,742	86.2%	(114,397,562)	(159,137,987)	(39.1)%
Quality Control	1,349,491	1,521,489	12.7%	(239,099)	(128,101)	(46.4)%
Development and planning	4,920,936	5,629,603	14.4%	4,632,875	5,236,035	13.0%
Other	156,894,287	52,981,827	(66.2)%	156,193,839	52,584,352	(66.3)%
<b>Total</b>	<b>\$ 216,901,547</b>	<b>\$ 124,128,473</b>	<b>(42.8)%</b>	<b>\$ 89,142,622</b>	<b>\$ (57,416,304)</b>	<b>(164.4)%</b>

## Business-Type Activities

The Net Position of ACHD's business-type activities (Refer back to Table A-1) is at \$3.2 million, with no significant change from prior year. This year, twelve vans were purchased as opposed to thirteen purchased in the prior year. Vans are typically purchased with federal grants and since less vans were needed for replacement in the program, revenues from federal grants were lower this fiscal year.

## FINANCIAL ANALYSIS OF ACHD'S FUNDS

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

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

The General Fund is the chief operating fund of ACHD. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$24.2 million. The General Fund's total fund balance was \$56.2 million, a slight decrease of \$1.3 million over last year.

Approximately 7.0% or \$3.9 million of the total fund balance is committed into fiscal year's 2019 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 97.9% of the final budget amounts compared to 94.3% in the prior fiscal year. When taking encumbrances into consideration the percentage raises to 99.7% of the final budget amounts compared to 97.2% in the prior fiscal year.

### CAPITAL ASSET and DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2018, ACHD had \$2.8 billion in capital assets including bridges, curbs and gutters, drainage ponds, easements, right-of-way, roads, sidewalks, and traffic signals. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$141.9 million or 5.3% driven mostly by a significant increase of developer contributions and a significant decrease in accumulated depreciation.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2017 <i>(as restated)</i>	2018	2017	2018	2017	2018	2017-2018
Land	\$ 2,096,172,729	\$ 2,184,122,237	\$ -	\$ -	\$ 2,096,172,729	\$ 2,184,122,237	4.2%
Buildings & improvements	4,624,996	4,522,385	-	-	4,624,996	4,522,385	(2.2)%
Equipment	18,030,244	18,519,243	1,788,786	1,740,359	19,819,030	20,259,602	2.2%
Infrastructure	513,332,888	559,250,334	-	-	513,332,888	559,250,334	8.9%
Construction in progress	36,292,760	44,030,421	-	-	36,292,760	44,030,421	21.3%
<b>Total</b>	<b>\$ 2,668,453,617</b>	<b>\$ 2,810,444,620</b>	<b>\$ 1,788,786</b>	<b>\$ 1,740,359</b>	<b>\$ 2,670,242,403</b>	<b>\$ 2,812,184,979</b>	<b>5.3%</b>

This year's major capital asset additions included:

- **Fairview Ave and Cole Rd:** Widened intersection to 8 lanes on Fairview Ave and 7 lanes on Cole Rd in accordance with the 2016 CIP. Project included non-traversable raised medians.
- **Ustick Rd, and Meridian Rd:** Widened intersection to 7 lanes on all approaches in accordance with the 2016 CIP. Project was constructed concurrently with Ustick Rd, Meridian Rd / Locust Grove Rd and Ustick Rd, Linder Rd / Meridian Rd.
- **Ustick Rd, Linder Rd / Meridian Rd:** Project was constructed concurrently with the Ustick Rd /Meridian Rd intersection and Ustick Rd, Meridian Rd / Locust Grove Rd. Project included an enhanced pedestrian crossing at W. 3rd St.
- **Ustick Rd, Meridian / Locust Grove Rd:** Widened Ustick Rd to 5 lanes with curb, gutter, sidewalks and bike lanes in accordance with the 2016 CIP. Project was constructed concurrently with the Ustick Rd / Meridian Rd intersection and Ustick Rd, Linder Rd / Meridian Rd.
- **Franklin Rd, Black Cat / Ten Mile:** Widened roadway from 2 lanes to 5 lanes with curb, gutter and sidewalks per the 2009 CIP update, in order to increase capacity along a designated Interstate 84 ITS Detour Route. The project tied into the western edge of the existing improvements at Franklin Rd and Ten Mile Rd and extended to the west to the intersection improvements that were built at Franklin and Black Cat.

At the end of fiscal year 2018 the average Pavement Condition Index (PCI) Rating for ACHD roadways was Very Good (PCI Rating between 100-70). See Note 6 for additional information.

### 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 \$1.9 million in capital lease obligations. (See Table A-5.) In fiscal year 2018, ACHD entered into one new lease agreement. See Note 8 for additional information.

Table A-5  
Ada County Highway District Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total % Change
	2017	2018	2017	2018	2017	2018	2017-2018
Current portion of capital leases	\$ 889,628	\$ 749,139	\$ -	\$ -	\$ 889,628	\$ 749,139	(15.8)%
Noncurrent portion of capital leases	1,418,609	1,166,549	-	-	1,418,609	1,166,549	(17.8)%
<b>Total capital lease obligations</b>	<b>\$ 2,308,237</b>	<b>\$ 1,915,688</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,308,237</b>	<b>\$ 1,915,688</b>	<b>(33.6)%</b>

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

### Current Economic Factors

- The U.S. Census Bureau estimate of Ada County population for 2018 is 456,849 which is an increase of 2.9% from the prior year.
- Unemployment in Ada County is at 2.1% compared to 2.7% from the prior year.

- Single-family housing starts in Ada County are up 18% cumulative year-to-date as of September 2018 compared to the same period last year.
- Fuel prices in the local area have increased 7.8% compared to last year.

These factors were considered in preparing ACHD's budget for the 2019 fiscal year.

### **Budget and Rates**

- The general fund budget for fiscal year 2019 is \$127.0 million, a 1% decrease over the final 2018 budget of \$128.4 million.
- Property tax revenue is projected at \$39.6 million which includes a \$2.2 million increase reflective of the 3% increase allowed by Idaho Statute as well as an increase in the value of New Construction Roll. Those amounts are \$1.044M increase for the 3% allowable and \$1.187M for the New Construction Roll.
- Development impact fee revenue is budgeted at \$19.2 million in FY19 which is \$1.4 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 decrease \$259 thousand.
- ACHD's fiscal year 2019 capital budget anticipates spending \$68.6 million for capital projects which includes the following key projects:
  - o Community Projects - Approximately \$9.8 million of the capital budget, nearly 14 percent, is set aside for 50 projects providing safe routes to school, bike lane additions and neighborhood enhancements. These are the projects voters approved with the Vehicle Registration Fee in 2008, and the District continues to deliver on this important program.
  - o Cloverdale Rd, Overland Rd/Franklin Rd -Widen Cloverdale Rd from two to five lanes with curb and gutter, including a 5' detached sidewalk on the west side of the roadway. This project is done in conjunction with ITD's rebuilding of the Cloverdale Road Overpass.
  - o Cloverdale Rd, Ustick Rd/Chinden - This is a combination of two miles of Cloverdale that will be completed together. The project will widen Cloverdale Rd to five lanes with curb and gutter, sidewalks and bike lanes in accordance with the Cloverdale Rd Concept Design and the 2016 CIP.
  - o State Street and Collister Drive Intersection -Federal Aid project to improve the intersection of State St and Collister Dr, including realignment of the Collister Dr leg, curb, gutter, sidewalk and bike lanes in accordance with the State Street TTOP. Includes construction of State St Bridge #2038.

Ada County Highway District  
Statement of Net Position  
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows			
Current Assets			
Cash and cash equivalents	\$ 62,506,099	\$ 1,793,922	\$ 64,300,021
Restricted cash and cash equivalents	8,476,810	-	8,476,810
Receivables			
Property taxes from Ada County	39,595,027	-	39,595,027
Due from other governmental units	4,954,932	27,464	4,982,396
Other	947,926	5,562	953,488
Inventory			
Equipment parts and fuel	93,866	-	93,866
Materials	3,171,194	-	3,171,194
Internal balances	69,654	(69,654)	-
Total current assets	<u>119,815,508</u>	<u>1,757,294</u>	<u>121,572,802</u>
Noncurrent Assets			
Capital assets			
Land, infrastructure, and other assets not depreciated	2,228,152,658	-	2,228,152,658
Buildings, improvements, equipment, and infrastructure, net of depreciation	<u>582,291,962</u>	<u>1,740,359</u>	<u>584,032,321</u>
Total noncurrent assets	<u>2,810,444,620</u>	<u>1,740,359</u>	<u>2,812,184,979</u>
Total assets	<u>2,930,260,128</u>	<u>3,497,653</u>	<u>2,933,757,781</u>
Deferred Outflows			
Net pension obligation	<u>2,369,149</u>	<u>48,350</u>	<u>2,417,499</u>
Total Assets and Deferred Outflows	<u><u>\$ 2,932,629,277</u></u>	<u><u>\$ 3,546,003</u></u>	<u><u>\$ 2,936,175,280</u></u>

Ada County Highway District  
Statement of Net Position  
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities, Deferred Inflows and Net Position</b>			
<b>Current Liabilities</b>			
Vouchers payable	\$ 12,177,859	\$ 88,235	\$ 12,266,094
Accrued payroll	1,134,470	-	1,134,470
Impact fee contingency	357,500	-	357,500
Interest payable	4,782	-	4,782
Advanced revenue	2,733,500	-	2,733,500
Current portion of capital lease obligations	749,139	-	749,139
Total current liabilities	<u>17,157,250</u>	<u>88,235</u>	<u>17,245,485</u>
<b>Noncurrent Liabilities</b>			
Compensated absences	1,709,641	-	1,709,641
Capital lease obligations	1,166,549	-	1,166,549
Refundable performance deposits	7,633,782	-	7,633,782
Net pension liability	8,549,823	174,486	8,724,309
Total liabilities	<u>36,217,045</u>	<u>262,721</u>	<u>36,479,766</u>
<b>Deferred Inflows of Resources</b>			
Net Pension Obligation	1,646,012	33,592	1,679,604
Unavailable - property tax	39,273,000	-	39,273,000
Total deferred inflows of resources	<u>40,919,012</u>	<u>33,592</u>	<u>40,952,604</u>
<b>Net Position</b>			
Net investment in capital assets	2,808,528,932	1,740,359	2,810,269,291
Restricted	843,028	-	843,028
Unrestricted	46,121,260	1,509,331	47,630,591
Total Net Position	<u>2,855,493,220</u>	<u>3,249,690</u>	<u>2,858,742,910</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u><u>\$ 2,932,629,277</u></u>	<u><u>\$ 3,546,003</u></u>	<u><u>\$ 2,936,175,280</u></u>

Ada County Highway District  
Statement of Activities  
Year Ended September 30, 2018

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	\$ (39,867,787)	\$ -	\$ -	\$ -	\$ (39,867,787)
Stormwater	(940,280)	-	-	-	(940,280)
Quality control	(1,521,489)	1,649,590	-	-	128,101
Right-of-way	(631,121)	397,475	-	-	(233,646)
Infrastructure improvements	(19,664,742)	4,010,430	-	174,792,299	159,137,987
Traffic operations	(4,463,025)	301,415	-	-	(4,161,610)
Development and planning	(5,629,603)	393,568	-	-	(5,236,035)
Unallocated depreciation expense	(51,360,957)	-	-	-	(51,360,957)
Transfer of assets-right of way	(1,670,441)	-	-	-	(1,670,441)
Interest on long-term debt	(49,469)	-	-	-	(49,469)
<b>Total Governmental Activities</b>	<b>(125,798,914)</b>	<b>6,752,478</b>	<b>-</b>	<b>174,792,299</b>	<b>55,745,863</b>
<b>Business-Type Activities</b>					
Vanpool	(1,994,482)	1,035,351	582,912	384,564	8,345
<b>Total Business-Type Activities</b>	<b>(1,994,482)</b>	<b>1,035,351</b>	<b>582,912</b>	<b>384,564</b>	<b>8,345</b>
<b>Total Primary Government</b>	<b>\$(127,793,396)</b>	<b>\$ 7,787,829</b>	<b>\$ 582,912</b>	<b>\$ 175,176,863</b>	<b>\$ 55,754,208</b>

Ada County Highway District  
Statement of Activities  
Year Ended September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net (Expenses) Revenue	\$ 55,745,863	\$ 8,345	\$ 55,754,208
General revenues			
Shared revenues			
Property taxes, levied for general purposes	37,294,612	-	37,294,612
State highway users fund	32,659,232	-	32,659,232
Sales tax and other governmental	13,047,381	-	13,047,381
Unrestricted investment earnings	411,952	-	411,952
Gain on sale of assets	1,504,260	-	1,504,260
Miscellaneous	579,406	-	579,406
Total General Revenues and Transfers	<u>85,496,843</u>	<u>-</u>	<u>85,496,843</u>
Change in Net Position	141,242,706	8,345	141,251,051
Net Position, Beginning of Year, as Restated	<u>2,714,250,514</u>	<u>3,241,345</u>	<u>2,717,491,859</u>
Net Position, End of Year	<u><u>\$ 2,855,493,220</u></u>	<u><u>\$ 3,249,690</u></u>	<u><u>\$ 2,858,742,910</u></u>

Ada County Highway District  
Balance Sheet – Governmental Funds  
September 30, 2018

	Governmental Funds
	General
<b>Assets</b>	
Cash and cash equivalents	\$ 62,506,099
Restricted cash and cash equivalents	8,476,810
Receivables	
Property taxes from Ada County	39,595,027
Due from other governmental units	4,954,932
Internal balances	69,654
Other	947,926
Inventories	
Equipment parts and fuel	93,866
Materials	3,171,194
	\$ 119,815,508
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Vouchers payable	\$ 12,177,859
Accrued payroll	1,134,470
Advanced revenue	2,733,500
Impact fee contingency	357,500
Refundable performance deposits	7,633,782
	24,037,111
<b>Deferred Inflows of Resources</b>	
Unavailable - property tax	39,595,027
	39,595,027
<b>Fund Balances</b>	
Nonspendable	
Inventory	3,265,060
Restricted	
Extraordinary impact fees	843,028
Committed	
Carryover funds	3,911,000
Assigned	
Encumbrances	2,246,000
Self-Insurance	2,000,000
Right-of-way acquisitions	1,000,000
Future needs	6,830,000
Priority Corridor	11,853,850
Unassigned	24,234,432
	56,183,370
	\$ 119,815,508

Ada County Highway District  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2018

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Fund balance - total governmental funds		\$ 56,183,370
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.		2,810,444,620
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		322,027
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.		
Leases	(1,915,688)	
Net Pension Liability	<u>(8,549,823)</u>	(10,465,511)
Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.		(1,709,641)
Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(4,782)
Deferred outflows of resources related to pension obligations		2,369,149
Deferred inflows of resources related to pensions		<u>(1,646,012)</u>
Net position of governmental activities		<u><u>\$ 2,855,493,220</u></u>

Ada County Highway District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2018

	Governmental Funds General
Revenues	
Property taxes	\$ 37,397,153
State highway users fund	32,659,232
State sales tax distribution	2,120,518
Federal and state grants	4,958,375
Cost-sharing payments	4,010,430
Fees and services	2,742,048
Ada County vehicle registration fees	10,926,863
Development impact fees	20,149,419
Interest	411,952
Other	579,406
	115,955,396
Expenditures	
Commissioners	242,680
Director	680,676
Legal	890,925
Human resource	961,565
Communications	808,781
Planning and projects	3,478,389
Operations	28,809,098
Technical	13,683,242
Infrastructure improvements	65,425,371
Capital outlay	4,542,666
Debt service - principal	767,813
Debt service - interest	52,192
	120,343,399
Deficiency of Revenues over Expenditures	(4,388,003)
Other Financing Sources	
Proceeds from sales of assets	2,261,161
Capital leases	570,103
	(1,556,739)
Net Change in Fund Balance	(1,556,739)
Fund Balance, Beginning of Year	57,519,360
Decrease in Reserve for Inventories	220,749
	\$ 56,183,370
	\$ 56,183,370

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, 2018

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Net change in fund balance - total governmental funds \$ (1,556,739)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$4,617,048) exceeded depreciation expense (\$4,085,076) in the current period. 531,972

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 (\$51,360,957) exceeded infrastructure additions (\$45,760,629) in the current period. (5,600,328)

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. 149,684,505

In the statement of activities, only the gain or loss on disposal of assets is reported, whereas in the governmental funds, the entire proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of. (2,622,179)

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. 220,749

Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (102,541)

Long-term debt and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces the debt in the statement of net assets. This is the amount by which proceeds (\$570,103) exceeded repayments (\$767,813) and returns (\$194,836). 392,547

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. (99,104)

Expenditures (revenues) related to the net pension liability that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 391,101

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. 2,723

Total \$ 141,242,706

Ada County Highway District  
Statement of Net Position – Proprietary Funds  
September 30, 2018

	Enterprise Fund Van Pool
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,793,922
Receivables	
Due from other governmental units	27,464
Accounts receivable	5,562
<b>Total current assets</b>	<b>1,826,948</b>
<b>Noncurrent Assets</b>	
Capital assets	
Machinery and equipment	4,408,275
Less accumulated depreciation	(2,667,916)
<b>Total noncurrent assets</b>	<b>1,740,359</b>
<b>Deferred Outflow of Resources</b>	
Deferred Outflows-Pension	48,350
	<b>\$ 3,615,657</b>
<b>Liabilities and Net Position</b>	
<b>Current Liabilities</b>	
Vouchers payable	\$ 88,235
Internal balances	69,654
	157,889
<b>Noncurrent Liabilities</b>	
Net Pension Liability	174,486
<b>Total liabilities</b>	<b>332,375</b>
<b>Deferred Inflow of Resources</b>	
Deferred Inflows-Pension	33,592
	33,592
<b>Net Position</b>	
Invested in capital assets	1,740,359
Unrestricted	1,509,331
<b>Total net position</b>	<b>3,249,690</b>
	<b>\$ 3,615,657</b>

Ada County Highway District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Proprietary Funds  
Year Ended September 30, 2018

	Enterprise Fund Van Pool
Operating Revenues	
User charges	\$ 982,883
Operational contribution from federal grants	307,912
Operational contribution from the general fund	275,000
Other	52,468
Total operating revenues	1,618,263
Operating Expenses	
Payroll and related costs	640,728
Insurance	22,626
Fuel	278,309
Licenses and operating costs	146,775
Advertising	103,532
Office and other	233,661
Depreciation	562,051
Leases and rentals	6,800
Total operating expenses	1,994,482
Operating Loss	(376,219)
Capital contributions	384,564
Change in Net Position	8,345
Net Position, Beginning of Year	3,241,345
Net Position, End of Year	\$ 3,249,690

Ada County Highway District  
Statement of Cash Flows – Proprietary Funds  
Year Ended September 30, 2018

	Enterprise Fund Van Pool
Operating Activities	
Received from user charges	\$ 979,661
Received from federal grant subsidies	280,448
Received from general fund subsidies	290,456
Received from other	18,539
Payments to employees for services	(647,900)
Payments to suppliers for goods and services	(953,095)
	(31,891)
Net Cash used for Operating Activities	
Capital and Related Financing Activities	
Proceeds from federal grants (vans & 5309)	384,566
Proceeds from sale of capital assets	33,929
Payments for capital acquisitions	(513,625)
	(95,130)
Net Cash used for Capital and Related Financing Activities	
Net Change in Cash and Cash Equivalents	(127,021)
Cash and Cash Equivalents, Beginning of Year	1,920,943
Cash and Cash Equivalents, End of Year	\$ 1,793,922
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (376,219)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	562,051
Gain on sale of capital assets	(33,929)
GASB 68 Pension Expense	(7,170)
Changes in assets and liabilities	
Accounts receivable	(3,222)
Due from government units	(27,464)
Vouchers payable	(161,394)
Due to other funds	15,456
	(31,891)
Net Cash used for Operating Activities	\$ (31,891)

Ada County Highway District  
Statement of Fiduciary Net Position – Agency Funds  
September 30, 2018

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	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,438,959
	<u>\$ 2,438,959</u>
Liabilities	
Accounts payable	\$ 53,628
Refundable performance bond deposits	<u>2,385,331</u>
	<u>\$ 2,438,959</u>

## Note 1 - Summary of Significant Accounting Policies

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

The accounting and reporting policies of ACHD relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, ACHD has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

### Financial Reporting Entity

For financial reporting purposes, in conformity with GASB Statement Nos. 14, 39, and 61, the financial statements for ACHD include all organizations for which ACHD is financially accountable, and other organizations for which the nature and significance of their relationships with ACHD are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

### Government-wide and Fund Financial Statements

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

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

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

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

ACHD reports the following major Governmental Funds:

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

ACHD reports the following major Proprietary Fund:

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

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

Additionally, ACHD reports the following fund type:

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

### **Fund Balance Reporting**

GASB Statement No. 54 (the Statement) establishes accounting and financial reporting standards for all governments that report governmental funds. The Statement requires fund balance to be displayed in the following classifications depicting the relative strength of the spending constraints on the purposes for which resources can be used:

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

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

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

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

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

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

ACHD does not have a formal minimum fund balance policy.

### **Encumbrances**

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

### **Cash and Cash Equivalents**

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

### **Inventories**

Inventories are stated at the lower of cost (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 Unavailable Revenue**

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

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

### **Capital Assets**

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

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

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

The estimated useful lives of capital assets are as follows:

Transportation equipment	6-10 years
Office equipment	3 years
Buildings	30 years
Public Domain Infrastructure	20-50 years

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

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

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

In addition to liabilities, the statement of financial position includes a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. ACHD has two items that qualify for reporting in this category: the deferred net pension and unavailable revenue. The employer deferred net pension results from the difference between the expected and actual experience of the pension plan and the net difference between projected and actual investment earnings on the pension plan investments. The unavailable revenue is reported 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**

	Amount
Cash	\$ 2,363,088
Cash Equivalents	
Cash management account	23,211,924
Certificate of deposit	15,786,807
Money market savings	8,605,934
Total cash equivalents	47,604,665
Total cash and cash equivalents	49,967,753
Investments at fair value	25,248,037
	\$ 75,215,790

**Unrestricted Cash and Cash Equivalents**

At year-end, the carrying amount of ACHD’s deposits was \$72,776,831 and the bank balance was \$76,591,185. Of the bank balance held by ACHD, \$1,100,918 was covered by federal depository insurance \$26,935,556 was collateralized by securities held in the entity’s name, \$48,554,711 and was uninsured and uncollateralized. The fair market value of the securities used as collateral was \$27,474,267. In addition, ACHD held deposits of \$2,438,960 with a bank balance of \$2,438,960 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 \$2,188,960 was uninsured and uncollateralized. All cash is held in national financial institutions.

**Investments**

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

The LGIP is invested in accordance with Section 67-1210 and Section 67-1210A Idaho Code. The State Treasurer is a custodian of the LGIP and no other regulatory oversight for the pool is established. The District’s monies placed with the LGIP for participation in the State’s investment pool represent an interest in the pool rather than ownership of specific securities and are recorded at fair value.

**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 \$23,211,924 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 36% of ACHD's cash and investments.

### **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% 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, 2018, 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 \$2,200,659 for the year ended September 30, 2018.

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

At September 30, 2018, ACHD reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, ACHD's proportion was 0.005914716.

For the year ended September 30, 2018, ACHD recognized pension revenue of \$361,209. At September 30, 2018, 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	\$ 957,682	\$ 658,896
Changes in assumptions or other inputs	567,689	-
Net difference between projected and actual earnings on pension plan investments	-	969,320
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share - 2015	104,743	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share - 2016	-	51,388
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share - 2017	41,491	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share - 2018	120,963	-
ACHD's contributions subsequent to the measurement date	624,931	-
<b>Total</b>	<b>\$ 2,417,499</b>	<b>\$ 1,679,604</b>

ACHD reported \$624,931 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, 2017 the beginning of the measurement period ended June 30, 2018 is 4.8 for the measurement period June 30, 2018.

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:

2019	\$ 800,883
2020	138,923
2021	(671,619)
2022	(155,223)

### 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of pension plan investment expense
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 2013 through 2017 for the PERSI Base Plan, which reviewed all economic and demographic assumptions. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date July 1, 2018.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			1.42%
<b>Valuation Assumptions Chosen by PERSI Board</b>			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>			<b>7.05%</b>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.05%. 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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the Net pension liability (asset)	\$21,838,920	\$8,724,309	\$(2,135,126)

**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, 2018, 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	\$ 69,654	\$ -	\$ 69,654
Enterprise Fund	-	(69,654)	(69,654)
	\$ 69,654	\$ (69,654)	\$ -

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

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

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

	General Fund	Enterprise Fund	Total
State of Idaho	\$ 1,239,065	\$ 27,464	\$ 1,266,529
Other local agencies	786,282	-	786,282
Western Federal lands (USDOT)	2,929,585	-	2,929,585
	\$ 4,954,932	\$ 27,464	\$ 4,982,396

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.

	Unavailable	Revenue
Property Tax Levy (General Fund)	\$ 39,595,027	\$ -
State Funding (General Fund)	-	2,733,500
	\$ 39,595,027	\$ 2,733,500

**Note 6 - Capital Assets**

Changes in capital assets are as follows:

	Balance October 1, 2017, as Restated	Additions	Deletions	Transfers from CIP	Balance September 30, 2018
<b>Governmental Activities</b>					
Capital assets, not depreciated					
Land	\$ 3,166,654	\$ -	\$ -	\$ -	\$ 3,166,654
Ponds	13,158,881	-	-	-	13,158,881
Right-of-way	2,021,740,833	70,785,404	(1,670,441)	-	2,090,855,796
Easements	58,106,361	18,835,062	(517)	-	76,940,906
Construction in progress	36,292,760	38,847,003	-	(31,109,342)	44,030,421
Total capital assets, not depreciated	<u>2,132,465,489</u>	<u>128,467,469</u>	<u>(1,670,958)</u>	<u>(31,109,342)</u>	<u>2,228,152,658</u>
Capital assets, depreciated					
Buildings	9,630,865	295,188	-	-	9,926,053
Machinery and equipment	40,529,637	4,320,380	(881,926)	-	43,968,091
Furniture	5,642	-	-	-	5,642
Roadways	1,880,413,124	50,824,016	(4,099,709)	10,156,576	1,937,294,007
Curbs and gutters	140,949,268	7,012,826	(59,128)	5,147,327	153,050,293
Sidewalks	159,972,827	8,006,502	(58,827)	6,702,946	174,623,448
Bridges	105,302,660	539,880	(83,130)	3,511,923	109,271,333
Signals	44,163,261	592,955	(380,483)	5,590,570	49,966,303
Total capital assets, depreciated	<u>2,380,967,284</u>	<u>71,591,747</u>	<u>(5,563,203)</u>	<u>31,109,342</u>	<u>2,478,105,170</u>
Less accumulated depreciation for					
Buildings	(5,005,869)	(397,799)	-	-	(5,403,668)
Machinery and equipment	(22,499,393)	(3,687,277)	737,822	-	(25,448,848)
Furniture	(5,642)	-	-	-	(5,642)
Roadways	(1,503,782,550)	(15,511,478)	3,629,261	-	(1,515,664,767)
Curbs and gutters	(103,674,734)	(14,650,565)	53,954	-	(118,271,345)
Sidewalks	(117,353,437)	(17,065,115)	53,679	-	(134,364,873)
Bridges	(59,995,688)	(2,418,503)	76,551	-	(62,337,640)
Signals	(32,661,843)	(1,715,297)	60,715	-	(34,316,425)
Total accumulated depreciation	<u>(1,844,979,156)</u>	<u>(55,446,034)</u>	<u>4,611,982</u>	<u>-</u>	<u>(1,895,813,208)</u>
Total net capital assets, depreciated	<u>535,988,128</u>	<u>16,145,713</u>	<u>(951,221)</u>	<u>31,109,342</u>	<u>582,291,962</u>
Governmental activities capital assets, net	<u>\$ 2,668,453,617</u>	<u>\$ 144,613,182</u>	<u>\$(2,622,179)</u>	<u>\$ -</u>	<u>\$ 2,810,444,620</u>

Ada County Highway District  
Notes to Financial Statements  
September 30, 2018

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<b>Business-type Activities</b>				
Capital assets, depreciated				
Buildings	\$ 3,712	\$ -	\$ -	\$ 3,712
Equipment	4,425,950	513,624	(535,011)	4,404,563
Total capital assets, depreciated	4,429,662	513,624	(535,011)	4,408,275
Less accumulated depreciation for				
Buildings	(3,712)	-	-	(3,712)
Equipment	(2,637,164)	(562,051)	535,011	(2,664,204)
Total accumulated depreciation	(2,640,876)	(562,051)	535,011	(2,667,916)
Total net capital assets, depreciated	1,788,786	(48,427)	-	1,740,359
Business-type activities capital assets, net	\$ 1,788,786	\$ (48,427)	\$ -	\$ 1,740,359
 <b>Governmental activities</b>				
Road and highway construction and maintenance				\$ 4,083,753
Unallocated depreciation				51,362,281
Total depreciation expense - government activities				\$ 55,446,034
 <b>Business-type activities</b>				
Vanpool				\$ 562,051

**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, 2018:

	Cost	Accumulated Depreciation
General fund	\$ 4,522,246	\$ 845,344

**Note 8 - Long-term Debt**

Debt service requirements to maturity for capital leases obligations are:

Capital lease for one 950K Wheel Loader, 3.20% interest payable in annual payments of \$10,918 through October 2018, and one balloon payment of \$160,000 due July 2020, secured by wheel loader.	\$ 155,039
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.	321,622
Capital lease for one Backhoe Loader, 3.00% interest payable in annual payments of \$13,199 through Sept 2019, and one balloon payment of \$50,341 due September 2020 secured by backhoe loader.	60,223
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.	58,568
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.	221,600
Capital lease for three Mechanical Sweepers and two Vacuum Sweepers, 2.04% interest payable in annual payments of \$285,854 through August 2020, and one balloon payment of \$50,000 due August 2021, secured by sweepers.	601,556
Capital lease for four 410L Back Loaders and one 85G Excavator, 3.25% interest payable in annual payments of \$73,023 through September 2022, and one balloon payment of \$266,950 due August 2023, secured by equipment.	497,080
	\$ 1,915,688

Debt service requirements to maturity for capital leases obligations are:

2019						\$	801,705		
2020							769,218		
2021							123,023		
2022							73,023		
2023							266,950		
							2,033,919		
Less interest							(118,231)		
Principal							\$ 1,915,688		

Long-term debt at September 30, 2018 includes:

	Balance October 1, 2017	Additions	Returns and Retirements	Balance September 30, 2018	Due Within One Year
Governmental Activities					
Compensated absences	\$ 1,610,538	\$ 99,103	\$ -	\$ 1,709,641	\$ -
Capital leases	<u>2,308,237</u>	<u>570,100</u>	<u>(962,649)</u>	<u>1,915,688</u>	<u>749,139</u>
Governmental activities long-term debt	<u>\$ 3,918,775</u>	<u>\$ 669,203</u>	<u>\$ (962,649)</u>	<u>\$ 3,625,329</u>	<u>\$ 749,139</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, 2018, and there were claims paid subsequent to year-end in the amount of \$3,219. The requirements of GASB Statement Nos. 10 and 30, require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. Claim liabilities, including incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience. Claim liabilities also include specific, incremental claim adjustment expenses. In addition, estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Expenses and liabilities are estimated through a case-by-case review of all claims and the application of historical experience for outstanding claims. Estimates of IBNR losses are based on historical general auto liability.

**Note 11 - Correction of an Error**

Beginning net position in the governmental activities was restated as of September 30, 2017 due to an accounting error in construction in progress of \$8,113,278. The following summarizes the effects of the prior period adjustment to the beginning net position of the governmental activities as of September 30, 2017.

*Governmental Activities*

Net position at beginning of year, as previously reported	\$ 2,722,363,792
Decrease to net position due to a correction of an error	<u>(8,113,278)</u>
Net position at beginning of year, as restated	<u><u>\$ 2,714,250,514</u></u>

*Total*

Net position at beginning of year, as previously reported	\$ 2,725,605,137
Decrease to net position due to a correction of an error	<u>(8,113,278)</u>
Net position at beginning of year, as restated	<u><u>\$ 2,717,491,859</u></u>



Required Supplementary Information  
September 30, 2018

# Ada County Highway District

Ada County Highway District  
Budgetary Comparison Schedule – General Fund  
Year Ended September 30, 2018

	<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	\$ 37,039,000	\$ 37,039,000	\$ 37,397,153	\$ 358,153
State highway users fund	29,500,000	32,100,000	32,659,232	559,232
State sales tax distribution	1,750,000	1,950,000	2,120,518	170,518
Federal and state grants	6,604,500	5,219,000	4,958,375	(260,625)
Cost-sharing payments	3,020,000	5,612,800	4,010,430	(1,602,370)
Fees and services	2,150,000	2,769,000	2,742,048	(26,952)
Ada County vehicle registration fees	9,600,000	10,100,000	10,926,863	826,863
Development impact fees	15,775,000	19,235,000	20,149,419	914,419
Interest	39,000	300,000	411,952	111,952
Other	959,000	2,549,000	579,406	(1,969,594)
<b>Total revenues</b>	<b>106,436,500</b>	<b>116,873,800</b>	<b>115,955,396</b>	<b>(918,404)</b>
<b>Expenditures</b>				
Commissioners	242,200	242,100	242,680	(580)
Director	672,900	674,400	680,676	(6,276)
Legal	948,800	918,300	890,925	27,375
Human resource	985,200	986,100	961,565	24,535
Communications	719,700	725,200	808,781	(83,581)
Planning and projects	3,435,400	3,554,800	3,478,389	76,411
Operations	29,412,500	30,222,550	28,809,098	1,413,494
Technical	13,898,650	14,117,850	13,683,242	434,608
Infrastructure improvements	60,706,900	66,555,500	65,425,371	1,130,129
Capital outlay	3,910,800	4,937,750	4,542,666	395,084
Debt service - principal	-	-	767,813	(767,813)
Debt service - interest	-	-	52,192	(52,192)
<b>Total expenditures</b>	<b>114,933,050</b>	<b>122,934,550</b>	<b>120,343,399</b>	<b>2,591,194</b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b>(8,496,550)</b>	<b>(6,060,750)</b>	<b>(4,388,003)</b>	<b>1,672,790</b>
<b>Other Financing Sources</b>				
Proceeds from sale of assets	-	-	2,261,161	2,261,161
Capital lease proceeds	-	-	570,103	570,103
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>2,831,264</b>	<b>2,831,264</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources over (Under) Expenditures</b>	<b>\$ (8,496,550)</b>	<b>\$ (6,060,750)</b>	<b>\$ (1,556,739)</b>	<b>\$ 4,504,054</b>

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, 2018

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

	2018	2017	2016	2015	2014
Employer's portion of net pension liability	0.005914716	0.00581682	0.00577456	0.005847315	0.005619833
Employer's portion of net pension liability	\$ 8,724,309	\$ 9,143,042	\$ 11,705,892	\$ 7,699,963	\$ 4,137,077
Employer's covered payroll	\$ 19,304,603	\$ 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	45.2%	50.6%	69.6%	46.8%	27.1%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	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 30th.

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

	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 3,512,958	\$ 3,316,298	\$ 3,123,423	\$ 2,975,708	\$ 2,820,629
Contributions in relation to the statutorily required contributions	\$ 3,519,473	\$ 3,316,250	\$ 3,115,449	\$ 2,987,531	\$ 2,838,079
Contribution (deficiency) excess	6,515	(48)	(7,974)	11,823	17,450
Employer's covered payroll	\$ 19,397,889	\$ 18,311,972	\$ 17,174,979	\$ 16,559,701	\$ 15,765,170
Contributions as a percentage of covered-employee payroll	18.14%	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 30th.



Single Audit Information  
September 30, 2018

# Ada County Highway District

Ada County Highway District  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018

<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	Not Available	\$ 5,250,623
Passed through Western Federal Lands			
Highway Planning and Construction	20.205	Not Available	<u>15,664</u>
Total Highway Planning and Construction Cluster			<u>5,266,287</u>
Federal Transit Cluster			
Passed through Valley Regional Transit			
Federal Transit - Formula Grants	20.507	ID-2017-011-11	262,520
		ID-2016-003-00	39,426
		ID-2017-017-00	12,878
		ID-2016-019-00	<u>69,739</u>
Total Department of Transportation			<u>384,563</u>
Total Federal Financial Assistance			<u><u>\$ 5,650,850</u></u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Ada County Highway District (ACHD), under programs of the federal government for the year ended September 30, 2018. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of operations of ACHD, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of ACHD.

**Note 2 - Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

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

**Note 4 - Advanced Grant Proceeds**

During the year ended September 30, 2018, ACHD was advanced \$450,000 associated with CFDA 20.205 by Idaho Transportation Department (ITD). ITD made the decision to advance the funds to ACHD associated with a project that was originally scheduled to take place during the year ended September 30, 2018; however the project was delayed until the year ended September 30, 2019. As these funds were not expended by ACHD, they are not included in the Schedule of Expenditures of Federal Awards.



**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, 2018, 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, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2018-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, 2019



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

To the Commissioners  
Ada County Highway District  
Garden City, Idaho

### **Report on Compliance for the Major Federal Program**

We have audited Ada County Highway District's (ACHD) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on ACHD's major federal program for the year ended September 30, 2018. 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 the 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, 2018.

### **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, 2019

**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 deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies 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 low-risk auditee?	Yes

## Section II - Financial Statement Findings

### 2018-A – Significant Adjustment to Beginning Construction in Progress Significant Deficiency in Internal Control

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

*Condition:* During testing over capital assets in the current period, an error was detected in construction in progress in which construction in progress had been capitalized in prior years that should have been an expenditure in the year incurred.

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

*Effect:* Capital assets were overstated as of September 30, 2017 by \$8,113,278.

*Recommendation:* Management should review the costs capitalized as construction in progress annually to ensure the costs are appropriately capitalized in the year the expenditure takes place rather than at the completion of a project.

*Views of Responsible Officials:*

ACHD will be applying additional controls to prevent further misstatement in construction in progress values.

## Section III – Federal Award Findings and Questioned Costs

None reported