



Annual Report FY15

LHTAC

Local Highway Technical
Assistance Council

Serving Idaho Since 1994

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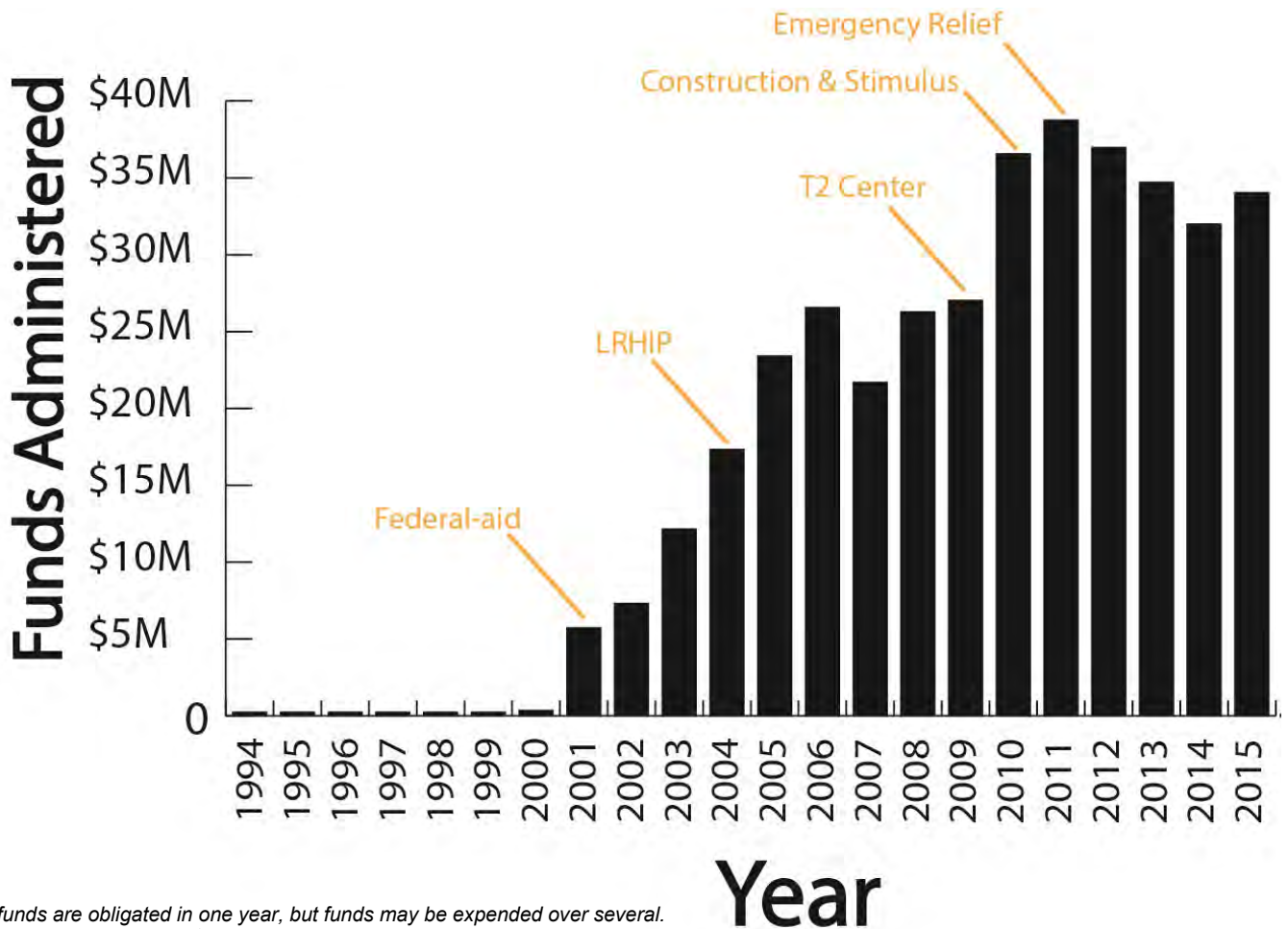
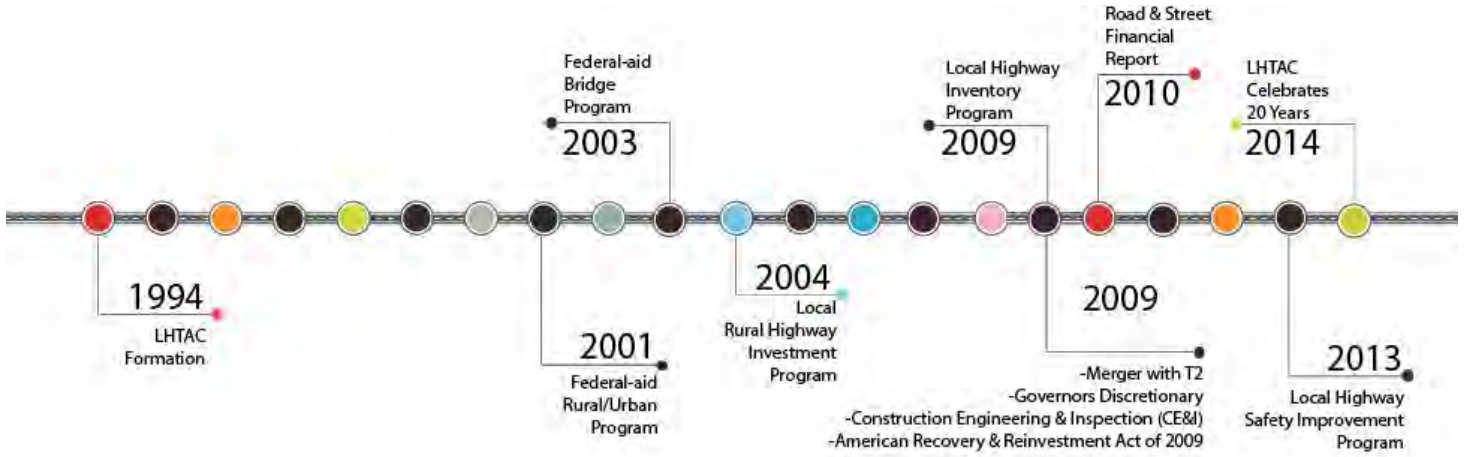
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LHTAC Program Timeline



Federal funds are obligated in one year, but funds may be expended over several. In 2014 LHTAC administered \$32M with 22 staff members.

Council

LHTAC Council Members FY2015

Counties

Don Ebert, Chairman—Clearwater County
Mark Rekow—Gem County
Lee Staker—Bonneville County
*Caitlin Rusche, Policy Analyst, Idaho Association of Counties

Cities

Mayor Mac Pooler, Vice Chairman—City of Kellogg
Mayor Paul Loomis—City of Blackfoot
Mayor Diana Thomas—City of Weiser
*Seth Grigg, Executive Director, Association of Idaho Cities

Highway Districts

Terry Werner, Secretary/Treasurer—Post Falls Hwy District
Dan Schaeffer—Hillsdale Hwy District
Gilbert Hofmeister—Power County Hwy District
*Stuart Davis, Executive Director, Idaho Association of Hwy Districts



Current LHTAC Council Members FY2016

Cities

Mayor Mac Pooler, Chairman—City of Kellogg
Mayor Paul Loomis—City of Blackfoot
Mayor Diana Thomas—City of Weiser
*Seth Grigg, Executive Director Association of Idaho Cities

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Counties

Mark Rekow Secretary/Treasurer—Gem County
Don Ebert—Clearwater County
Lee Staker—Bonneville County
*Caitlin Rusche, Government Affairs Associate, Idaho Association of Counties

*Ex-Officio Members

Meetings

Our Council Meetings are always open to the public and we encourage you to see what is on LHTAC's upcoming agenda.

2016 Council Meeting Schedule:

March 11, 2016
Boise, ID

June 10, 2016
Twin Falls Area, ID

September 9, 2016
Boise, ID

December 9, 2016
Boise, ID

Meeting room is accessible for persons with disabilities. If special accommodations to attend are required, please contact LHTAC.

Accountability Measures

LHTAC Dashboards

LHTAC adopted seven accountability measures to drive our efficiency higher and demonstrate transparency. We are now beginning to implement these in FY2016. Our success partially depends on the performance of the consultants and contracts we partner with to accomplish these tasks. These measures report clearly how we jointly attain our goals.

These measures are updated quarterly. Please visit our website to see firsthand if we're meeting our goals.

www.lhtac.org/resources/dashboard

- 1. Design Consultant Agreement Goal 90%
- 2. Design PS&E Delivery Goal 75%
- 3. Design Closeout Goal 85%
- 4. Construction Consultant Agreement Goal 90%
- 5. Construction Change Order Goal 90%
- 6. Construction Claims Goal 90%
- 7. Construction Closeout Goal 85%



Quarterly Progress Status Report

LHTAC sends out a quarterly report that includes the status of current and upcoming projects statewide. Local elected officials receive this report to keep them informed of the projects in their area.

Change Order and Claims Log

LHTAC construction managers internally track the change orders and claims from start to finish. On the first of each month a report is generated and sent to the Idaho Transportation Department (ITD) as a performance measure.

360° Improvement Survey

As part of the Council's continuing desire to improve and grow services, and to provide feedback to staff and the governing Council, LHTAC has contracted with BDPA, Inc., an independent human resources management company, to facilitate and manage a 360° Improvement Survey, in part to insure the integrity and confidentiality of the feedback.

BDPA, Inc., in conjunction with Council and Staff, created a survey that asked for feedback on communication, services, processes etc. BDPA, Inc. sent out the survey to over 100 of LHTAC's contacts, comprised of Local Highway Jurisdictions (LHJs), engineering consultants, contractors and partnering agencies. The results were summarized and presented to the council for their information. There were both, some positives in the results, and some items for LHTAC to continue to focus on for improvement. LHTAC is currently implementing fresh ideas to address the suggested changes.

New Stewardship Agreement Empowers Locals

LHTAC and ITD have signed a new stewardship agreement!

This agreement ensures that, for at least the next five years, LHTAC is able to continue to assist locals in the administration of the Federal-aid program throughout Idaho. Outlined within the agreement are defined authorities for stakeholders, and procedures and processes that are to be implemented when working through the Federal-aid process.

In drafting this agreement, LHTAC and ITD staff worked closely to enhance and streamline which individuals hold approval authority on local Federal-aid projects and to eliminate any duplication.



LHTAC understands that the sponsor's input is key, and because of that, we are especially excited about one particular change; decision making authority is now in the hands of LHTAC in close coordination with the sponsor agency. This will allow decisions to be made by those closest to the project, further ensuring the long-term success, and local satisfaction with each project. LHTAC works hard to ensure that processes are streamlined, and that the sponsor is always getting the most bang for their buck, this agreement will only help in achieving this goal.

Highway User Revenue Funds

House Bill No. 312 passed providing an increase in highway distribution funds to local entities from gas tax and registration fees.



This was great news for local entities who receive a portion of the Highway Distribution Account (HDA), since they will see an increase in their revenue during FY16.

The first disbursement in October 2015, was lower since there is a lag with revenue collection. During the first year of implementation, disbursements during October 2015 – September 2016, locals will receive approximately a 25% increase in revenue (based on 2014 revenue). The following years there will be an increase of approximately 30% in revenue (based on 2014 revenue).

There are some specific legislative intents that must be followed.

- The new funding “shall be used exclusively for road and bridge maintenance and replacement projects both at the state and local level.”
- “It is the intent of the Legislature that.... all local units of government receiving funds collected under the provisions of this act, shall prepare an annual report.... Local units of government shall submit report information to the Local Highway Technical Assistance Council, which shall compile the reporting information into one report for submission.”

LHTAC has worked closely with ITD to make the reporting and separation of funds as easy as possible through the Annual Road & Street Finance Report.

2015 Innovation Idea Award



Innovation
Idea
Award
2015



*Joan Meitl, Ada County Highway District
2015 Innovation Idea Award Individual Winner
Pictured with Jeff Miles, LHTAC Administrator*

When the Local Highway Technical Assistance Council decided to offer an Innovation Idea Award, we set out with the goal to recognize Local Highway Jurisdictions and their employees for innovative ideas and efficient practices. Not only do we want to recognize these jurisdictions and individuals, we want to share their innovative ideas.

With 2015 being the pilot year for this award, we weren't sure what kind of response we would get but ALL the submissions were fantastic. It was our pleasure to see so many outstanding nominations from Local Highway Jurisdictions around the state. The nominations we received illustrated how hard the transportation community is working to develop both time and cost saving efficiencies.

This year we decided to award two jurisdiction winners, one individual winner, two honorable mention, and one spotlight award. Each winning idea will be highlighted in our monthly newsletter.

Program Highlights



Yale Road, Burley Highway District

Federal-aid Incentive Program —LHTAC Program Since 2001 Program Manager: Scott Ellsworth, PE, PLS

Surface Transportation Program (STP) Local funds are allocated for projects on the local Federal-aid system defined as collectors and arterials owned and managed by the local highway jurisdictions (LHJs). STP funds can be used for new construction, reconstruction or rehabilitation of roadways, planning, corridor studies and similar activities. The approximately \$27M in annual funding is split between Rural and Urban. This program requires a local match of 7.34% of the total project cost.

Local Rural funds are allocated for projects in rural areas (counties, highway districts) and in cities, outside of urban areas, with populations below 5,000. The Urban Program is for those roadways in urban areas with populations of more than 5,000. The larger urban areas, over 50,000 in population are part of the Metropolitan Planning Organizations (MPO). Their funding operates independently of LHTAC.

Numbers reflect projects added to ITIP FY16-20

Federal-aid STP Urban

Total Projects*	61
Total Funds*	\$78.7M
New Projects	1
New Funds	\$2.4M

Federal-aid STP Rural

Total Projects*	197
Total Funds*	\$187.9M
New Projects	7
New Funds	\$14.5M

New Projects Added to the Program:

- Bonneville County Road & Bridge (Rural)
- Burley Highway District (Rural)
- City of Blackfoot (Urban)
- City of Malad (Rural)
- City of Priest River (Rural)
- Filer Highway District (Rural)
- Jefferson County Road & Bridge (Rural)
- Post Falls Highway District (Rural)

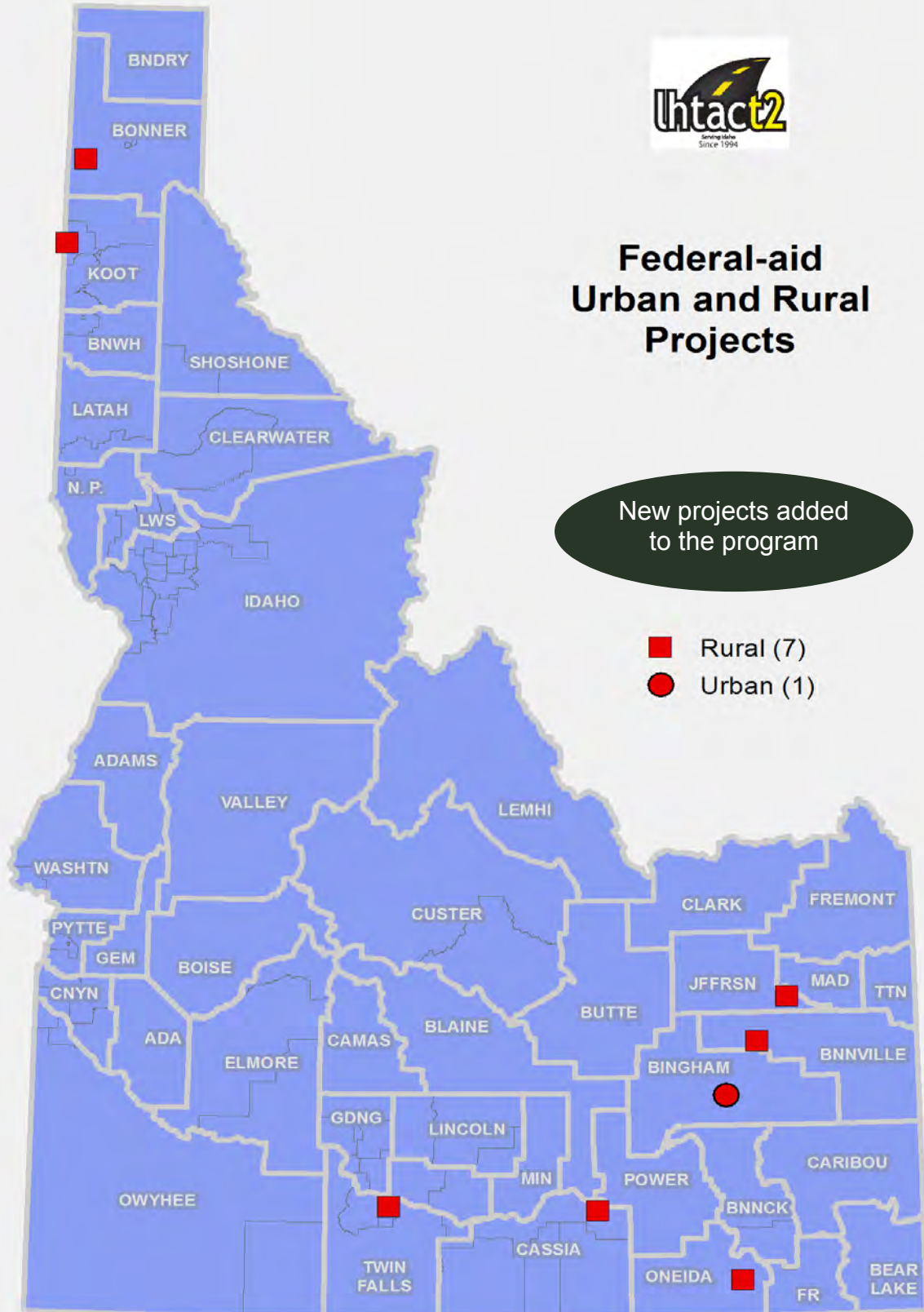
**Totals are cumulative numbers since the program's inception with LHTAC through FY15.*



Federal-aid Urban and Rural Projects

New projects added
to the program

- Rural (7)
- Urban (1)



Program Highlights



Middle Fork Payette River Bridge, Boise County

Local Bridge & Off-System Bridge Program —LHTAC Program Since 2004 Program Manager: Scott Ellsworth, PE, PLS

The Bridge Program provides funds for the replacement or rehabilitation of bridges. A bridge is defined as being at least 20 feet long and carrying a public road. Eligibility is having a sufficiency rating less than 50 for replacement, between 50 and 75 for rehabilitation, and being structurally deficient and functionally obsolete. This program uses Federal-aid funds with a local match requirement of 7.34%.

The Local Bridge Program is for bridges located on collectors or arterials that would be on the Federal-aid system. This program has approximately \$5M annually for design and construction. The Off-System Bridge Program is for bridges on roadways classified less than a collector. This program has approximately \$4M annually.

This year funding levels allowed only three new Local Bridge projects and one new Off-System Bridge project to be included in the ITIP.

New Projects Added to the Program:

Bonneville County (Local)

City of Pinehurst (Local)

Shoshone County Road & Bridge (Local)

Fremont County Road & Bridge (Off-System)

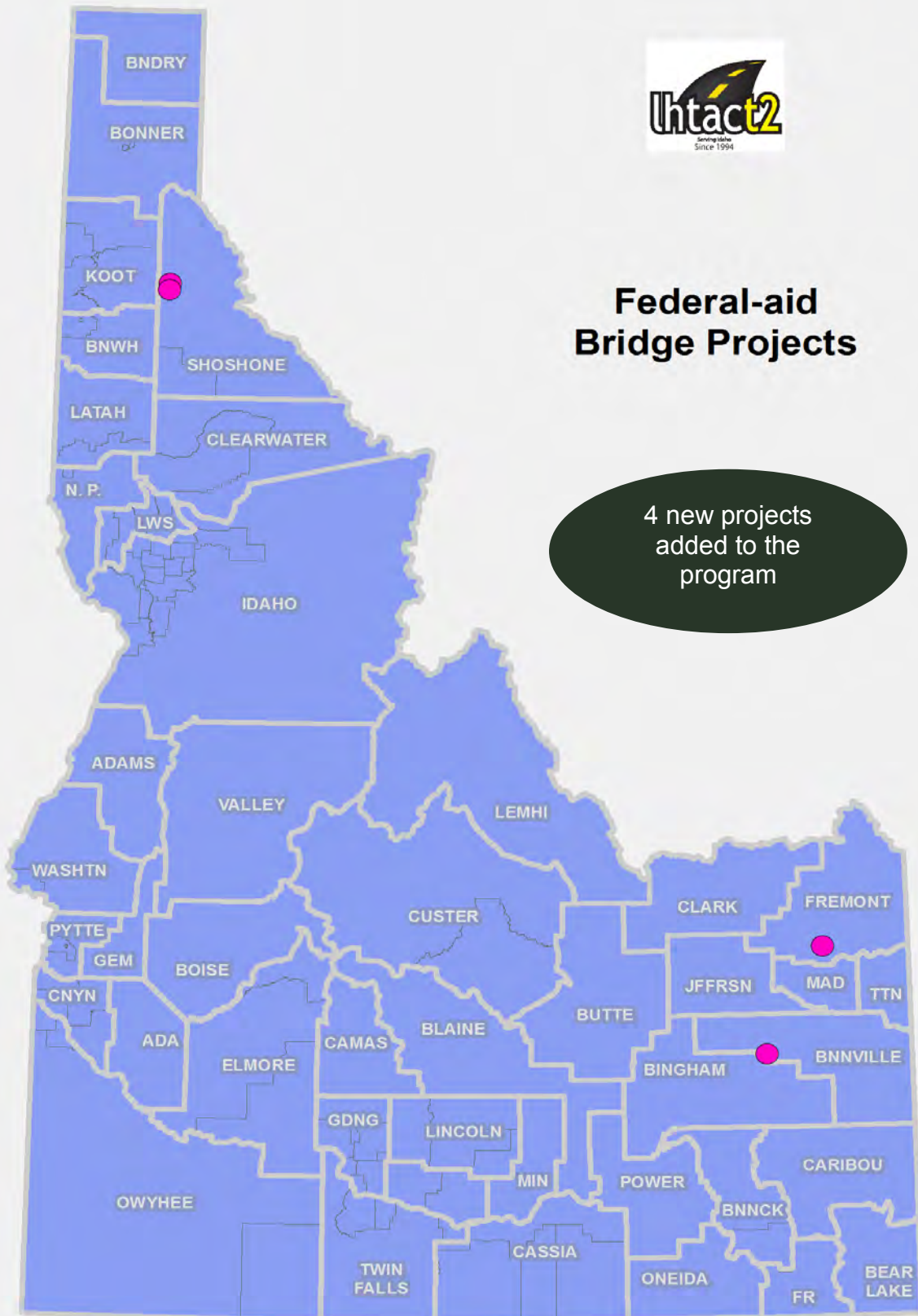
Bridge Program

Total Projects*	84
Total Funds*	\$87.9M
New Projects	4
New Funds	\$10.9M



Federal-aid Bridge Projects

4 new projects added to the program



Program Highlights



Middle Fork Boise River Road, Atlanta Highway District

Emergency Relief (ER)—LHTAC Program Since 2011

Congress authorized in Title 23, United States Code, Section 125, a special program from the Highway Trust Fund for the repair or reconstruction of Federal-aid highways and roads on Federal lands which have suffered serious damage as a result of (1) natural disasters or (2) catastrophic failures from an external cause. This program supplements the commitment of resources by States, their political subdivisions, or other Federal agencies, to help pay for unusually heavy expenses resulting from extraordinary conditions. Emergency repair work to restore essential travel, minimize the extent of damage, or protect the remaining facilities, accomplished in the first 180 days after the disaster occurs, may be reimbursed at 100 percent. This time period may be extended if a state cannot access a site to evaluate damages and the cost of repair.

LHTAC administered one ER funded project this year. Heavy localized rain created flash flooding that washed out the Middle Fork Boise River Road in August 2014. With just two access roads to the small community of Atlanta, this road being the only winter access road, crews had to work aggressively to finish the project. LHTAC is proud to announce this project was finished ahead of schedule.

Federal Lands Access Program (FLAP)

FLAP was created as part of the previous national highway funding bill known as MAP-21. It replaces the funding program called Forest Highways. The intent of these funds is to improve transportation facilities that provide access to, are adjacent to, or are located within Federal lands. Funding, project development and project construction is administered by the Western Federal Lands Highways Division (WFLHD) of the Federal Highway Administration (FHWA) in Vancouver, Washington. MAP-21 has created a committee in each state to provide programing decisions. In Idaho the committee includes: Idaho Division of FHWA, ITD and LHTAC. The current program for Idaho is approximately \$17M per year. LHTAC will administer FLAP projects at the request of WFLHD.



Enaville Bridge, Shoshone County Road and Bridge

Construction Administration—LHTAC Program Since 2009 Construction Engineering Manager: Odo Grandi, PE

LHTAC has been given the opportunity to provide construction administration of local Federal-aid construction since 2009. The program has matured and grown from the initial successes of the Governor’s Discretionary Program, and ARRA projects, to larger and more complex projects currently in the program. LHTAC works in close partnership with private consulting engineers, ITD and the LHJs to ensure continued success during construction. Projects are administered by LHTAC; however, the onsite construction engineering and inspection is accomplished through consulting firms selected by the LHJ and LHTAC. This approach generates significant economic activity for private contractors, material suppliers, private consulting engineers and has a beneficial multiplier effect on the local Idaho economy.

LHTAC works closely with local sponsors to maintain communication through the decision making process that starts in design and concludes with construction.



*Old County Road Bridge, Benewah County
Before and After Photos*

Construction

Total Projects*	154
Total Funds*	\$161.1M
FY15 Projects	12
FY15 Funds	\$26.4M

Program Highlights



High Street, City of Priest River

Local Rural Highway Investment Program (LRHIP) LHTAC Program Since 2004 Program Manager: Laila Kral, PE

The Local Rural Highway Investment Program (LRHIP) is a non-federal grant program that provides funding for new transportation plans, sign upgrades and construction projects, as well as emergency projects. The program assists small cities outside of urban areas, highway districts and county road and bridge departments with their roadway projects. Federal rural funds are exchanged for \$2.8M of state funds to be spent on projects without following federal guidelines.

LRHIP	
Total Projects*	483
Total Funds*	\$31M
FY15 Projects	36
FY15 Funds	\$2.8M

**Totals are cumulative numbers since the program's inception with LHTAC through FY15.*



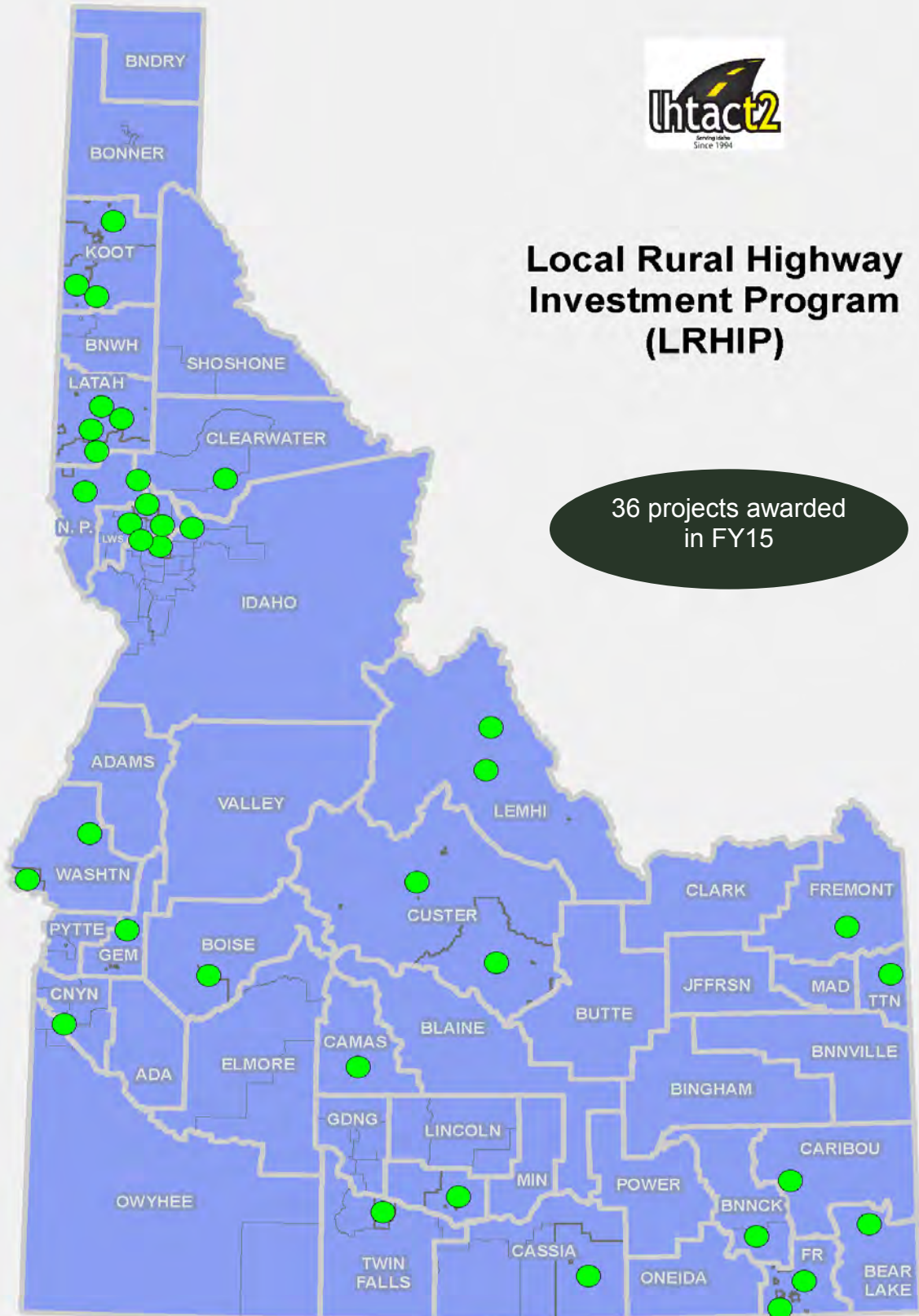
*Rehab of California Avenue
City of Council*

Awarded FY15	Construction	16
	Federal-aid Match	1
	Transportation Plans	7
	Signs	10
	Emergency	2



Local Rural Highway Investment Program (LRHIP)

36 projects awarded in FY15



Program Highlights



Local Highway Safety Improvement Program (LHSIP) LHTAC Program Since 2013 Program Manager: Laila Kral, PE

The Highway Safety Improvement Program (HSIP) is a federally funded program aimed at reducing crashes on all public roads. LHTAC administers approximately \$3.9M of the state HSIP funds for the Local Highway Safety Improvement Program (LHSIP).

The jurisdictions with the highest amount of Fatal and Serious Injury (Type A) crashes per ITD district are eligible to apply. This federally funded program may require a 7.34% local match.

Projects range from signing improvements, access control, road safety audits, guardrail replacement and pedestrian crossing improvements.

LHSIP	
Total Projects*	72
Total Funds*	\$11.7M
FY15 Projects	21
FY15 Funds	\$3.9M

**Totals are cumulative numbers since the program's inception with LHTAC through FY15.*



*Cavendish Highway
Clearwater County Road and Bridge
Before Photo*

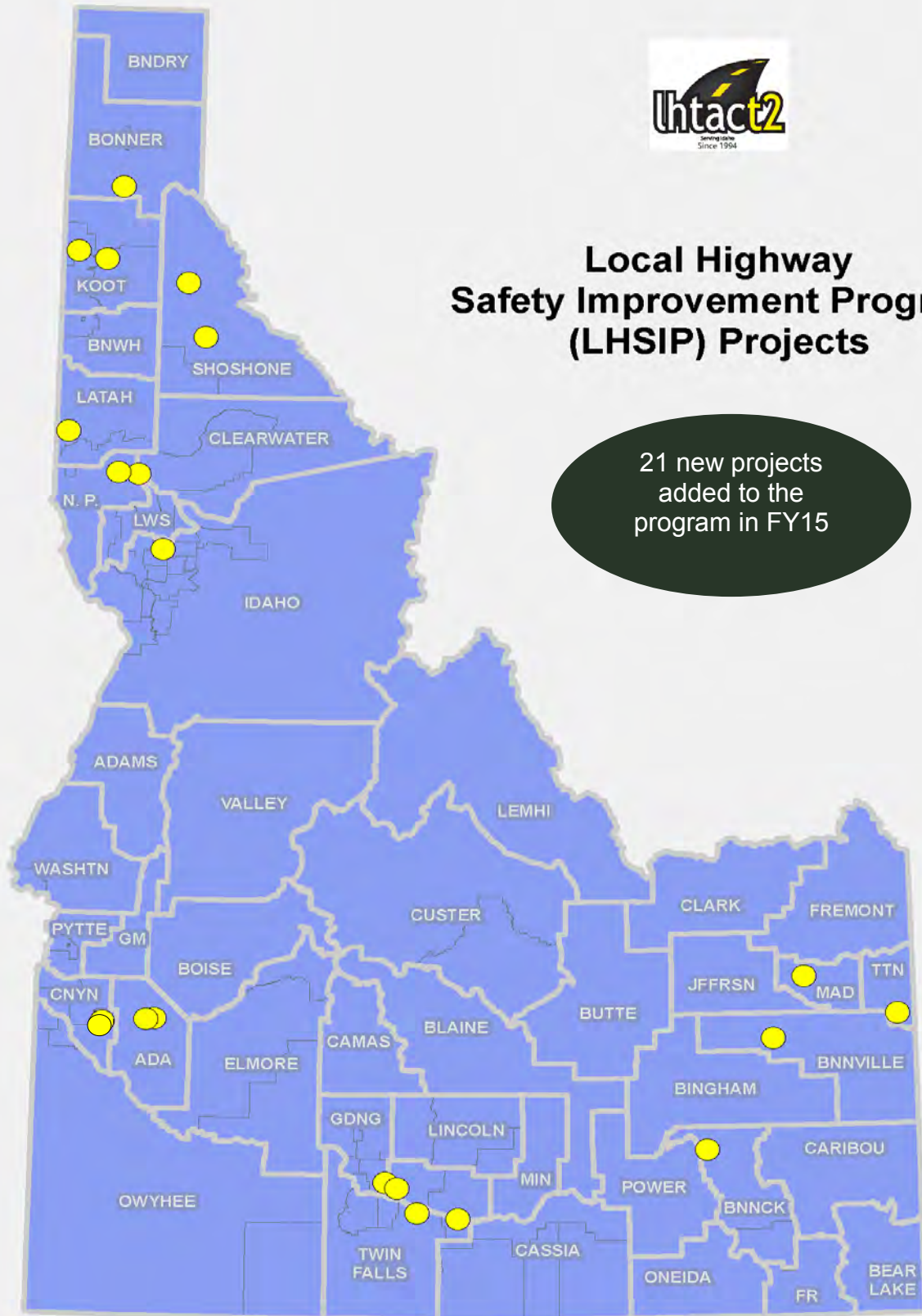
FY15	ITD D1	5/6	ITD D4	4/4
	ITD D2	4/5	ITD D5	1/1
	ITD D3	4/5	ITD D6	3/6

78%
of applications
were funded!



Local Highway Safety Improvement Program (LHSIP) Projects

21 new projects added to the program in FY15



Local Federal-aid Project Solicitation

By agreement with the ITD, LHTAC solicits projects, obtains input, selects and administers projects for recommendation to the Idaho Transportation Board for variety of local Federal-aid programs.

The Federal-aid STP Rural, Non-MPO Urban, LHSIP, Local Bridge and Off-System Bridge all follow an application process each year projects are solicited. Rural applications are accepted every other year.

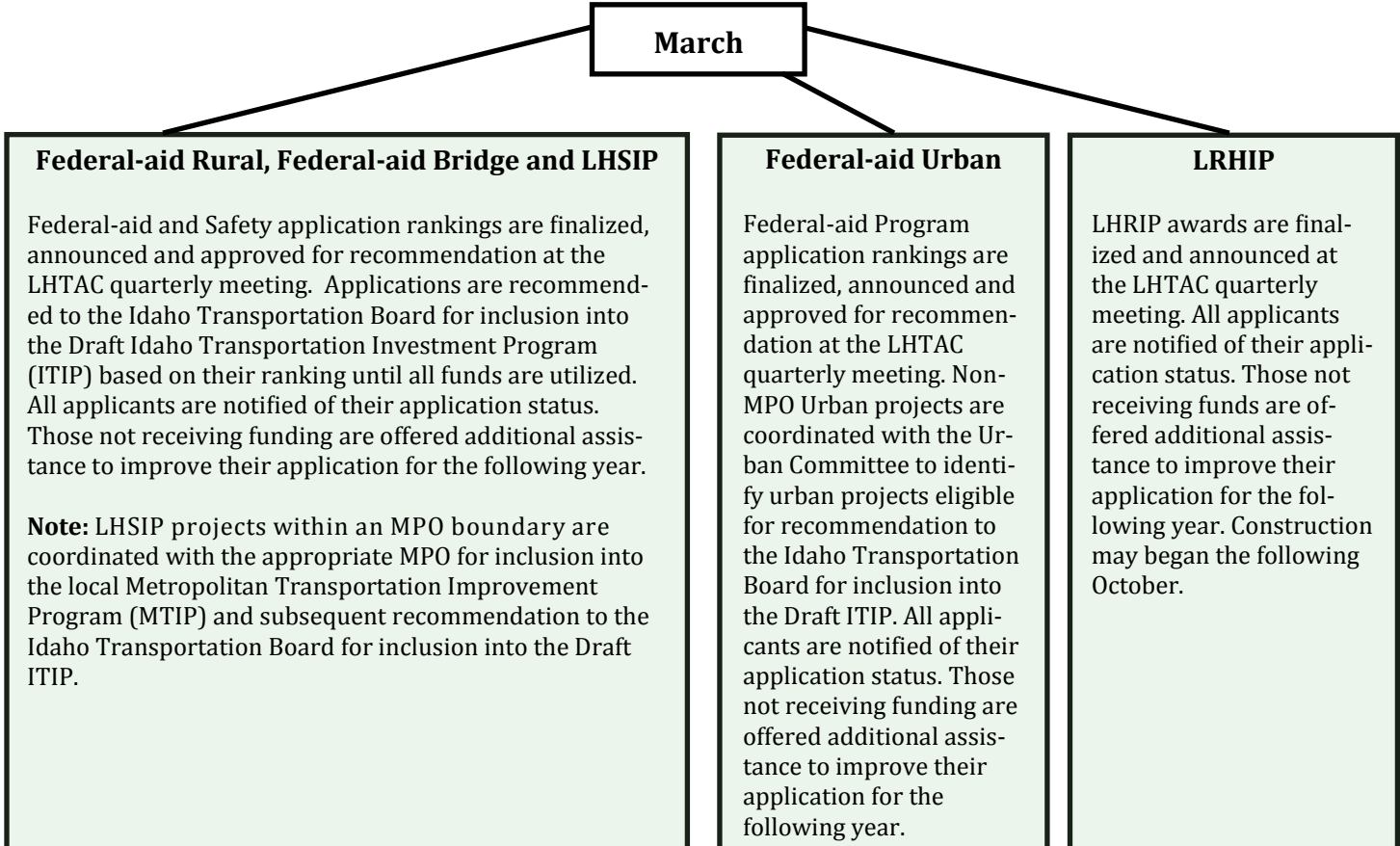
Spring—LHTAC requests comments and suggestions for improvements on our funding applications. Areas open for comment include: the application process, format of applications, questions/scoring etc.

June—LHTAC Council reviews and takes into consideration the comments received.

September—Changes to applications are approved at the Council meeting and appear in the final release of applications in the fall.

Fall—Applications are mailed to eligible jurisdictions and are posted on our website to download.

Winter—Applications are due back to the LHTAC office. Applications are graded by Council members and LHTAC staff. **Note:** LHSIP applications are strictly ranked based on Cost-Benefit Ratio.





Lemhi County Road & Bridge, pictured with Laila Kral T2 & Safety Manager

95 Road Scholar Graduates



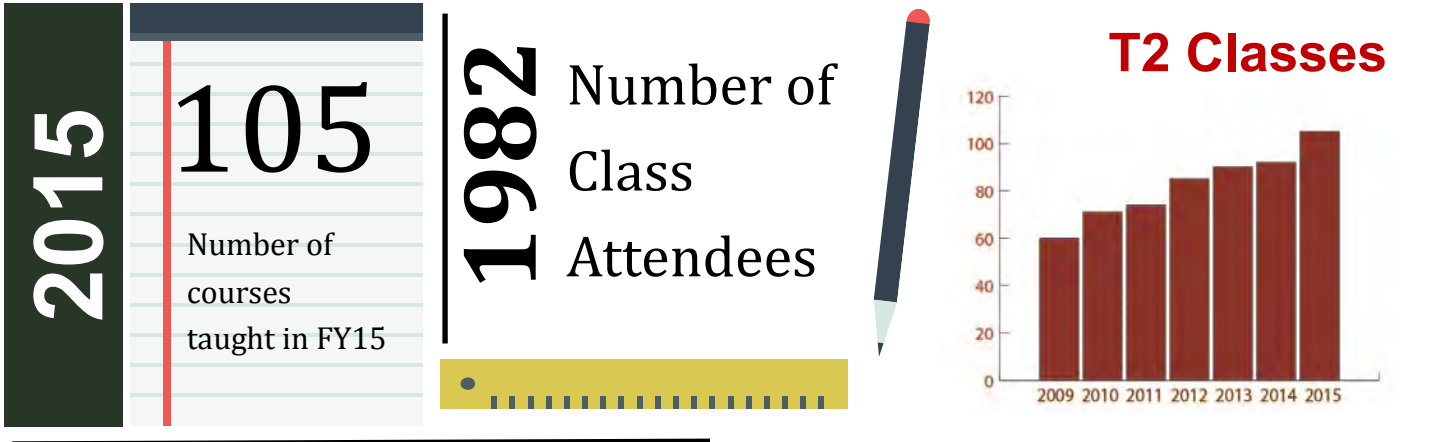
2015 Road Master Graduates

**Training & Technical Assistance (T2) Center
LHTAC Program Since 2009
Program Manager: Laila Kral, PE**

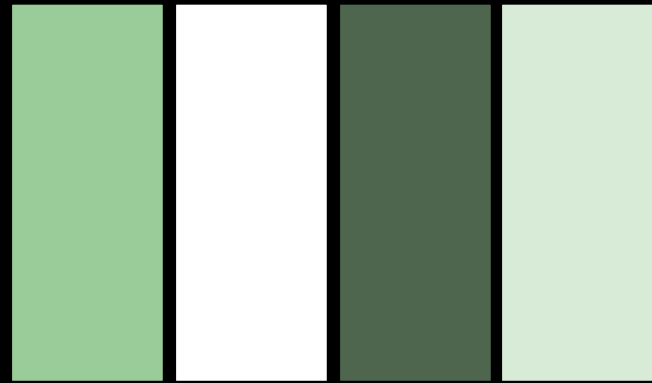
The T2 Center is part of a national program known as the Local Technical Assistance Program (LTAP). We provide training and technical assistance to meet the needs of all highway jurisdictions in Idaho. The T2 Center started in 1986 and has been housed at LHTAC since 2009.

2014 Training and Outreach: The T2 Center’s FY14 Program Assessment Report (PAR) is transmitted to the Federal Highway Administration’s (FHWA) Office of Management and Budget and shows that the Idaho program has continued to grow. The following numbers are what were reported to FHWA regarding courses provided by the T2 Center in FY 2015.

2015 Safety Fests: Safety Fests offer free safety training courses open to everyone including: Local Highway Jurisdictions, contractors, city, state, and county governments and private businesses. The T2 Center staff planned and hosted the Eastern Idaho Safety Fest in Pocatello providing 45 courses to 345 attendees. We filled 968 classroom seats.



Maps



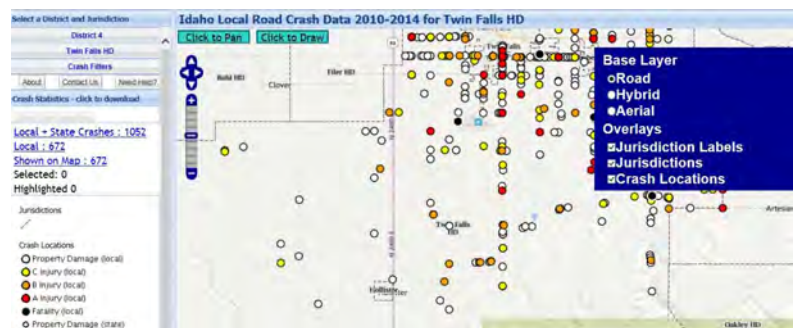
Local Road Information System —LHTAC Program Since 2009 Database & GIS Analyst: Matthew Syphus

The Statewide Local Road Information System manages data for effective use and applications. LHTAC is constantly developing tools to organize, access, map, report, and publish information. Currently LHTAC has 35,373 total centerline miles in GIS format, of those miles 5,952 miles are on the state system.

Idaho Local Road Crash Data

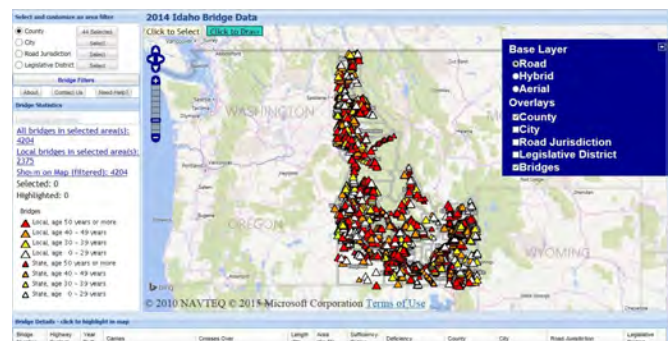
The Idaho Local Road Crash Data map is a GIS map showing all crashes on the local and state system over the past five complete years (2010-2014). The map is designed to focus on a specific local highway jurisdiction. It has

numerous filters that can focus on crash severity, crash cause, harmful events and a number of other data sets. It is intended to be used by all highway jurisdictions in the state to determine locations for safety improvements. You can access this through our website www.gis.lhtac.org/safety.



Interactive Bridge Map

LHTAC has published statewide local road, local bridge, and state bridge data in a new mapset. You can access this through our website www.lhtac.org/resources/maps.



LHTAC Background

The Local Highway Technical Assistance Council (LHTAC) was established under Chapter 24, Title 40, Idaho Code in 1994. The Council and staff continue to assist the Local Highway Jurisdictions (LHJs) on local best management practices and provide funding programs.

LHTAC is funded by a small portion (1/3 of 1%) of the local highway's share of the state's Highway Distribution Account, and is governed by equal representation of city, county and highway district elected officials from all corners of the state.

Annual Report Background

40-2404. COUNCIL FISCAL YEAR -- ANNUAL REPORT. The fiscal year for the Local Highway Technical Assistance Council shall be July 1 through June 30. On an annual basis, the Council shall issue a report outlining its activities for the previous year, including a financial statement. Copies of the report shall be provided to the members of the transportation committees of the legislature.

The Local Highway Technical Assistance Council connects Local Highway Jurisdictions in Idaho with available resources for maintenance and construction of Idaho's Local Highway System in the most efficient and effective manner possible.

40-2403. AUTHORITY OF THE COUNCIL.

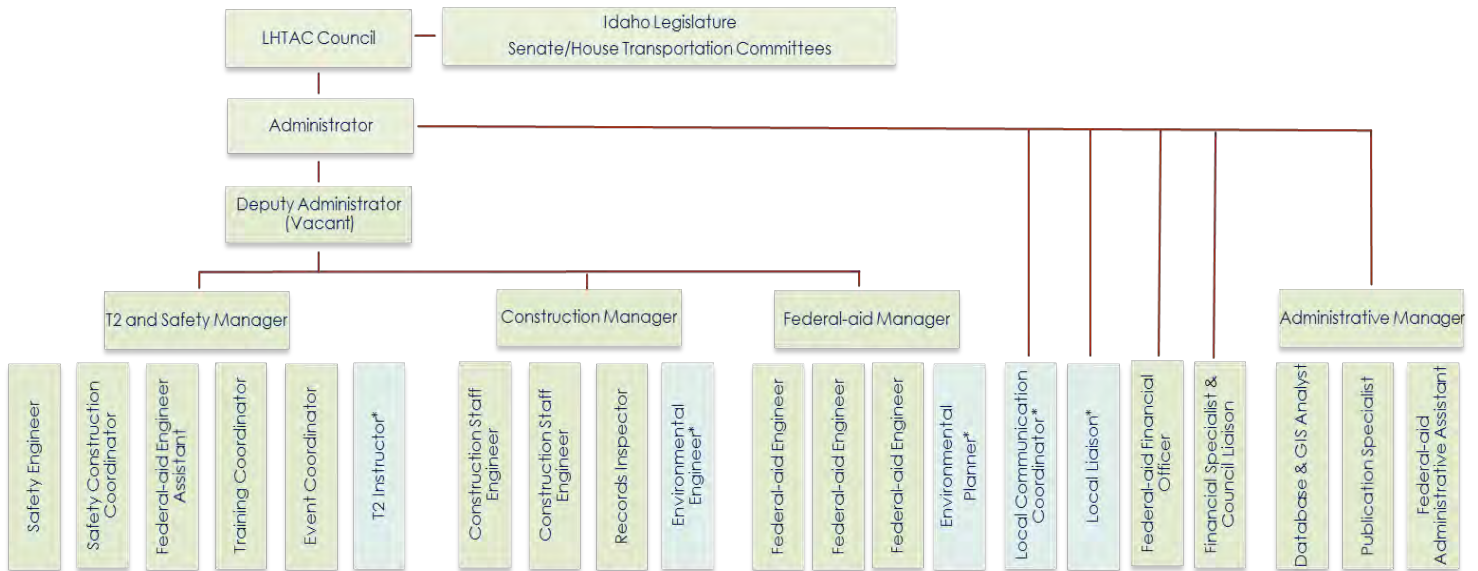
The council shall have the authority to:

- (1) Represent its member jurisdictions in conferences, meetings and hearings related to highways, roads and streets and other transportation factors affecting local highway jurisdictions;
- (2) Develop uniform standards and procedures that may be recommended to its member jurisdictions for the construction, maintenance, use, operation and administration of local highways;
- (3) Cooperate with and receive and expend aid and donations from the federal or state governments, and from other sources for the administration and operation of the council;
- (4) Make recommendations to the Idaho Transportation Board for the distribution and prioritization of federal funds for local highway projects;
- (5) Assist the legislature by providing research and data relating to transportation matters affecting local highway jurisdictions within the state;
- (6) Maintain and disseminate information to local highway jurisdictions of federal and state legislation and administrative rules and regulations affecting local highway jurisdictions;
- (7) Maintain and disseminate information to local highway jurisdictions of activities relating to ground transportation in other states;
- (8) When authorized by the participating local jurisdiction, to act for that local jurisdiction through a joint exercise of powers agreement with any other local jurisdiction, and any agency of the state of Idaho, or any agency of the federal government;
- (9) Buy, sell, receive and exchange property, both real and personal, as necessary to perform its functions;
- (10) Be the sole and exclusive authority for the expenditure of the moneys made available by appropriation or otherwise to the council.

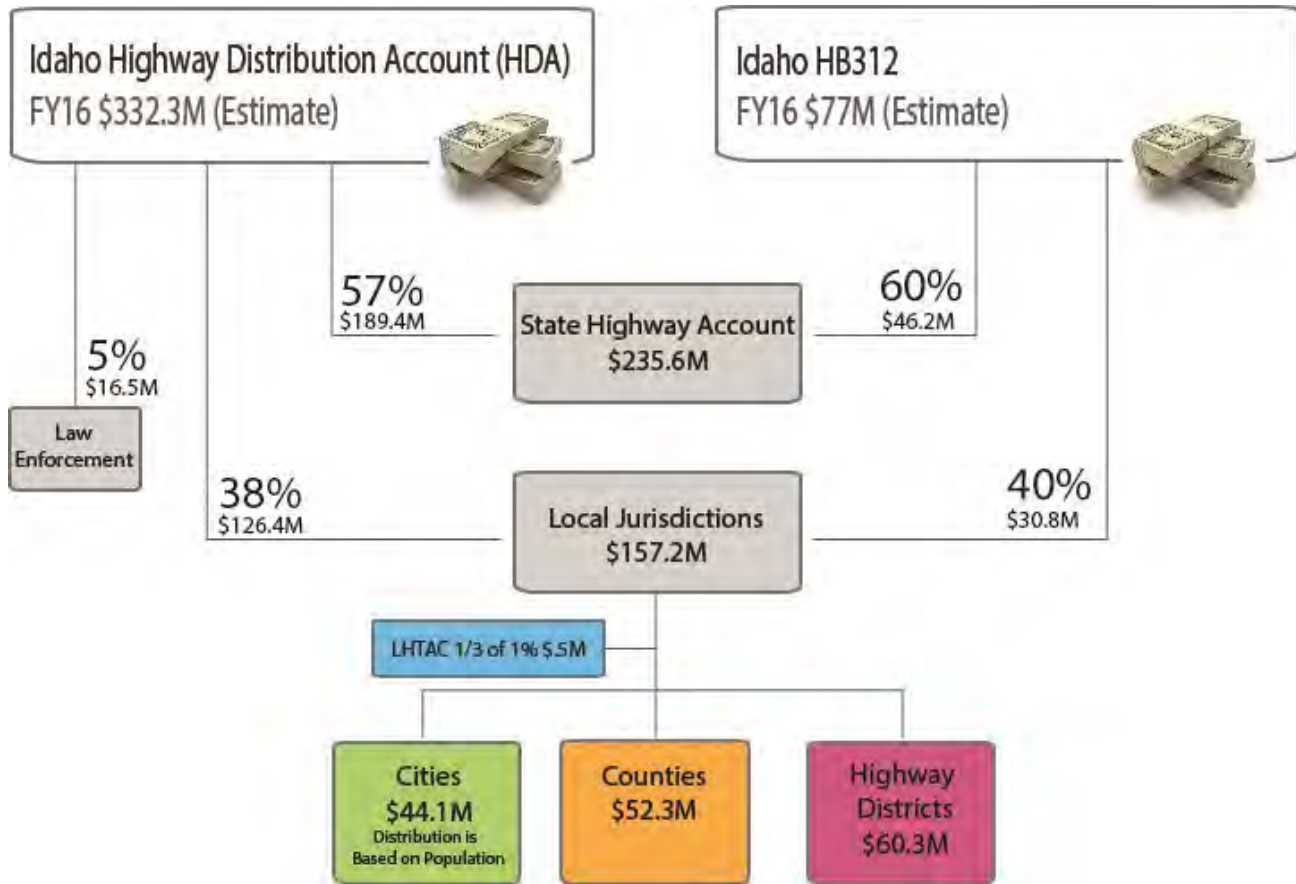
Background



LHTAC Organization Chart



*These are part-time/seasonal employees.
Temporary staff is hired on an as-needed basis.



Funds are further distributed to Counties and Highway Districts:
 10% Equally to Counties
 45% Based on Motor Vehicle Registration Revenue
 45% Based on Improvement Road Miles

Additional Resources

LHTAC provides additional resources for Local Highway Jurisdictions including:

- T2 Media Library (over 1,000 videos for loan)
- Technical Assistance
- Idaho Standard for Public Works Construction (ISPWC)*
- Publications
- Manuals
- Maps (available to download)
- Equipment Exchange
- Equipment on Loan

*All resources on this list are free of charge to Local Highway Jurisdictions with the exception of the ISPWC manuals.

General Purpose Financial Statement - Appendix A

Local Highway Technical Assistance Council

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended June 30, 2015

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FEDERAL REPORT

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*

31



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Local Highway Technical Assistance Council
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Local Highway Technical Assistance Council (the Council), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council'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 and the major fund of Local Highway Technical Assistance Council, as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the Council's proportionate share of the net pension liability, and schedule of Council contributions on pages 25 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of Highway District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Highway District #1's internal control over financial reporting and compliance.

Millington Zwysart CPAs, PLLC

January 5, 2016

Local Highway Technical Assistance Council
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 262,579
Restricted Cash and Cash Equivalents	51,610
Receivables:	
Accounts	397
Intergovernmental	481,611
Prepaid Expenses	45,548
Total Current Assets	<u>841,745</u>
Noncurrent Assets:	
Capital Assets:	
Land	176,000
Buildings and Improvements, net	1,209,021
Improvements Other Than Buildings	44,596
Machinery and Equipment, net	193,502
Capital Assets, net	<u>1,623,119</u>
Total Noncurrent Assets	<u>1,623,119</u>
Total Assets	<u>2,464,864</u>
Deferred Outflows	
Pension Related Items	<u>205,299</u>
Total Deferred Outflows	<u>205,299</u>
Liabilities	
Current Liabilities:	
Accounts Payable	18,332
Accrued Payroll	78,411
Deposit Payable	1,280
Unearned Revenue	983,410
Accrued Interest	1,557
Total Current Liabilities	<u>1,082,990</u>
Long-term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	97,544
Notes Payable	34,814
Portion Due or Payable After One Year:	
Notes Payable	847,202
Net Pension Liability	391,320
Total Long-term Liabilities	<u>1,370,880</u>
Total Liabilities	<u>2,453,870</u>
Deferred Inflows	
Pension Related Items	<u>538,699</u>
Total Deferred Inflows	<u>538,699</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	741,103
Restricted for:	
LRHIP	51,610
Unrestricted (Deficit) Surplus	(1,115,119)
Total Net Position	<u>\$ (322,406)</u>

The accompanying notes are an integral
part of the financial statements.
Appendix A Page 5

Local Highway Technical Assistance Council

Statement of Activities

For the Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Government	\$ 6,559,206	\$ 144,345	\$ 1,864,110	\$ -
Interest on Long-Term Debt	40,807	-	-	-
Total Governmental Activities	6,600,013	144,345	1,864,110	-
General Revenues:				
State Appropriations				411,105
Federal Reimbursement				2,284,818
Highway Investment Program				440,603
Miscellaneous				4,371
Unrestricted Investment Earnings				2,813
Total General Revenues and Special Items				3,143,710
Change in Net Position				(1,447,848)
Net Position, Beginning of Year, As Previously Stated				1,979,358
Prior Period Adjustment				(853,916)
Net Position, Beginning of Year, Restated				1,125,442
Net Position, End of Year				\$ (322,406)

The accompanying notes are an integral
part of the financial statements.

Local Highway Technical Assistance Council
 Balance Sheet -
 Governmental Funds
 June 30, 2015

Assets

Cash and Cash Equivalents	\$ 262,579
Restricted Cash	51,610
Receivables, Net:	
Accounts	397
Intergovernmental	481,611
Prepaid Expenses	45,548
Total Assets	\$ 841,745

Liabilities and Fund Balances

Liabilities

Accounts Payable	\$ 18,332
Accrued Payroll	78,411
Deposit Payable	1,280
Compensated Absences	2,502
Unearned Revenue	983,410
Total Liabilities	1,083,935

Fund Balance

Nonspendable	45,548
Unassigned	(287,738)
Total Fund Balance	(242,190)
Total Liabilities and Fund Balance	\$ 841,745

The accompanying notes are an integral
 part of the financial statements.

Local Highway Technical Assistance Council
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 June 30, 2015

Total Fund Balances - Governmental Funds \$ (242,190)

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land	\$	176,000	
Buildings and Improvements, Net of \$122,219 Accumulated Depr		1,209,021	
Improvements Oth Than Buildings, Net of \$13,774 Accumulated Depr		44,596	
Machinery and Equipment, Net of \$215,433 Accumulated Depr		<u>193,502</u>	
			1,623,119

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated Absences			(95,042)
----------------------	--	--	----------

Long-term liabilities, including bonds payable, are not due and payable in the current period

Accrued Interest on Long-term Debt	\$	(1,557)	
Notes Payable		<u>(882,016)</u>	
			(883,573)

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$	(391,320)	
Pension Related Deferred Inflows		(538,699)	
Pension Related Deferred Outflows		<u>205,299</u>	
			<u>(724,720)</u>

Total Net Position-Governmental Activities			<u><u>\$ (322,406)</u></u>
--	--	--	----------------------------

Local Highway Technical Assistance Council
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2015

Revenues

Intergovernmental	\$ 5,000,636
Charges for Services	144,345
Miscellaneous	7,184
Total Revenues	5,152,165

Expenditures

Current:	
Personal	2,354,969
Operations	4,259,833
Debt Services:	
Principal	262,469
Interest	39,325
Capital Outlay	200,570
Total Expenditures	7,117,166

Excess (Deficiency) of Revenues Over Expenditures	(1,965,001)
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Other Financing Sources (Uses)

Debt Proceeds	285,000
Total Other Financing Sources (Uses)	285,000

Net Change in Fund Balances	(1,680,001)
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Fund Balances - Beginning, Restated	1,437,811
Fund Balances - Ending	\$ (242,190)

The accompanying notes are an integral
part of the financial statements.

Local Highway Technical Assistance Council
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2015

Total Net Change in Fund Balance - Governmental Funds \$ (1,680,001)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures, However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay, Net of Deletions	\$ 186,659	
Depreciation	<u>(84,913)</u>	
		101,746

Repayment of long-term debt is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. However, in the Statement of Activities, the principal payments reduce the liabilities and do not result in a reduction of Net Position 262,469

Payment on Long-term Lease	\$ 12,490	
Accrued interest on long-term debt.	<u>(1,482)</u>	
		11,008

Certain liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. This represents the change in compensated absences. 12,734

Proceeds of debt is reported as an other financing source in the governmental funds and, thus, has the effect of increasing fund balance because current financial resources have been acquired. However, in the Statement of Activities, the proceeds of debt increase the liabilities and do not result in an increase of Net Position. (285,000)

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities. 129,196

Change in Net Position of Governmental Activities \$ (1,447,848)

The accompanying notes are an integral
 part of the financial statements.
 Appendix A Page 10

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Local Highway Technical Assistance Council (the Council) was created under Chapter 24 of Title 40, of the Idaho Code. The Council provides services to various governmental entities through representation on state agency committees, training, publications, research, and other field services.

For financial reporting purposes, management has considered all potential component units which are controlled or whose boards are appointed by the Board of Directors. Control by the Council was determined on the basis of budget adoption, the selection of management, the ability to significantly influence operations, accountability for fiscal matters, and other factors. Based on this criteria, there were no component units included in the Council's report.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses are expenses of the general government related to the administration and support of the District's programs, such as personnel and accounting (but not interest on long-term debt), and are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. If the District had more than one fund and they were considered nonmajor, all remaining governmental funds would be aggregated and reported as nonmajor funds.

The District reports the following major governmental fund:

- *General fund.* This is the Council's primary operating fund. It accounts for all financial resources of the Council.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Council considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide statement of Net Position and in the governmental fund Balance Sheet.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable*. Prepaid expenditures and inventory that are permanently precluded from conversion to cash.
- *Unassigned*. Balances available for any purpose.

The remaining fund balance classifications (restricted, committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the Board of Commissioners, the District's highest level of decision making authority, through a formal action. The Board of Commissioners would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the District's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

C. Assets and Liabilities

Cash Equivalents

All demand deposits, cash on hand, and investments with an original maturity of three months or less are considered to be cash and cash equivalents. See Note 2.

Receivables

All trade and intergovernmental receivables are shown net of an allowance for uncollectible.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	\$ 500	Straight-Line	15 - 40 Years
Machinery and Equipment	\$ 500	Straight-Line	5 - 15 Years

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncements

In June 2014, the GASB issued statement No. 68, *Accounting and Financial Reporting for Pensions*. Beginning with fiscal year 2015, the Council implemented the provisions of this statement, which establishes accounting standards and financial reporting standards for pension related items. Implementation of this new statement resulted in a restatement of beginning net position in the Council's government-wide financial statements (see note 9)

2. CASH AND INVESTMENTS

Deposits

As of June 30, 2015, the carrying amount of the Council's deposits was \$314,089 and the respective bank balances totaled \$257,275. All of the bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the Council.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2015, all of the Council's deposits were covered by the federal depository insurance or by collateral held by the Council's agent or pledging financial institution's trust department or agent in the name of the Council, and thus were not exposed to custodial credit risk. The Council keeps \$100 of petty cash on hand. The District does not have a formal policy limiting its exposure to custodial credit risk for deposits.

Custodial Credit Risk – Investments

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Council does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The Council does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

2. CASH AND INVESTMENTS (continued)

Investments

It is the Council's policy to limit investments to the safest types of securities and to diversify the District's investment portfolio so that potential losses on securities will be minimized. The District follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the District to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The Council had no investments at June 30, 2015.

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 141,640
Money Market Accounts	<u>172,549</u>
	<u>\$ 314,189</u>

3. RISK MANAGEMENT

The District is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

4. COMPENSATED ABSENCES

Vacation leave is granted to all regular district employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Employees can also earn comp time that is reimbursed in the event of termination.

Changes in compensated absences for the year ended June 30, 2015, are as follows:

	<u>6/30/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2015</u>	<u>Current</u>
Comp Time	<u>\$ 107,776</u>	<u>\$ 120,052</u>	<u>\$(130,284)</u>	<u>\$ 97,544</u>	<u>\$ 97,544</u>

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>6/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2015</u>
Capital Assets				
Not Being Depreciated:				
Land	\$ 176,000	\$ -	\$ -	\$ 176,000
Construction in Progress	<u>251,459</u>	<u>-</u>	<u>(251,459)</u>	<u>-</u>
	<u>427,459</u>	<u>-</u>	<u>(251,459)</u>	<u>176,000</u>
 Capital Assets				
Being Depreciated:				
Buildings and Improvements	1,027,410	272,993	-	1,300,403
Improvements Other Than Buildings	58,370	-	-	58,370
Machinery & Equipment	<u>380,597</u>	<u>35,158</u>	<u>(6,820)</u>	<u>408,935</u>
Total Capital Assets Being Depreciated	<u>1,466,377</u>	<u>308,151</u>	<u>(6,820)</u>	<u>1,767,708</u>
 Accumulated Depreciation For:				
Buildings and Improvements	89,582	31,930	-	121,512
Improvements Other Than Buildings	10,929	2,845	-	13,774
Machinery & Equipment	<u>172,717</u>	<u>49,431</u>	<u>(6,715)</u>	<u>215,433</u>
Total Accum. Depr.	<u>273,228</u>	<u>84,206</u>	<u>(6,715)</u>	<u>350,719</u>
 Capital Assets - Net	<u>\$1,620,608</u>	<u>\$ 223,945</u>	<u>\$(251,564)</u>	<u>\$1,592,989</u>

6. PENSION PLAN

Plan Description

Local Highway Technical Assistance Council 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.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

6. PENSION PLAN (continued)

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.

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

Retirees and beneficiaries currently receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	<u>66,223</u>
	<u>118,503</u>

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

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 and earnings from investments. 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) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2015 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. Local Highway Technical Assistance Council's contributions were \$172,725 the year ended June 30, 2015.

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

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

6. PENSION PLAN (continued)

At June 30, 2015, Local Highway Technical Assistance Council reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Local Highway Technical Assistance Council's proportion of the net pension liability was based on Local Highway Technical Assistance Council's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2014, Local Highway Technical Assistance Council's proportion was 0.0531572 percent.

For the year ended June 30, 2015, Local Highway Technical Assistance Council recognized pension revenue of \$119,490. At June 30, 2015, Local Highway Technical Assistance Council 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	\$ -	\$ 48,576
Changes in assumptions or other inputs	32,574	-
Net difference between projected and actual earnings	-	490,122
Local Highway Technical Assistance Council's contributions subsequent to the measurement date	172,725	
Total	\$ 205,299	\$ 538,698

\$172,725 reported 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 June 30, 2015.

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, 2013, the beginning of the measurement period ended June 30, 2014, is 5.6 years.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

6. PENSION PLAN (continued)

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:

For the Year Ended June 30:	PERSI
2016	\$(126,009)
2017	(126,009)
2018	(126,009)
2019	(126,009)
2020	(2,087)

Actuarial Assumptions

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

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

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

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

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

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2015

6. PENSION PLAN (continued)

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions.

Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

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

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			7.10%

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

6. PENSION PLAN (continued)

Discount Rate

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	1,358,941	391,320	(413,055)

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.

7. LONG-TERM OBLIGATIONS

In June 2014 the Council refinanced the building per the original agreement. Monthly payments of \$4,469.88 at 4.75% interest will be made through June 2029. The loan is secured by the building.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

7. LONG-TERM OBLIGATIONS (continued)

The Council received interim financing of \$285,000 to purchase and remodel an office building. This was converted over to a long-term loan in 2015.

Changes in long-term liabilities for the year ended June 30, 2015, was as follows:

Description	Maturity	Rate	6/30/2014	Increase	Decrease	6/30/2015	Current
Laon 3402	2029	4.75%	\$572,000	\$ -	\$ (26,906)	\$545,094	\$28,359
Loan 3401	2024	4.65%	-	285,000	(2,934)	282,066	6,455
Interim Financing	2015	4.65%	<u>232,629</u>	-	<u>(232,629)</u>	-	-
			<u>\$804,629</u>	<u>\$285,000</u>	<u>\$(262,469)</u>	<u>\$827,160</u>	<u>\$34,814</u>

Debt services requirements on long-term debt at June 30, 2015, are as follows:

Year Ending September 30,	Debt	
	Principal	Interest
2016	\$ 34,814	\$ 38,260
2017	36,497	36,576
2018	38,263	34,811
2019	40,112	32,961
2020	67,125	30,701
2021-2025	419,540	93,647
2026-2029	<u>190,809</u>	<u>18,615</u>
	<u>\$ 827,160</u>	<u>\$ 285,571</u>

Interest expense for the year was \$40,807 for governmental activities. No interest was capitalized.

8. LEASES

The Council leases multiple copiers. The leases are for 60 months, which started in 2012 and 2015. Payments are due monthly in the amount of \$1,542. It is anticipated that the copier will be returned at the end of the lease.

Local Highway Technical Assistance Council

Notes to Financial Statements
For the Year Ended June 30, 2015

8. LEASES (continued)

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Lease</u> <u>Paymet</u>
2016	\$ 18,505
2017	18,505
2018	14,857
2019	<u>14,127</u>
	<u>\$ 65,994</u>

Lease expense for the fiscal year ended June 30, 2015, was \$19,644.

9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the council expects such amounts, if any, to be immaterial.

10. PENDING LITIGATION

The Council is currently in the process of resolving an issue with the EPA. The Council feels that third party contractors will be responsible for any fine incurred. There is currently no liability booked for this.

11. PRIOR PERIOD ADJUSTMENT

As mentioned in Note 1 to the financial statements, the Council implemented GASB statement No. 68. The provisions of this statement required that the District's portion of Net Pension Liability and Deferred Inflows and Outflows from pension related items be reported on the Statement of Net Position. This caused net Position to be restated as follows:

	<u>Governmental</u> <u>Activities</u>
Net Position, Beginning - As Previously Stated	\$ 1,979,358
Decrease in Net Position due to Net Pension Liability	(1,016,935)
Increase in Net Position due to Deferred Outflows from Pension Related Items:	<u>163,019</u>
Net Position, Beginning - Restated	<u>\$ 1,125,442</u>

REQUIRED SUPPLEMENTARY INFORMATION

Local Highway Technical Assistance Council
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental	\$ 6,214,330	\$ 6,214,330	\$ 5,000,636	\$ (1,213,694)
Charges for Services	129,400	129,400	144,345	14,945
Miscellaneous	1,900	1,900	7,184	5,284
Total Revenues	<u>6,345,630</u>	<u>6,345,630</u>	<u>5,152,165</u>	<u>(1,193,465)</u>
Expenditures				
Current:				
Personnel	2,396,847	2,396,847	2,354,969	41,878
Operations	3,442,100	3,442,100	4,259,833	(817,733)
Debt Service:				
Principal	72,696	72,696	262,469	(189,773)
Interest	-	-	39,325	(39,325)
Capital Outlay	54,000	74,000	200,570	(146,570)
Total Expenditures	<u>5,965,643</u>	<u>5,985,643</u>	<u>7,117,166</u>	<u>(1,151,523)</u>
Excess (Deficiency of Revenues Over Expenditures	379,987	359,987	(1,965,001)	(41,942)
Other Financing Sources (Uses)				
Proceeds from Debt	-	-	285,000	285,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>285,000</u>	<u>285,000</u>
Net Change in Fund Balances	<u>379,987</u>	<u>359,987</u>	<u>(1,680,001)</u>	<u>243,058</u>
Fund Balances - Beginning	-	-	1,437,811	1,437,811
Fund Balances - Ending	<u>\$ 379,987</u>	<u>\$ 359,987</u>	<u>\$ (242,190)</u>	<u>\$ 1,680,869</u>

Local Highway Technical Assistance Council
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

1. BUDGETS AND BUDGETARY ACCOUNTING

The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to June 1, the Board of Directors prepares a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to June 1, the budget is legally passed.
- D. The Board of Directors, by following the same budgetary procedures used to adopt the original budget, may amend it to a greater amount if additional revenue will accrue to the Council as a result of increases in state or federal grants or allocations, or as a result of an increase in revenues from any source other than advalorem tax revenues.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund.
- F. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles.
- G. Expenditures may not legally exceed budgeted appropriations at the fund level. The Council does not use the encumbrance method of accounting.

Local Highway Technical Assistance Council
 Schedule of the Council's Proportionate Share of the
 Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2015
Council proportion of the net pension liability (asset)	0.0531572%
Council's proportionate share of the net pension liability (asset)	\$ 391,320
Council's covered-employee payroll	\$ 1,525,841
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.65%
Plan fiduciary net position as a percentage of the total pension liability	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, Local Highway Technical Assistance Council will present information for those years for which information is available.

Data reported is measured as of July 1, 2014

Local Highway Technical Assistance Council
Schedule of Council Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2015
Contractually required contributions	\$ 172,725
Contributions in relation to the contractually required contribution	172,725
Contribution deficiency (excess)	\$ -
Council's covered-employee payroll	\$ 1,525,841
Contributions as a percentage of covered-employee payroll	11.32%

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

Data reported is measured as of June 30, 2015

SUPPLEMENTARY INFORMATION

Local Highway Technical Assistance Council
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Intergovernmental:				
State Appropriation	\$ 390,000	\$ 390,000	\$ 411,105	\$ 21,105
Federal Reimbursement	2,700,750	2,700,750	2,284,818	(415,932)
Highway Investment Program	418,849	418,849	440,603	21,754
LRHIP Grant	2,704,731	2,704,731	1,864,110	(840,621)
Total Intergovernmental	<u>6,214,330</u>	<u>6,214,330</u>	<u>5,000,636</u>	<u>(1,213,694)</u>
Charges for Services:				
T2 Revenue	129,400	129,400	144,345	14,945
Total Charges for Services	<u>129,400</u>	<u>129,400</u>	<u>144,345</u>	<u>14,945</u>
Miscellaneous:				
Interest	1,900	1,900	2,813	913
Miscellaneous	-	-	4,371	4,371
Total Miscellaneous	<u>1,900</u>	<u>1,900</u>	<u>7,184</u>	<u>5,284</u>
Total General Fund	<u>\$ 6,345,630</u>	<u>\$ 6,345,630</u>	<u>\$ 5,152,165</u>	<u>\$ (1,193,465)</u>

Local Highway Technical Assistance Council
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Personal:				
Salaries	\$ 1,658,132	\$ 1,658,132	\$ 1,666,717	\$ (8,585)
Council Wages	1,500	1,500	675	825
Payroll Taxes and Benefits	737,215	737,215	687,577	49,638
Total Personal	2,396,847	2,396,847	2,354,969	41,878
Operations:				
FHWA Reimbursable Expenses	296,000	296,000	200,693	95,307
T2 Center Reimbursable Expenses	82,850	82,850	10,803	72,047
T2 Project Match	1,870	1,870	130,493	(128,623)
Safety Study Match	14,680	14,680	16,007	(1,327)
LRHIP Grant Distribution	2,800,000	2,800,000	3,327,976	(527,976)
Printing & Copying	30,500	30,500	39,553	(9,053)
Postage	15,000	15,000	9,900	5,100
Phone	25,000	25,000	24,264	736
Office Supplies	22,000	22,000	28,654	(6,654)
Equipment Maintenance	500	500	-	500
Building Maintenance	10,000	10,000	14,070	(4,070)
Utilities	10,500	10,500	10,018	482
Janitorial	5,000	5,000	5,959	(959)
Council Travel	13,000	13,000	15,379	(2,379)
Staff Travel	30,000	30,000	171,442	(141,442)
Local Meeting	3,000	3,000	5,422	(2,422)
Audit Services	9,500	9,500	9,400	100
Legal Services	20,000	20,000	67,702	(47,702)
Contractual Services	18,000	18,000	123,351	(105,351)
Reference Material	1,000	1,000	919	81
Membership Dues	3,200	3,200	2,143	1,057
Interest and Fees	3,000	3,000	3,915	(915)
Insurance	11,500	11,500	14,452	(2,952)
Training	9,000	9,000	12,086	(3,086)
Promotion	7,000	7,000	15,232	(8,232)
Total Operations	3,442,100	3,442,100	4,259,833	(817,733)
Capital Outlay	54,000	74,000	200,570	(126,570)
Debt Service:				
Principal	72,696	72,696	262,469	(189,773)
Debt	-	-	39,325	(39,325)
Total Expenditures	5,965,643	5,985,643	7,117,166	(1,131,523)

FEDERAL REPORT



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Local Highway Technical Assistance Council
Boise, Idaho

We have audited, in accordance with the 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 and the major fund of Local Highway Technical Assistance Council, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Local Highway Technical Assistance Council's basic financial statements and have issued our report thereon dated January 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Local Highway Technical '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 Local Highway Technical Assistance Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Local Highway Technical Assistance Council's internal control.

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

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

Compliance and Other Matters

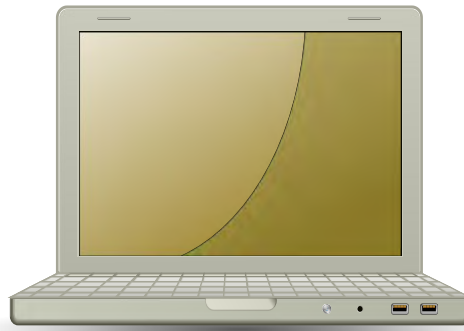
As part of obtaining reasonable assurance about whether Local Highway Technical Assistance Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Millington Zwysart CPAs, PLLC

Caldwell, Idaho
January 5, 2016



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