

**Local Highway Technical
Assistance Council**

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended June 30, 2017

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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*

29



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, 2017, 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, 2017, 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 23 and 26 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 26, 2018, on our consideration of the Council'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 the Council's internal control over financial reporting and compliance.

Millington Zwysart CPAs, PLLC

January 26, 2018

Local Highway Technical Assistance Council
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 498,761
Restricted Cash and Cash Equivalents	2,216,121
Receivables:	
Accounts	72
Intergovernmental	696,719
Prepaid Expenses	31,084
Total Current Assets	3,442,757
Noncurrent Assets:	
Capital Assets:	
Land	176,000
Buildings and Improvements, net	1,143,995
Improvements Other Than Buildings	55,991
Machinery and Equipment, net	200,876
Capital Assets, net	1,576,862
Total Noncurrent Assets	1,576,862
Total Assets	5,019,619
Deferred Outflows	
Pension Related Items	856,168
Total Deferred Outflows	856,168
Liabilities	
Current Liabilities:	
Accounts Payable	35,362
Accrued Payroll	95,766
Unearned Revenue	488,728
Accrued Interest	1,487
Total Current Liabilities	621,343
Long-term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	115,722
Notes Payable, Current	38,262
Portion Due or Payable After One Year:	
Notes Payable, Net of Current Portion	718,798
Net Pension Liability	1,172,982
Total Long-term Liabilities	2,045,764
Total Liabilities	2,667,107
Deferred Inflows	
Pension Related Items	383,637
Total Deferred Inflows	383,637
Net Position	
Invested in Capital Assets, Net of Related Debt	819,802
Restricted for:	
LRHIP	2,216,121
Unrestricted (Deficit) Surplus	(210,880)
Total Net Position	\$ 2,825,043

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

Local Highway Technical Assistance Council

Statement of Activities

For the Year Ended June 30, 2017

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position - Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 5,502,464	\$ 259,863	\$ 2,800,000	\$ -	\$ (2,442,601)
Interest on Long-Term Debt	37,063	-	-	-	(37,063)
Total Governmental Activities	<u>\$ 5,539,527</u>	<u>\$ 259,863</u>	<u>\$ 2,800,000</u>	<u>\$ -</u>	<u>(2,479,664)</u>
General Revenues:					
State Appropriations					576,856
Federal Reimbursement					2,550,186
Highway Investment Program					474,057
Miscellaneous					4,128
Gain/(Loss) on Disposal of Assets					-
Unrestricted Investment Earnings					4,577
Total General Revenues and Special Items					<u>3,609,804</u>
Change in Net Position					1,130,140
Net Position, Beginning of Year					1,694,903
Net Position, End of Year					<u>\$ 2,825,043</u>

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

Local Highway Technical Assistance Council
 Balance Sheet - Governmental Funds
 June 30, 2017

Assets

Cash and Cash Equivalents	\$ 498,761
Restricted Cash and Cash Equivalents	2,216,121
Receivables:	
Accounts	72
Intergovernmental	696,719
Prepaid Expenses	31,084
Total Assets	\$ 3,442,757

Liabilities

Accounts Payable	\$ 35,362
Accrued Payroll	95,766
Compensated Absences	3,626
Unearned Revenue	488,728
Total Liabilities	623,482

Fund Balance

Nonspendable	31,084
Unassigned	2,788,191
Total Fund Balance	2,819,275
Total Liabilities and Fund Balance	\$ 3,442,757

The accompanying footnotes 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, 2017

Total Fund Balances - Governmental Funds \$ 2,819,275

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 \$188,727 Accumulated Depr	1,143,995	
Improvements Other Than Buildings, Net of \$16,281 Accumulated Depr	55,991	
Machinery and Equipment, Net of \$241,728 Accumulated Depr	200,876	
		1,576,862

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	(112,096)
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Long-term liabilities, including bonds payable, 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:

Accrued Interest on Long-term Debt	\$ (1,487)	
Notes Payable	(757,060)	
		(758,547)

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	\$ (1,172,982)	
Pension Related Deferred Inflows	(383,637)	
Pension Related Deferred Outflows	856,168	
		(700,451)

Total Net Position-Governmental Activities	\$ 2,825,043
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The accompanying footnotes are an integral
 part of the financial statements.

Local Highway Technical Assistance Council
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2017

Revenues	
Intergovernmental	\$ 6,401,099
Charges for Services	259,863
Miscellaneous	8,705
Total Revenues	6,669,667
 Expenditures	
Current:	
Personal	2,574,142
Operations	2,813,271
Debt Services:	
Principal	35,941
Interest	37,133
Capital Outlay	95,876
Total Liabilities	5,556,363
 Net Change in Fund Balances	 1,113,304
 Fund Balances - Beginning	 1,705,971
Fund Balances - Ending	\$ 2,819,275

The accompanying footnotes 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, 2017

Total Net Change in Fund Balance - Governmental Funds \$ 1,113,304

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	\$	74,574	
Depreciation		<u>(78,757)</u>	(4,183)

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. In the current period these amounts are:

Payment on Long-term Debt	\$	35,941	
Accrued interest on long-term debt.		<u>70</u>	36,011

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. (12,893)

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. (2,099)

Change in Net Position of Governmental Activities \$ 1,130,140

The accompanying footnotes 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, 2017

Total Net Change in Fund Balance - Governmental Funds \$ 1,113,304

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Change in Net Position of Governmental Activities \$ 1,130,140

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

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

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 Council. 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 Council'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 Council'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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Council 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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Council 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 Council'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 Council 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 Council'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 Council 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, 2017

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:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 500	Straight-Line	7 - 40 Years
Machinery and Equipment	\$ 500	Straight-Line	3 - 20 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, 2017

2. CASH AND INVESTMENTS

Deposits

As of June 30, 2017, the carrying amount of the Council's deposits was \$2,714,782 and the respective bank balances totaled \$2,771,388. \$1,000,174 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, 2017, \$1,771,214 of the Council's deposits were not 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 exposed to custodial credit risk. The Council keeps \$100 of petty cash on hand. The Council 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.

Investments

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

Idaho Code authorizes the Council 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.

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

2. CASH AND INVESTMENTS (continued)

The Council had no investments at June 30, 2017.

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

Bank Balance	\$2,714,782
Petty Cash	100
Cash and cash equivalents	<u><u>\$2,714,882</u></u>

3. RISK MANAGEMENT

The Council 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 Council 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, 2017, are as follows:

	6/30/16	Increase	Decrease	6/30/17	Current
Compensated Absences	<u>\$ 101,340</u>	<u>\$ 152,441</u>	<u>\$(138,058)</u>	<u>\$ 115,723</u>	<u>\$ 115,723</u>

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>6/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/17</u>
Capital Assets Not Being Depreciated:				
Land	\$ 176,000	\$ -	\$ -	\$ 176,000
 Capital Assets Being Depreciated:				
Buildings and Improvements	1,332,722	-	-	1,332,722
Improvements Other Than Buildings	46,442	25,830	-	72,272
Machinery & Equipment	<u>424,979</u>	<u>48,744</u>	<u>(31,119)</u>	<u>442,604</u>
Total Capital Assets Being Depreciated	<u>1,804,143</u>	<u>74,574</u>	<u>(31,119)</u>	<u>1,847,598</u>
 Accumulated Depreciation For:				
Buildings and Improvements	155,485	33,242	-	188,727
Improvements Other Than Buildings	12,970	3,311	-	16,281
Machinery & Equipment	<u>230,643</u>	<u>42,204</u>	<u>(31,119)</u>	<u>241,728</u>
Total Accum. Depr.	<u>399,098</u>	<u>78,757</u>	<u>(31,119)</u>	<u>446,736</u>
Net Depreciable Assets	<u>1,405,045</u>	<u>(4,183)</u>	<u>-</u>	<u>1,400,862</u>
Capital Assets - Net	<u>\$ 1,581,045</u>	<u>\$ (4,183)</u>	<u>\$ -</u>	<u>\$ 1,576,862</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, 2017

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.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) 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 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% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. Local Highway Technical Assistance Council's contributions were \$203,830 the year ended June 30, 2017.

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

6. PENSION PLAN (continued)

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

At June 30, 2017, 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 June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 June 30, 2016, Local Highway Technical Assistance Council's proportion was 0.0578635 percent.

For the year ended June 30, 2017, Local Highway Technical Assistance Council recognized pension expense/(revenue) of \$205,929. At June 30, 2017, 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	\$ -	\$ 116,879
Changes in assumptions or other inputs	26,075	-
Net difference between projected and actual earnings on pension plan investments	570,914	266,758
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	55,349	-
Local Highway Technical Assistance Council's contributions subsequent to the measurement date	203,830	-
Total	\$ 856,168	\$ 383,637

\$203,830 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, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 4.9 years and is 5.6 for the measurement period June 30, 2015.

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

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
2018	\$ 216,318
2019	12,488
2020	147,381
2021	86,178
2022	10,166

Actuarial Assumptions

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

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

Inflation	3.25%
Salary increases	4.25 – 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 for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

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, 2016.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	90.00%	0%	0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

6. PENSION PLAN (continued)

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

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)	\$ 2,300,974	\$ 1,172,982	\$ 234,932

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.

Local Highway Technical Assistance Council
Notes to Financial Statements
For the Year Ended June 30, 2017

7. LONG-TERM OBLIGATIONS

In June 2014, the Council refinanced the building per the original agreement. Monthly payments of \$4,470 at 4.75% interest will be made through June 2029. The loan is secured by the building.

In October 2014 the Council refinanced the construction loan on the building. Monthly payments of \$1,620 at 4.65% interest will be made through October 2024. This loan is secured by the building.

Changes in long-term liabilities for the year ended June 30, 2017, was as follows:

Description	Maturity	Rate	6/30/16	Increase	Decrease	6/30/17	Current
Loan 3402	2029	4.75%	\$517,168	\$ -	\$ (29,370)	\$487,798	\$31,179
Loan 3401	2024	4.65%	275,832	-	(6,570)	269,262	7,083
			<u>\$793,000</u>	<u>\$ -</u>	<u>\$ (35,940)</u>	<u>\$757,060</u>	<u>\$38,262</u>

Debt services requirements on long-term debt at June 30, 2017, are as follows:

Year Ending June 30,	Debt	
	Principal	Interest
2018	\$ 38,262	\$ 34,811
2019	40,112	32,961
2020	67,125	30,683
2021	83,180	26,996
2022	87,168	23,007
2023-2027	342,933	57,592
2028-2029	98,280	4,667
	<u>\$ 757,060</u>	<u>\$ 210,717</u>

Interest expense for the year was \$37,063 for governmental activities. No interest was capitalized.

8. LEASES

The Council leases multiple copiers. The leases are for 60 months, which stated 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, 2017

8. LEASES (continued)

Future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	Lease <u>Payments</u>
2018	\$ 15,302
2019	14,572
2020	14,572
2021	14,572
2022	14,572
	<u>\$ 73,590</u>

Lease expense for the fiscal year ended June 30, 2017, was \$18,229.

9. OTHER COMMITMENTS

The Council has several credit cards with a total available credit limit of \$81,000. As of June 30, 2017, \$1,450 of the limit was in use.

10. 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.

REQUIRED SUPPLEMENTARY INFORMATION

Local Highway Technical Assistance Council
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental	\$ 6,329,727	\$ 6,471,273	\$ 6,401,099	\$ 71,372
Charges for Services	157,700	166,000	259,863	102,163
Miscellaneous	18,000	19,500	8,705	(9,295)
Total Revenues	<u>6,505,427</u>	<u>6,656,773</u>	<u>6,669,667</u>	<u>164,240</u>
Expenditures				
Current:				
Personnel	2,528,762	2,587,836	2,574,142	(45,380)
Operations	3,722,500	3,776,600	2,813,271	909,229
Debt Service:				
Principal	35,904	35,904	35,941	(37)
Interest	37,170	37,170	37,133	37
Capital Outlay	74,000	101,000	95,876	(21,876)
Total Expenditures	<u>6,398,336</u>	<u>6,538,510</u>	<u>5,556,363</u>	<u>841,973</u>
Net Change in Fund Balances	107,091	118,263	1,113,304	(677,733)
Fund Balances - Beginning	-	-	1,705,971	1,705,971
Fund Balances - Ending	<u>\$ 107,091</u>	<u>\$ 118,263</u>	<u>\$ 2,819,275</u>	<u>\$ 1,028,238</u>

Local Highway Technical Assistance Council
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Council proportion of the net pension liability (asset)	0.0578635%	0.0547540%	0.0531572%
Council's proportionate share of the net pension liability (asset)	\$ 1,172,982	\$ 717,352	\$ 391,320
Council's covered-employee payroll	\$ 1,800,622	\$ 1,692,335	\$ 1,525,841
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.14%	42.39%	25.65%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

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

Data reported is measured as of June 30,2016

Local Highway Technical Assistance Council
Schedule of Council Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 203,830	\$ 191,572	\$ 172,725
Contributions in relation to the contractually required contribution	<u>203,830</u>	<u>191,572</u>	<u>172,725</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 1,800,622	\$ 1,692,335	\$ 1,525,841
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	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, 2017

SUPPLEMENTARY INFORMATION

Local Highway Technical Assistance Council
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Intergovernmental:				
State Appropriation	\$ 570,000	\$ 570,000	\$ 576,856	\$ 6,856
Federal Reimbursement	2,673,127	2,796,825	2,550,186	(246,639)
Highway Investment Program	286,600	290,000	474,057	184,057
LRHIP Grant	2,800,000	2,814,448	2,800,000	(14,448)
Total Intergovernmental	<u>6,329,727</u>	<u>6,471,273</u>	<u>6,401,099</u>	<u>(70,174)</u>
Charges for Services:				
T2 Revenue	157,700	166,000	259,863	93,863
Total Charges for Services	<u>157,700</u>	<u>166,000</u>	<u>259,863</u>	<u>93,863</u>
Miscellaneous:				
Interest	3,000	4,500	4,577	77
Miscellaneous	15,000	15,000	4,128	(10,872)
Total Miscellaneous	<u>18,000</u>	<u>19,500</u>	<u>8,705</u>	<u>(10,795)</u>
Total Revenues	<u>\$ 6,505,427</u>	<u>\$ 6,656,773</u>	<u>\$ 6,669,667</u>	<u>\$ 12,894</u>

Local Highway Technical Assistance Council
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Personal:				
Salaries	\$ 1,838,255	\$ 1,889,410	\$ 1,868,490	\$ 20,920
Council Wages	3,000	3,000	3,800	(800)
Payroll Taxes and Benefits	687,507	695,426	701,852	(6,426)
Total Personal	<u>2,528,762</u>	<u>2,587,836</u>	<u>2,574,142</u>	<u>13,694</u>
Operations:				
FHWA Reimbursable Expenses	500,000	500,000	152,283	347,717
T2 Center Reimbursable Expenses	115,300	175,300	174,340	960
T2 Project Match	-	-	160,580	(160,580)
Safety Study Match	-	-	32,891	(32,891)
Safety Fest	-	-	3,848	
LRHIP Grant Distribution	2,820,000	2,838,000	2,004,673	833,327
Printing & Copying	38,500	28,300	29,587	(1,287)
Postage	8,000	8,000	8,488	(488)
Phone	26,000	26,000	32,037	(6,037)
Office Supplies	25,000	16,100	21,075	(4,975)
Building Improvements	4,000	500	1,314	(814)
Building Maintenance	16,000	24,000	31,425	(7,425)
Utilities	11,000	11,000	10,539	461
Janitorial	7,000	7,000	6,238	762
Council Travel	14,000	10,000	10,841	(841)
Staff Travel	40,000	40,000	41,078	(1,078)
Local Meeting	5,000	3,000	3,538	(538)
Audit Services	9,500	9,000	9,000	-
Legal Services	10,000	7,500	6,925	575
Contractual Services	27,000	30,000	31,005	(1,005)
Reference Material	1,000	200	312	(112)
Membership Dues	3,000	3,000	2,518	482
Interest and Fees	3,000	500	560	(60)
Insurance	14,200	14,200	12,415	1,785
Training	15,000	12,000	11,576	424
Promotion	10,000	13,000	14,185	(1,185)
Total Operations	<u>3,722,500</u>	<u>3,776,600</u>	<u>2,813,271</u>	<u>967,177</u>
Capital Outlay	74,000	101,000	95,876	5,124
Debt Service:				
Principal	35,904	35,904	35,941	(37)
Debt	37,170	37,170	37,133	37
Total Expenditures	<u>\$ 6,398,336</u>	<u>\$ 6,538,510</u>	<u>\$ 5,556,363</u>	<u>\$ 985,995</u>

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, 2017, 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 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Local Highway Technical Assistance Council'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 26, 2018