

HIGHWAY DISTRICT

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year End

Independent Auditor's Report

The Honorable Commissioners
Highway District
Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Highway District (the District) as of and for the year end, and the related notes to the financial statements, which collectively comprise the District'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 Highway District as of the year end, 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 District's proportionate share of the net pension liability, and schedule of District 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highway District's basic financial statements. The supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, on our consideration of Highway District'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's internal control over financial reporting and compliance.

Highway District
Statement of Net Position

	Governmental Activities
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 5,215,526
Investments	1,040,245
Prepaid Items	17,975
Receivables, Net:	
Property Taxes	199,655
Intergovernmental	117,166
LIDs	11,482
Accounts	600
Interest	3,447
Investment in Joint Venture	83,457
Total Current Assets	6,689,553
Noncurrent Assets:	
Capital Assets:	
Land	1,578,389
Buildings, Net	573,717
Improvements, Net	24,943,556
Equipment, Net	2,796,595
Total Noncurrent Assets	29,892,257
Total Assets	36,581,810
Deferred Outflows	
Pension Related Items	154,935
Total Deferred Outflows	154,935
Liabilities	
Current Liabilities:	
Accounts Payable	792,087
Accrued Payroll and Benefits	83,100
Deposits Payable	27,280
Non-Current Liabilities:	
Due within One Year:	
Compensated Absences	114,070
Due in More than One Year:	
Compensated Absences	38,023
Net Pension Liability	662,886
Total Liabilities	1,717,446
Deferred Inflows	
Pension Related Items	123,714
Total Deferred Inflows	123,714
Net Position	
Invested in Capital Assets, Net of Related Debt	29,892,257
Restricted for:	
Capital Projects	2,555,411
Unrestricted (Deficit) Surplus	2,447,917
Total Net Position	\$ 34,895,585

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

Highway District
Statement of Activities
For the Year End

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Highways and Streets	\$ 6,447,933	\$ 83,494	\$ -	\$ 226,720	\$ (6,137,719)
Total Governmental Activities	<u>\$ 6,447,933</u>	<u>\$ 83,494</u>	<u>\$ -</u>	<u>\$ 226,720</u>	<u>\$ (6,137,719)</u>
		General Revenues:			
					4,852,574
					3,045,500
					2,009
					(6,878)
					125,554
					(25,646)
					86,430
					<u>8,079,543</u>
					1,941,824
					<u>32,953,761</u>
					<u>\$ 34,895,585</u>

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

Highway District
Balance Sheet -
Governmental Funds

	General
Assets	
Cash and Cash Equivalents	\$ 5,215,526
Investments	1,040,245
Prepaid Items	17,975
Receivables, Net:	
Property Taxes	199,655
Intergovernmental	117,166
LIDs	11,482
Accounts	600
Interest	3,447
Investment in Joint Venture	21,715
Total Assets	\$ 6,627,811
Liabilities	
Accounts Payable	\$ 792,087
Accrued Payroll and Benefits	83,100
Deposits Payable	27,280
Total Liabilities	902,467
Deferred Inflows	
Unavailable Revenue - Property Taxes	194,119
Unavailable Revenue - Assessments	11,482
Total Deferred Inflows	205,601
Fund Balances	
Nonspendable	17,975
Committed	2,555,411
Unassigned	2,946,357
Total Fund Balances	5,519,743
Total Liabilities, Deferred Inflows and Fund Balances	\$ 6,627,811

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

Highway District
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position

Total Fund Balances - Governmental Funds \$ 5,519,743

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. The cost of assets consist of:

Land	\$ 1,578,389	
Buildings, Net of \$421,609 Accum. Depr.	573,717	
Improvements, Net of \$9,591,321 Accum. Depr.	24,943,556	
Equipment, Net of \$4,643,649 Accum. Depr.	2,796,595	
		29,892,257

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and, therefore, are deferred in the funds. 194,119

LID Assessments that are due at the end of the year, but are not collected within 60 days of year end will not be available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the funds. 11,482

Compensated absences that are applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. (152,093)

The District has an equity interest in a joint venture. A portion of the investment is not a current financial resource and, therefore, is not reported in the funds. 61,742

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	\$ (662,886)	
Pension Related Deferred Inflows	(123,714)	
Pension Related Deferred Outflows	154,935	
		(631,665)

Net Position of Governmental Activities \$ 34,895,585

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

Highway District
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year End

	General
Revenues	
Taxes	\$ 4,821,161
Intergovernmental	3,272,220
Special Assessment	20,769
Miscellaneous	295,478
Total Revenues	8,409,628
Expenditures	
Current:	
Highways and Streets	7,054,950
Capital Outlay	736,198
Total Expenditures	7,791,148
Excess (Deficiency) of Revenues Over Expenditures	618,480
Other Financing Sources (Uses)	
Net Income (Loss) in Joint Venture Investment	(2,052)
Total Other Financing Sources (Uses)	(2,052)
Net Change in Fund Balances	616,428
Fund Balances - Beginning	4,903,315
Fund Balances - Ending	\$ 5,519,743

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

Highway District
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year End

Total Net Change in Fund Balance - Governmental Funds \$ 616,428

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. The cost and related accumulated depreciation, when capital assets are disposed are also not reported in the governmental funds. In the current period these amounts are:

Capital Outlay	\$ 3,449,970	
Depreciation Expense	(2,161,773)	
Cost of Disposed Capital Assets, Net of Accum. Depr.	<u>(25,646)</u>	
Net		1,262,551

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as unavailable revenue - property tax. They are, however, recorded as revenues in the Statement of Activities. 31,413

Because some LID assessments will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as unavailable revenue - assessments. They are, however, recorded as revenues in the Statement of Activities. (18,760)

In the statement of activities, the net income (loss) in the joint venture is reported using the economic resources measurement focus. However, in the governmental funds, the net income (loss) is reported using the current financial resources measurement focus. Thus, the change in net position differs from the change in fund balance by the net change in the amount of capital assets recorded by the (4,826)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the net change in compensated absences. 5,121

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. 49,897

Change in Net Position of Governmental Activities \$ 1,941,824

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

SAMPLE

REQUIRED SUPPLEMENTARY INFORMATION

Highway District
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year End

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 4,573,900	\$ 4,573,900	\$ 4,821,161	\$ 247,261
Intergovernmental	3,712,020	3,712,020	3,272,220	(439,800)
Special Assessments	3,000	3,000	20,769	17,769
Miscellaneous	449,100	449,100	295,478	(153,622)
Total Revenues	<u>8,738,020</u>	<u>8,738,020</u>	<u>8,409,628</u>	<u>(328,392)</u>
Expenditures				
Current:				
Highways and Streets	9,857,190	9,857,190	7,054,950	2,802,240
Capital Outlay	1,200,600	1,200,600	736,198	464,402
Contingency	2,480,230	2,480,230	-	2,480,230
Total Expenditures	<u>13,538,020</u>	<u>13,538,020</u>	<u>7,791,148</u>	<u>5,746,872</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(4,800,000)</u>	<u>(4,800,000)</u>	<u>618,480</u>	<u>5,418,480</u>
Other Financing Sources (Uses)				
Net Income (Loss) in Joint Venture Investment	-	-	(2,052)	(2,052)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,052)</u>	<u>(2,052)</u>
Net Change in Fund Balances	<u>(4,800,000)</u>	<u>(4,800,000)</u>	<u>616,428</u>	<u>5,416,428</u>
Fund Balances - Beginning	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,903,315</u>	<u>103,315</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,519,743</u>	<u>\$ 5,519,743</u>

SAMPLE

FEDERAL REPORTS

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

The Honorable Commissioners
Highway District
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 Highway District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Highway District's basic financial statements and have issued our report thereon dated.

Internal Control Over Financial Reporting

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

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

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

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.

SAMPLE

QUALITY CONTROL CHECKLIST FOR FINANCIAL STATEMENTS

ENTITY: Fire District
 PERIOD: Year Ended 2019

We have asked Audit to help prepare OUR financial statements. To maintain Audit Firm's independence we have reviewed the financial statements. This checklist is our review of OUR financial statements.

Auditor's Report on the Financial Statements:

Consistency Category	Description	Done
Coverage of All Statements and Schedules	Auditor's report should address all financial statements and schedules included in the financial report by expressing an opinion, giving in-relation-to coverage, or disclaiming an opinion on each statement and schedule or other information	
Dates of Statements and Schedules	Statements and Schedules dates should be for current year. Balance sheets/statements of net assets should be by day (Year End 2019) while change statements should be by period (For the fiscal year ended Year End 2019)	
Table of Contents to Statements and Schedules	Titles of Statements and Schedules and titles in the Table of Contents should be consistent	

Financial Statements:

Consistency Category	Description	Done
Report Draft to Trial Balances	Financial statement amounts in the report draft should agree with the amounts in my final financial statements. (From my computer)	
Amounts Within the Basic Financial Statements	Government-Wide (GW) Statement of Net Position Total (ending number) should agree to the Statement of Activities for governmental, business-type activities and component units – Net Position (ending number).	
	If applicable Proprietary Fund Cash Flow Statement Ending Cash and Cash Equivalents should agree to Proprietary Fund Statement of Net Assets Cash and Cash Equivalents (total of unrestricted and restricted)	
Prior Year to Current Year	Prior year report's GW Ending Net Position for governmental activities should agree to current year report's Beginning Net Position (prior to considering any prior period adjustments)	
	Prior year report's Ending Cash and Cash Equivalents on the Proprietary Fund's Cash Flow Statement by fund type should agree to current year report's Beginning Cash and Cash Equivalents	
Notes to Financial Statements	Note amounts throughout the report should agree to basic financial statements amounts	
	Changes in capital assets and long-term debt should reconcile to additions, disposals, retirements and other amounts in the basic financial statements	
RSI and SI to Financial Statements and Notes	Current year information included in required supplementary information and other supplementary information should be consistent with amounts reported in the basic financial statements and notes	

Highway District

AUDIT LIST

Year End

	Quick Books back up with password or Trail balance from accounting system.
	Original Budget and amended budget (in excel if possible or paper). Need to see newspaper clipping of the original budget.
	Board Meeting Minutes -Beginning of year through when the audit is taking place.
	List of Commissioners for the year and contact information.
	Listing of any related party transactions; need how related, name, and dollar amount of transactions for the year. If there is any outstanding balances due to or from the parties.
	Attorney; need name and address; if any lawsuits information we need to be aware of. We will need to look at the invoices for the attorney.
	All accounting related ordinances and policies and procedures adopted during the year.
	All important correspondence with any oversight agencies i.e. State, Rural Development, and Federal agencies.
Cash and Investments:	
	Bank Statements & Reconciliations for the year - All Accounts. Make sure old stale checks have been properly taken care of. The statements should be reconciled to the financial statements.
	The report showing all fund cash accounts are totaled to the bank reconciliation.
	We need to review the bank statements up to the current month.
	State Treasurer's Reports - Monthly Investment Reports for the year if you are using the LGIP. Any excel spread sheets or reports to reconcile to each fund.
	Provide any other investment statements for the year.
	Reports showing how much accounts are collateralized or FDIC insured if this is being done.
	A list of any changes in investments such as closing of CDs, new investment types or closing of LGIP, etc.

Revenue	
	Order property taxes for the time period we are auditing. Need as of the month before and the month after your year end.
	Any new ordnances for Special Fees or raises in Permit rates.
	The L-2 submitted (copy) to the County for taxes (note for year under audit).
	New Grant Contracts received during the year.
	Correspondence and files on all federal programs or grants.
	A list of individuals that owe you money at the end of the year.
	List of individuals that you have an LID with and the amount they owe as of the end of the year.
Expenses:	
	Accounts Payable: a listing as of year end. (These are invoices paid after year end that are for expenses before year end.)
	We will need to look at a check register for 30 days after year end. We can get it off from quickbooks
	List of individuals that you are holding deposits for at the end of the year.
Payroll:	
	Payroll documentation required:
	- Monthly Payroll Reports
	- 941 Quarterly Reports the time period under audit.
	- Salaries & Benefits paid after year end that were earned in the prior month
	- List of Employees with Unpaid Vacation & Comp. Time. (Need for your footnote; the amount earned during the year and the amount still owing at the end of the year.)
	List of former employees that are on your health insurance.
	Need to review any IRS correspondence you received.
	Need to look at the W-2s and 1099s done for the year. (If all done electronic just the print out you kept will do.)
	Order the PERSI payments directly from PERSI (e-mail below). For your fiscal year. Please forward e-mail to us.
	Bev.Ross@persi.idaho.gov

Debt:	
	Lease Agreements entered into during the year.
	Need to review any bond or new debt correspondence during the year.
	We need to look at a statement from the lending institution at the balance owing at year end.
Fixed Assets:	
	A list (copy of invoices) of major assets purchased over your capitalization amount.
	A list of assets disposed of during the year. If sold, need amount sold for.
	Review list of fixed assets that you have given to us in the past. Let department heads review the list. We will send you what we had in the past. Please review assets and depreciation life.