Financial Statements
September 30, 2024

Mountain Home Highway District

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Mountain Home Highway District

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Independent Auditor's Report

The Board of Commissioners
Mountain Home Highway District
Mountain Home, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the Mountain Home Highway District (the District) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the schedules of employer's share of net pension liability and employer contributions on pages 22 and 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 the 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 opinions on the basic financial statements are not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2025, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
April 2, 2025

Mountain Home Highway District
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2024

	Governmental Fund: General Fund	Adjustments	Statement of Net Position
Assets			
Cash	$ 248,398	$ -	$ 248,398
Investments	7,027,798	-	7,027,798
Accounts receivable	41,902	-	41,902
Interest receivable	29,669	-	29,669
Motor fuels receivable	595,470	-	595,470
Property taxes receivable	1,334,083	-	1,334,083
Sales tax receivable	24,184	-	24,184
Prepaid insurance	1,620	-	1,620
Capital assets - net of accumulated depreciation			
Land (not depreciated)	-	108,492	108,492
Construction in progress (not depreciated)	-	861,451	861,451
Buildings	-	106,589	106,589
Gravel pits	-	13,030	13,030
Equipment	-	2,814,456	2,814,456
Infrastructure	-	9,917,245	9,917,245
Vehicles	-	432,002	432,002
Total assets	9,303,124	14,253,265	23,556,389
Deferred Outflows of Resources			
Pension liability	-	210,207	210,207
Total deferred outflows of resources	-	210,207	210,207
Total assets and deferred outflows of resources	$ 9,303,124	$ 14,463,472	$ 23,766,596

See Notes to Financial Statements

Mountain Home Highway District
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2024

	Governmental Fund General Fund	Adjustments	Statement of Net Position
Liabilities			
Accounts payable	$ 53,930	$ -	$ 53,930
Wages payable	46,237	-	46,237
Payroll taxes payable	3,623	-	3,623
Retirement benefits payable	8,782	-	8,782
Compensated absences payable	-	241,925	241,925
Net pension liability	-	856,416	856,416
Total liabilities	112,572	1,098,341	1,210,913
Deferred Inflows of Resources			
Unavailable revenue - property taxes	1,330,426	(28,673)	1,301,753
Pension liability	-	94,643	94,643
Total deferred inflows of resources	1,330,426	65,970	1,396,396
Fund Balance/Net Position			
Fund balance			
Non-spendable	1,620	(1,620)	
Unassigned	7,858,506	(7,858,506)	
Total fund balance	7,860,126	(7,860,126)	
Total liabilities, deferred inflows of resources and fund balances	$ 9,303,124		
Net Position			
Investment in capital assets		14,253,265	14,253,265
Unrestricted		6,906,022	6,906,022
Total net position		$ 21,159,287	$ 21,159,287

See Notes to Financial Statements

Mountain Home Highway District

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2024

	Governmental Fund General Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Payroll	$ 1,134,964	$ 25,463	$ 1,160,427
Payroll taxes	82,898	-	82,898
Employee benefits	428,420	112,112	540,532
Administration	57,975	-	57,975
Insurance	69,305	-	69,305
Utilities	27,345	-	27,345
Legal and audit	36,821	-	36,821
Fuel and oil	274,590	-	274,590
Vehicle and equipment maintenance	359,884	-	359,884
Road maintenance	1,474,487	-	1,474,487
Shop expense	28,017	-	28,017
Engineering fees	550,421	-	550,421
Building maintenance	60,574	-	60,574
City share of highway district tax levy	354,280	-	354,280
Depletion	-	1,273	1,273
Depreciation and amortization	-	530,593	530,593
Capital outlay	1,555,754	(1,555,754)	-
Total expenditures	6,495,735	(886,313)	5,609,422
Program Revenues			
Capital grant revenue	2,448,323	-	2,448,323
Total program revenue	2,448,323	-	2,448,323
Net program expense	4,047,412	(886,313)	3,161,099

Mountain Home Highway District

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2024

	Governmental Fund		
	General Fund	Adjustments	Statement of Activities
General Revenues			
Property taxes	1,306,887	(3,330)	1,303,557
Motor users apportionment	4,660,278	-	4,660,278
Sales tax	87,900	-	87,900
National forest and U.S. Forest Service	330,076	-	330,076
Earnings on investment	334,039	-	334,039
Miscellaneous	15,142	-	15,142
Total general revenues	6,734,322	(3,330)	6,730,992
Revenues Over Expenditures	2,686,910	882,983	3,569,893
Net Change in Fund Balance/Net Position	2,686,910	882,983	3,569,893
Fund Balance/Net Position			
Beginning of the Year	5,173,216	12,416,178	17,589,394
End of the Year	$ 7,860,126	$ 13,299,161	$ 21,159,287

See Notes to Financial Statements

Mountain Home Highway District
Budgetary Comparison Statement – General Fund
Year Ended September 30, 2024

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
Payroll	$ 1,158,700	$ 1,134,964	$ 23,736
Payroll taxes	90,000	82,898	7,102
Employee benefits	495,000	428,420	66,580
Administration	37,000	57,975	(20,975)
Insurance	71,000	69,305	1,695
Utilities	50,000	27,345	22,655
Legal and audit	37,000	36,821	179
Fuel and oil	400,000	274,590	125,410
Vehicle and equipment maintenance	300,000	359,884	(59,884)
Road maintenance	875,000	1,474,487	(599,487)
Shop expense	32,000	28,017	3,983
Reserve for road	1,988,947	-	1,988,947
Contract labor	3,300	-	3,300
Engineering fees	800,000	550,421	249,579
Building maintenance	30,000	60,574	(30,574)
Equipment rental	15,000	-	15,000
City share of highway district tax levy	400,000	354,280	45,720
Capital outlay	800,000	1,555,754	(755,754)
Total expenditures	7,582,947	6,495,735	1,087,212
Revenues			
Property taxes	1,198,528	1,306,887	108,359
Motor users apportionment	2,724,419	4,660,278	1,935,859
Sales tax	100,000	87,900	(12,100)
National forest and US Forest Service	-	330,076	330,076
Capital grant	740,000	2,448,323	1,708,323
Earnings on investment	50,000	334,039	284,039
Miscellaneous	20,000	15,142	(4,858)
Total revenues	4,832,947	9,182,645	4,349,698
Excess Revenues Over (Under) Expenditures	(2,750,000)	2,686,910	5,436,910
Net Change in Fund Balance	$ (2,750,000)	2,686,910	$ 5,436,910
Fund Balance			
Beginning of the Year		5,173,216	
End of the Year		$ 7,860,126	

See Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Mountain Home Highway District (the District) is a Highway District operated by a Board of Commissioners (the Board), which carries out its responsibilities as authorized under Chapter 13, Title 40 of the Idaho Code. The Board has governance responsibilities over all activities related to road and bridge construction and maintenance within the jurisdiction of the District. The Board receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the governmental entity. The District's funds are grouped into one governmental fund for financial statement presentation purposes. The District has no other funds.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, all liabilities and deferred inflows and outflows of resources associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus modified and the accrual basis of accounting. With this measurement focus, only current assets, current liabilities and deferred inflows of resources generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded

when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is the only fund of the District.

Generally, governmental fund balances represent the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of non-spendable, restricted, committed, assigned, or unassigned.

The District reports the following classifications:

Non-spendable Fund Balance – Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid insurance), or (b) legally or contractually required to be maintained intact (such as a trust that must be retained in perpetuity).

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position

Deposits and Investments

The District's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the value of the pool shares.

Receivables

Non-tax receivables are recognized as revenues received if designated for the current fiscal period. All property taxes receivable are shown net of amounts considered uncollectable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. General infrastructure assets acquired prior to October 1, 2003 and any newly acquired or constructed infrastructure assets have been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The District depreciates capital assets using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and infrastructure	40-50
Gravel pits	30
Equipment	20-40
Vehicles	15-20

Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net assets by the District that is applicable to future reporting periods. Similar to assets, they have a positive effect on net position. The government-wide statement of net position reports outflows related to pension obligations.

Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net assets that are applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position. The government-wide statement of net position reports the property taxes levied for the following year as well as future inflows related to pension obligations as deferred inflow of resources. Other items report as a deferred inflow arise under a modified accrual basis of accounting in the County's governmental funds. The unavailable revenue from property taxes will be recognized as an inflow of resources in the period the amounts become available.

Compensated Absences

Amounts due to District employees for accumulated vacation, sick, and compensation time that will carry over to future periods are accrued when incurred on the government-wide financial statements. Governmental funds do not report a liability for these amounts unless payment is expected to be made early within the following year.

Pensions

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

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital project funds. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is at the total fund level for expenditures.

The Board of Commissioners follows these procedures in establishing the budgetary data reflected in the financial statements:

1) At least 28 days prior to the levy election, the District publishes a proposed budget for public review.
2) Public hearings are set to obtain taxpayers comments.
3) At least 14 days prior to the levy election, the final budget is adopted by resolution of the board and published.
4) Prior to September 7, the final budget is filed with the county commissioners.
5) At least 120 days prior to the close of the fiscal year, a revised budget is prepared, adopted and published reflecting updated information received through that date. This is also filed with the county.

Encumbrance accounting methods were not used in the preparation of the District's financial statements. Uncommitted appropriations lapse at year-end and commitments are reappropriated in the next year's budget. The District's expenditures were less than its appropriated budget in fiscal year 2024 by $1,087,212.

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

Reconciliation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

One element of the reconciliation is the inclusion of general capital assets net of depreciation in the statement of net position. The governmental fund statement of revenues, expenditures, and changes in fund balances records pension contributions when incurred. On the government-wide statements pension contributions after the measurement date are reported as deferred outflows of resources until the next actuarial measurement date for the net pension liability is obtained. Deferred outflow and inflows of resources regarding the net pension liability are also reported on the government-wide statements. The governmental fund balance sheet reports revenue not collected within 60 days as deferred inflows. On the government-wide statements, this revenue is accrued to the statement of activities and, therefore, must be removed from the statement of net position. Also, long-term liabilities (such as compensated absences and the net pension liability), applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

The details of these differences are as follows:

Fund Balance – Total Governmental Fund		$ 7,860,126
Capital assets – net of accumulated depreciation	14,253,265	
Deferred outflows of resources: pension liability	210,207	
Deferred inflows of resources		
Unavailable revenue - property taxes	28,673	
Pension liability	(94,643)	
Net pension liability	(856,416)	
Compensated absences payable	(241,925)	
Net adjustment to increase fund balance – governmental fund to arrive at net position – governmental activities		13,299,161
Net position – governmental activities		$ 21,159,287

Reconciliation of Certain Differences Between Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The net book value of capital asset disposals net of trade in allowance is recorded as a gain on sale of capital assets; however, this gain is not recorded in the fund statement of revenues, expenditures, and changes in fund balances. The governmental fund statement of revenues, expenditures, and changes in fund balances records pension contributions as expenditures when incurred. On the government-wide statements, pension contributions after the measurement date are reported as deferred outflows of resources until the next actuarial measurement date for the net pension liability is obtained. Deferred outflows and inflows of resources related to the net pension liability are also reported on the government-wide statements.

The governmental fund balance sheet reports revenue not collected within 60 days as deferred inflows. On the government-wide statements, the current portion of this revenue is accrued to the statement of activities. Also, governmental fund liabilities are recognized only to the extent that they are normally expected to be liquidated with available financial sources, whereas, in the government-wide statement of activities, an expense is reported when incurred.

The details of these differences are as follows:

Net change in fund balance – governmental fund		$ 2,686,910
Depreciation, depletion, and amortization expense	(531,866)	
Capital outlay	1,555,754	
Deferred outflows of resources – pension contributions	27,613	
Adjustments for pension expense	(139,725)	
Deferred inflows of resources		
Unavailable revenue - property taxes	(3,330)	
Compensated absences payable	(25,463)	
Net adjustment to increase changes in fund balance – governmental fund to arrive at changes in net position – governmental activities		882,983
Change in net position – statement of activities		$ 3,569,893

Note 4 - Detailed Notes on All Funds

Deposits

The following is a summary of the District's Bank Deposits as of September 30, 2024.

Cash and Investments	Totals
Bank Deposits	$ 508,944

At September 30, 2024, the carrying amount of the District's cash deposits was $248,398 and the bank balance totaled $508,944. Of the bank balance, $250,000 was covered by federal depository insurance and $258,944 was uninsured and uncollateralized.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned to it. It is the District's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

Investments

Idaho State Treasurers Investment Pool- Investment pools are under the custody of the District. Investing is performed in accordance with investment policies complying with State Statues and the Highway Charter. Pooled funds may be invested in: (1) direct obligations of the United States government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and banks, to the extent fully insured, and (3) any bond, note or other indebtedness issued by agencies, authorities, or public entities whose governing boards are appointed by the District.

Governmental entities, including governmental external investment pools, are required to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The total value at September 30, 2024, that the District has invested with the Idaho State Treasurers Investment Pool (Pool) is $7,027,798. The District does not have a formal policy that limits investment maturities as a means of managing its exposer to fair value losses arising from increasing interest rates. The pool is not rated and has a weighted average maturity of less than 1 year.

Investments valued using NAV per share do not have readily obtainable fair values and are instead valued based on the District's pro-rata share of the pool's net position. The District values these investments based on the information provided by the State of Idaho Treasurer's Office. The following table presents the unfunded commitments, redemption frequency and the redemption notice period for the District's investments measured at NAV:

Investment Measured at NAV				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Local government investment pool	$ 7,027,798	None	Daily	3 days: over $10,000,000

Property Tax

The District levies taxes on the second Monday of September for the following fiscal year. These taxes are then due and collectible on December 20th and June 20th of each fiscal year. After collection, the appropriate portion of these levies are remitted to the District in dedicated funds and is limited to use in those funds. All property taxes outstanding at September 30, 2024, are delinquent.

The maximum statutory tax rates for the District are as follows:

Road and bridge maintenance	0.002000
Special tax	0.000840
Bonds	No Limit
Override levy	No Limit

Long-Term Liabilities

During the year ended September 30, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated Absences	$ 216,462	$ 94,947	$ (69,484)	$ 241,925	$ 241,925

Capital Assets

Capital asset activity for the year ended September 30, 2024, is as follows:

	Beginning Balance	Additions	Deletions	Reclassification	Ending Balance
Capital Assets Not Being Depreciated					
Land	$ 108,492	$ -	$ -	$ -	$ 108,492
Construction in progress	-	861,451	-	-	861,451
Capital Assets Being Depreciated					
Buildings	468,078	-	-	-	468,078
Gravel pits	38,196	-	-	-	38,196
Equipment	6,323,848	694,303	-	-	7,018,151
Vehicles	1,202,303	-	-	-	1,202,303
Infrastructure	12,962,853	-	-	-	12,962,853
Total capital assets	21,103,770	1,555,754	-	-	22,659,524
Less accumulated depreciation depletion, and amortization for					
Building	350,686	10,803	-	-	361,489
Gravel Pits	23,893	1,273	-	-	25,166
Equipment	3,983,626	220,069	-	-	4,203,695
Vehicles	729,835	40,466	-	-	770,301
Infrastructure	2,786,353	259,255	-	-	3,045,608
Total accumulated depreciation, depletion, and amortization	7,874,393	531,866	-	-	8,406,259
Governmental activity capital assets, net	$ 13,229,377	$ 1,023,888	$ -	$ -	$ 14,253,265

Fund Balance Constraints

The constraints on fund balance as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balances are detailed according to balance classification and fund.

	General Fund
Fund Balances	
Nonspendable	
Prepaid items	$ 1,620
Total nonspendable	1,620
Unassigned	7,858,506
Total fund balances	$ 7,860,126

The District has ongoing road projects for Old Highway 30, Pine-Featherville Road, Oregon Trail Road, and Simco Road.

Note 5 - Pension Plan

Plan Description

The District 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.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees. As of June 30, 2024, it was 6.71% for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees. The District's contributions were $124,780 for the year ended September 30, 2024.

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

At September 30, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District'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, 2024, the District's proportion was .0228949 percent compared to .0267591 percent at June 30, 2023, an decrease of .0038642 percent.

For the year ended September 30, 2024, the District recognized pension expense of $112,112. At September 30, 2024, the District 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	$ 136,350	$ -
Changes in assumptions or other inputs	33,927	-
Net difference between projected and actual earnings on pension plan investments	-	15,545
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	12,317	79,098
District contributions subsequent to the measurement date	27,613	-
Total	$ 210,207	$ 94,643

$27,613 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 September 30, 2025.

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, 2023 the beginning of the measurement period ended June 30, 2023 is 4.4 and 4.4 for the measurement period ending June 30, 2024.

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:

Years Ending June 30,	
2024	$ 22,320
2025	141,991
2026	(47,763)
2027	(28,597)

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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return, net of investment fees	6.35%
Cost-of-living (COLA) adjustments	1.00%

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries. These rates were adopted for the valuation dated July 1, 2021.

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males	Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females	Pub-2010 General Tables, increased 21%.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%.

Economic assumptions were studied in an experience study performed for the period 2015 through 2020. Demographic assumptions, including mortality were studied for the period 2015 through 2020.

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 June 30, 2024.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	-0.25%
TIPS	10%	-0.30%
Real Estate	8%	3.75%
Private Equity	8%	6.00%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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 6.35 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 (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability	$ 1,627,460	$ 856,416	$ 226,672

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.

Payables to the Pension Plan

At September 30, 2024, there were no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 6 - Other Information

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the District carries insurance. Amounts of settlements have not exceeded insurance coverage in the past three years.

Unemployment Liabilities

The District does not pay unemployment on a quarterly basis since governmental units are allowed to pay unemployment on the direct reimbursement method. Therefore, when an employee of the District is eligible to collect unemployment benefits, the District is assessed on its portion of the actual unemployment compensation paid to that employee. Consequently, the District has a potential liability for unemployment compensation for all of their employees.

Required Supplementary Information
September 30, 2024

Mountain Home Highway District

Mountain Home Highway District

Schedule of Employer's Share of Net Pension Liability – PERSI Base Plan

Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Employer's portion of the net pension liability (asset)	0.0290222%	0.0286366%	0.0267649%	0.0260737%	0.0263283%
Employer's proportionate share of the net pension liability (asset)	$ 382,175	$ 580,508	$ 420,698	$ 384,592	$ 300,531
Employer's covered payroll	$ 812,903	$ 837,535	$ 831,299	$ 856,617	$ 828,319
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	47.01%	69.31%	50.61%	44.90%	36.28%
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.38%	87.26%	90.68%	91.69%	93.79%

	2020	2021	2022	2023	2024
Employer's portion of the net pension liability (asset)	0.0266689%	0.0259078%	0.0256155%	0.0002676%	0.0002289%
Employer's proportionate share of the net pension liability (asset)	$ 619,288	$ (20,461)	$ 1,008,934	$ 1,067,866	$ 856,416
Employer's covered payroll	$ 913,506	$ 937,615	$ 972,140	$ 1,080,550	$ 1,088,407
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	67.79%	-2.18%	103.78%	98.83%	78.69%
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.22%	100.36%	83.09%	83.83%	85.54%

Data reported is measured as of June 30.

Mountain Home Highway District

Schedule of Employer Contributions – PERSI Base Plan

Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Statutorily required contribution	$ 92,021	$ 94,809	$ 94,103	$ 96,969	$ 94,999
Contributions in relation to the statutorily required contribution	$ (92,021)	$ (94,809)	$ (94,103)	$ (96,969)	$ (94,999)
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 812,906	$ 837,535	$ 831,299	$ 856,617	$ 828,319
Contributions as a percentage of covered payroll	11.32%	11.32%	11.32%	11.32%	11.47%

	2020	2021	2022	2023	2024
Statutorily required contribution	$ 122,851	$ 116,030	$ 122,158	$ 133,186	$ 124,780
Contributions in relation to the statutorily required contribution	$ (122,851)	$ (116,030)	$ (122,158)	$ (133,186)	$ (124,780)
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 913,506	$ 937,615	$ 972,140	$ 1,080,550	$ 1,088,407
Contributions as a percentage of covered payroll	13.45%	12.38%	12.57%	12.33%	11.46%

Data is reported and measured as of September 30.

Changes in assumptions

Economic assumptions were studied in an experience study performed for the period 2015 through 2020. Demographic assumptions, including mortality were studied for the period 2015 through 2020. The District's proportionate share of changes in assumptions as of the measurement date totaled $33,927.

EideBailly

CPAs & BUSINESS ADVISORS

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 Board of Commissioners
Mountain Home Highway District
Mountain Home, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Mountain Home Highway District (the District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 2, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.*

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Boise, Idaho
April 2, 2025

2024-001 Segregation of Duties

Criteria:
A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Condition:
The District has a lack of segregation of duties in certain areas due to a limited staff.

Cause:
There is a limited amount of office employees involved in the internal control process.

Effect:
Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation:
While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials:
The District agrees that having an internal control system over financial reporting is an important part of the District's overall internal control process. The District has performed a cost/benefit analysis of implementing these controls and concluded the resources were not in place.

2024-002 Preparation of Financial Statements

Criteria:
A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements, and the ability to internally prepare their financial statements.

Condition:
The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the District's financial statements, the accompanying notes to the financial statements, and journal entries necessary to prepare the financial statements in conformance with generally accepted accounting principles prescribed by the Government Accounting Standards Board.

Cause:
The District does not have an internal control system designed to provide for the preparation of the financial statements being audited and to provide the journal entries necessary to prepare financial statements in conformance with generally accepted accounting principles prescribed by the Government Accounting Standards Board.

Effect:
The financial statement amounts, financial disclosures in the financial statements, and supporting journal entries could be incomplete.

Recommendation:
This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials:
The District agrees that having an internal control system over financial reporting is an important part of the District's overall internal control process. The District has performed a cost/benefit analysis of implementing these controls and concluded the resources were not in place to effectively implement the necessary changes for the year ended September 30, 2024.