# Worley Highway District
# Financial Statements

FISCAL YEAR ENDED
SEPTEMBER 30, 2024

# Worley Highway District

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# Financial Section

## Independent Auditor's Report

HOOVER
Certified Public Accountant | Business Consultant

# INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Worley Highway District
Coeur d'Alene, Idaho

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of Worley Highway 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Worley Highway District as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in conformity 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Worley Highway 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*

Worley Highway District's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 that the budgetary information and GASB No. 68 pension information on pages 27 through 29 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 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 out 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 (MD&A) 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 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 March 26, 2025, on our consideration of Worley Highway District's internal control over financial reporting and on our tests of its compliance with certain provisions, 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 Worley Highway District's internal control over financial reporting and compliance.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC
Liberty Lake, WA

March 26, 2025

# Financial Section

## Basic Financial Statements

## Worley Highway District

### STATEMENT OF NET POSITION
### September 30, 2024

| | |
|---|---|
| **ASSETS:** | |
| Cash and cash equivalents | $ 4,823,537 |
| Receivables | 579,387 |
| Prepaids | 29,351 |
| Inventory | 1,525,658 |
| Land, quarries and construction in progress | 3,333,331 |
| Capital assets, net of accumulated depreciation | 18,697,279 |
| Total assets | 28,988,543 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | |
| Deferred pension outflows | 263,977 |
| Total deferred outflows of resources | 263,977 |
| **LIABILITIES:** | |
| Accounts payable | 589,633 |
| Accrued payroll and payroll liabilities | 168,693 |
| Noncurrent liabilities: | |
| Due within one year | 352,097 |
| Due in more than one year | 104,446 |
| Net pension liability | 1,098,222 |
| Total liabilities | 2,313,091 |
| **DEFERRED INFLOWS OF RESOURCES:** | |
| Deferred pension inflows | 19,935 |
| Total deferred inflows of resources | 19,935 |
| **NET POSITION:** | |
| Net investment in capital assets | 22,030,610 |
| Restricted | 440,964 |
| Unrestricted | 4,447,920 |
| Total net position | $ 26,919,494 |

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

## Worley Highway District

### STATEMENT OF ACTIVITIES
### For the Year Ended September 30, 2024

| | | |
|---|---|---|
| **EXPENSES:** | | |
| Labor expense | $ | 1,673,393 |
| Special road construction | | 1,152,901 |
| Administration | | 515,067 |
| Maintenance and operations | | 562,399 |
| Road expense | | 45,115 |
| Special insurance | | 36,587 |
| Depreciation | | 1,258,147 |
| Unallocated actual PERSI contributions | | (166,273) |
| Change in net pension liability (asset) | | 315,042 |
| Total expenses | | 5,392,378 |
| **PROGRAM REVENUES:** | | |
| Capital grants | | 358,138 |
| Total program revenues | | 358,138 |
| Net program expense | | 5,034,240 |
| **GENERAL REVENUES:** | | |
| Property taxes | | 3,023,311 |
| Highway user | | 2,555,272 |
| Development contributions | | 37,500 |
| Federal forest | | 40,907 |
| Interest | | 220,674 |
| Sales tax | | 402,655 |
| Miscellaneous | | 70,918 |
| Fuel reimbursement | | 45,955 |
| Gain on disposal of assets | | 61,050 |
| Total general revenues | | 6,458,242 |
| Change in net position | | 1,424,002 |
| Net position- beginning | | 24,229,628 |
| Prior period adjustment | | 1,265,864 |
| Net position- ending | $ | 26,919,494 |

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

**Worley Highway District**

**GOVERNMENTAL FUNDS**
**BALANCE SHEET**
**September 30, 2024**

| | General | Special Revenue | Total Governmental Funds |
|---|---|---|---|
| **ASSETS:** | | | |
| Cash and cash equivalents | $ 4,791,327 | $ 32,210 | $ 4,823,537 |
| Receivables: | | | |
| Taxes | 139,843 | - | 139,843 |
| Highway user | 353,988 | - | 353,988 |
| Other receivables | 85,556 | - | 85,556 |
| Prepaid expenses | 7,918 | 21,433 | 29,351 |
| Inventory | 1,525,658 | - | 1,525,658 |
| Total assets | $ 6,904,290 | $ 53,643 | $ 6,957,933 |
| **LIABILITIES:** | | | |
| Accounts payable | $ 589,633 | $ - | $ 589,633 |
| Accrued payroll and payroll liabilities | 168,693 | - | 168,693 |
| Total liabilities | 758,326 | - | 758,326 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | |
| Unavailable revenue- property taxes | 126,183 | - | 126,183 |
| Total deferred inflows of resources | 126,183 | - | 126,183 |
| **FUND BALANCES:** | | | |
| Nonspendable- prepaids | 7,918 | 21,433 | 29,351 |
| Nonspendable- Inventory | 1,525,658 | - | 1,525,658 |
| Restricted | 408,754 | 32,210 | 440,964 |
| Committed - road projects | 1,983,419 | - | 1,983,419 |
| Unassigned | 2,094,032 | - | 2,094,032 |
| Total fund balances | 6,019,781 | 53,643 | 6,073,424 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 6,904,290 | $ 53,643 | $ 6,957,933 |

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

## Worley Highway District

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
### September 30, 2024

| | | |
|---|---|---|
| Total fund balances - Governmental Funds, September, 30, 2024 | | $ 6,073,424 |
| Cost of capital assets, September 30, 2024 | $ 34,675,428 | |
| Less: Accumulated depreciation, September 30, 2024 | | |
| Buildings | (729,753) | |
| Equipment | (4,513,764) | |
| Roads and bridges | (7,401,301) | 22,030,610 |
| Elimination of unavailable revenue- property taxes | | 126,183 |
| Long-term liabilities at September 30, 2024 | | |
| Financed purchase obligations | | (352,097) |
| Compensated absences | | (104,446) |
| Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions: | | |
| District's proportionate share of the net pension liability | | (1,098,222) |
| Proportionate share of collective deferred outflows of resources | | 263,977 |
| Proportionate share of collective deferred inflows of resources | | (19,935) |
| Net position, September 30, 2024 | | $ 26,919,494 |

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

## Worley Highway District

### GOVERNMENTAL FUNDS
### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
### For the Year Ended September 30, 2024

| | General | Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|
| **REVENUES:** | | | |
| Property taxes | $ 2,957,198 | $ 36,358 | $ 2,993,556 |
| Highway user | 2,555,272 | - | 2,555,272 |
| Development contributions | 37,500 | - | 37,500 |
| Federal forest funds | 40,907 | - | 40,907 |
| Federal matching funds | 358,138 | - | 358,138 |
| Interest | 220,674 | - | 220,674 |
| Sales tax | 402,655 | - | 402,655 |
| Miscellaneous | 70,918 | - | 70,918 |
| Fuel reimbursement | 45,955 | - | 45,955 |
| Total revenues | 6,689,217 | 36,358 | 6,725,575 |
| **EXPENDITURES:** | | | |
| Labor expense | 1,679,350 | - | 1,679,350 |
| Special road construction | 1,152,901 | - | 1,152,901 |
| Administration | 515,067 | - | 515,067 |
| Maintenance and operations | 562,399 | - | 562,399 |
| Road expense | 45,115 | - | 45,115 |
| Special insurance | - | 36,587 | 36,587 |
| Debt service expenditures | | | |
| Principal payments on debt | 375,454 | - | 375,454 |
| Interest payments on debt | - | | - |
| Capital expenditures | 3,490,282 | - | 3,490,282 |
| Total expenditures | 7,820,568 | 36,587 | 7,857,155 |
| Excess (deficiency) of revenues over (under) expenditures | (1,131,351) | (229) | (1,131,580) |
| **OTHER FINANCING SOURCES:** | | | |
| Proceeds from asset purchase financing | 727,551 | - | 727,551 |
| Proceeds from sale of assets | 61,050 | - | 61,050 |
| Total other financing sources | 788,601 | - | 788,601 |
| Net change in fund balances | (342,750) | (229) | (342,979) |
| Fund balance- beginning | 5,096,667 | 53,872 | 5,150,539 |
| Prior period adjustment | 1,265,864 | - | 1,265,864 |
| Fund balance- ending | $ 6,019,781 | $ 53,643 | $ 6,073,424 |

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

## Worley Highway District

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
### For the Year Ended September 30, 2024

| | |
|---|---|
| Total net changes in fund balances for the year ended September 30, 2024 | $ (342,979) |
| Add: Capital outlay, which is considered expenditures | 3,490,282 |
| Less: Depreciation expense for the year ended September 30, 2024 | (1,258,147) |
| Less: Proceeds from sale of assets | (61,050) |
| Add: Gain on disposal of assets for the year ended September 30, 2024 | 61,050 |
| Add: Change in compensated absences accrual | 5,957 |
| Add: Loan principal payments considered as an expenditure | 375,454 |
| Less: Proceeds from asset purchase financing | (727,551) |
| Add: Difference between revenue earned on property taxes on modified-accrual basis versus revenue on property taxes on accrual basis | 29,755 |
| Less: Change in net pension liability | (148,769) |
| Change in net position for the year ended September 30, 2024 | $ 1,424,002 |

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The accounting methods and procedures adopted by the Worley Highway District (the "District") conform to generally accepted accounting principles as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the District's basic financial statements.

Scope of the Entity – The accompanying financial statements includes all aspects controlled by the Board of Commissioners of the Worley Highway District.

Worley Highway District was formed and became a taxing district on May 15, 1971. The District operates under a locally elected three-member board form of government and provides for maintenance and construction of public roadways under its jurisdiction as defined by the District's Board of Commissioners. The District generally covers the west side of Lake Coeur d'Alene from the City of Coeur d'Alene to the Benewah County line and from Lake Coeur d'Alene to the Washington State line. Commissioners 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 as defined by Idaho Code 40-1310 Powers and Duties of Highway District Commissioners.

The most significant of the District's accounting policies are described below.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

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

### C. Basis of Presentation- Fund Financial Statements

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Basis of Presentation- Fund Financial Statements (Continued)

The District reports the following fund types:

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The District has the following governmental funds, which it considers to be major funds:

General Fund – 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.

Special Revenue Fund – During 1986, the District established an insurance fund to levy taxes for insurance purposes in accordance with Idaho Code #86-927. The monies in this fund are now being used to pay for an outside insurance provider.

### D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Measurement Focus and Basis of Accounting (Concluded)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. When applicable, the fair value of donated assets used during the year is reported in the operating statement as an expense with a like amount reported as donated assets revenue.

### E. Cash Equivalents and Short-term Investments

In the general fund, cash received by the District is pooled for investment purposes and is presented as “Cash and Investments” on the financial statements.

During the fiscal year ended September 30, 2024, investments were limited to the Idaho State Investment Pool and the Idaho State Diversified Bond Fund. The Idaho State Investment Pool and Idaho State Diversified Fund are investment pools, which allow districts within the State of Idaho to pool their funds for investment purposes. Investments in these two funds are valued at cost, which materially equals market value.

For presentation in the financial statements, investments in the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

### F. Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, etc.), are generally a result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. Capital Assets (Concluded)

Land, quarries and construction in progress are not depreciated. All other reported capital assets including buildings, equipment, vehicles and roads are depreciated using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|---|---|
| Infrastructure | 25 – 40 years |
| Buildings and improvements | 20 – 40 years |
| Equipment and furniture | 5 – 15 years |

### G. Inventory

Inventory for the District consists of various types of crush rock, gravel and chips. The District maintains inventory at 4 different gravel pits, which the District owns. Inventory is stated at cost. The District utilizes the Purchase Method, whereby purchases of inventory (i.e. costs incurred to crush rock) are recognized as expenditures when the goods are received and the transaction is vouchered. The amount of physical inventory is adjusted at the end of each year and a portion of fund balance is designated as "Nonspendable" for the amount of inventory on hand at the end of each fiscal year.

### H. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when earned in the government-wide financial statements.

The compensated absence liability is reported on the government-wide financial statements.

### I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, *Accounting and Financial Reporting for Pensions.*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District has one type of item, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, proportionate share of collective deferred inflows of resources, is reported only on the government-wide statement of net position. The government-wide statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation in accordance with GASB 68, *Accounting and Financial Reporting for Pensions.*

### J. Fund Balance Classifications

The District has adopted GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. 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 restricted, committed, assigned, or unassigned.

The District reports the following classifications as applicable:

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 inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J. Fund Balance Classifications (Concluded)

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the District can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Commissioners. Amounts in the committed fund balance classification may be used for other purposes with the appropriate due process by the Board of Commissioners. Committed fund balances differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the District Clerk/Treasurer, or (b) an appointed body (e.g., a budget or finance committee) or official to which the Board of Commissioners have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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.

### K. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental funds financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

### L. Net Position Flow Assumption

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets (net of any related debt) consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### M. Estimates

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

### N. Property Taxes

The District's property tax is levied each November on the assessed value listed as of the prior September for all property located in the District. Assessed values are established by the County Assessor. Property tax payments are due in one-half installments in December and June.

### O. 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

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund.

This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONCLUDED)

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

a) The District publishes a proposed budget for public review.

b) Public hearings are set to obtain taxpayer comments.

c) Prior to October 1, the budget is adopted by resolution of the Board of Commissioners and published.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

## NOTE 3: CASH AND CASH EQUIVALENTS

General:

State statutes authorize the District's investments and deposits. The District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the District's deposits and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. The carrying amount of the District's deposits and investments is $4,823,537 and the bank balance is $4,868,857. As of September 30, 2024, the District's bank deposits and investments were exposed to custodial credit risk as follows:

| | | |
|---|---|---|
| *Deposits without exposure to custodial credit risk:* | | |
| Amount insured by the FDIC | $ | 47,226 |
| *Deposits with exposure to custodial credit risk:* | | |
| Amount collateralized with securities held in trust, but not to the District's name | | 4,821,631 |
| Total deposits with exposure to custodial credit risk | | 4,821,631 |
| Total deposits | $ | 4,868,857 |

| | | |
|---|---|---|
| *Cash and investments at September 30, 2024 consist of the following:* | | |
| Deposits | $ | 1,906 |
| Idaho State Investment Pool | | 4,821,631 |
| Total | $ | 4,823,537 |

## NOTE 3: CASH AND CASH EQUIVALENTS (CONCLUDED)

Fair Value:

The District's investments in 2a-7-like pools are valued based upon the value of pool shares. The District invests in two 2a-7-like pools, the Idaho State Investment Pool and the Idaho State Diversified Bond Fund. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The Idaho State Investment Pool and Idaho State Diversified Bond Fund are duly chartered and administered by the State Treasurer's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The District liquidated its investment in the Idaho State Diversified Bond Fund during fiscal 2024.

The balance above that the District has in the Idaho State Investment Pool is carried at cost, which approximates fair market value. The District's portion of the Idaho State Investment Pool had an unrealized gains of $12,536 as of September 30, 2024. Since the difference between the fair market value and cost is immaterial, the unrealized gain have not been recorded.

The District considers funds held in the Idaho State Investment Pool to be cash equivalents, as the District is able to liquidate its account at any time.

Credit Risk:

The Idaho State Investment Pool does not have an established credit rating, but the Pool invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. The District does not have a formal policy for credit risk. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

## NOTE 4: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2024:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Government activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 115,182 | $ - | $ - | $ - | $ 115,182 |
| Gravel pits | 626,901 | - | - | - | 626,901 |
| Construction in progress | 1,339,958 | 2,255,718 | - | (1,004,428) | 2,591,248 |
| Total capital assets, not being depreciated | 2,082,041 | 2,255,718 | - | (1,004,428) | 3,333,331 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 1,448,722 | - | - | - | 1,448,722 |
| Equipment | 6,224,974 | 1,234,564 | 273,297 | - | 7,186,241 |
| Roads | 20,173,364 | - | - | 350,833 | 20,524,197 |
| Bridges | 1,529,342 | - | - | 653,595 | 2,182,937 |
| Total capital assets being depreciated | 29,376,402 | 1,234,564 | 273,297 | 1,004,428 | 31,342,097 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 696,578 | 33,175 | - | - | 729,753 |
| Equipment | 4,366,849 | 420,212 | 273,297 | - | 4,513,764 |
| Roads | 5,980,140 | 749,331 | - | - | 6,729,471 |
| Bridges | 616,401 | 55,429 | - | - | 671,830 |
| Total accumulated depreciation | 11,659,968 | 1,258,147 | 273,297 | - | 12,644,818 |
| Total capital assets, being depreciated, net | 17,716,434 | (23,583) | - | 1,004,428 | 18,697,279 |
| Governmental activities capital assets, net | $ 19,798,475 | $ 2,232,135 | $ - | $ - | $ 22,030,610 |

## NOTE 4: CAPITAL ASSETS (CONCLUDED)

Depreciation expense was $1,258,147 for the year ended September 30, 2024 and was charged to the highway construction and maintenance governmental function.

## NOTE 5: FINANCED PURCHASE OBLIGATIONS

During the fiscal year ended September 30, 2024, the District financed the purchase of a John Deere Paver. The total amount financed was $262,808. The loan calls for two annual payments in the amount of $135,237 and has an annual interest rate of 6%. During fiscal year 2024, the District paid its first of two installments in the amount of $135,237. The second, and final payment on the loan in the total amount of $135,237 is due in March of 2025.

During the fiscal year ended September 30, 2024, the District financed the purchase of a CAT Motor Grader. The total amount financed was $464,743. The loan calls for two annual payments in the amount of $240,217 and has an annual interest rate of 7%. During fiscal year 2024, the District paid its first of two installments in the amount of $240,217. The second, and final payment on the loan in the total amount of $240,217 is due in February of 2025.

Following is a schedule of combined remaining required payments of principal and interest for the loans:

| Loan | Fiscal Year | Principal | Interest | Total |
|---|---|---|---|---|
| CAT Motor Grader | 2025 | $ 224,526 | $ 15,691 | $ 240,217 |
| John Deere Paver | 2025 | 127,571 | 7,666 | 135,237 |
| | | $ 352,097 | $ 23,357 | $ 375,454 |

## NOTE 6: LONG-TERM DEBT

A summary of general long-term debt is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amount due in one year |
|---|---|---|---|---|---|
| Compensated absences | $ 110,403 | $ - | $ 5,957 | $ 104,446 | $ - |
| John Deere - Paver | - | 262,808 | 135,237 | 127,571 | 127,571 |
| Cat Finance - Motor Grader | - | 464,743 | 240,217 | 224,526 | 224,526 |
| Net pension liability | 1,171,579 | - | 73,357 | 1,098,222 | - |
| Total | $ 1,281,982 | $ 727,551 | $ 454,768 | $ 1,554,765 | $ 352,097 |

## NOTE 7: FUND BALANCES – RESTRICTIONS, ASSIGNMENTS AND COMMITTMENTS

The District has the following restrictions for its general fund, fund balance:

| Purpose | Amount |
|---|---|
| Vogel Road | $ 12,427 |
| Stach Road | 15,406 |
| Hull Road | 183,824 |
| Loffs Bay Road - North | 22,500 |
| Elder Road | 14,562 |
| Meadowbrook Road | 20,704 |
| Ditmore Road | 3,930 |
| Presley Road | 18,807 |
| Clemetson Road | 15,901 |
| Hamaker Road | 7,305 |
| Valhalla Road | 7,590 |
| 4-Echoes Road | 3,783 |
| Senkler | 11,386 |
| Frost Road | 7,513 |
| Cougar Estates Road | 3,762 |
| Rew Road | 3,747 |
| Carnie Road | 3,515 |
| Finnebott Road | 45,078 |
| Weniger Road | 7,014 |
| Total restricted funds | $ 408,754 |

The District has made the following restrictions for the special revenue fund balance:

| Purpose | Amount |
|---|---|
| Liability - Insurance premiums, deductibles, repairs, replacements, claims and payments | $ 32,210 |

The District has made the following commitments for the general fund, fund balance:

| Purpose | Amount |
|---|---|
| Gravel crushing | $ 300,000 |
| Capital assets | 375,456 |
| Kidd Island Realignment Phase 2 | 54,243 |
| Rockford Box Culvert | 719,000 |
| Rockford/Loffs Bay Intersection | 82,087 |
| Williams Bridge | 200,000 |
| Cougar Gulch | 63,702 |
| Greensferry Guardrails | 188,931 |
| Total committed funds | $ 1,983,419 |

## NOTE 8: DEFINED BENEFIT PENSION PLAN

*Plan Description*

The Worley Highway 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% (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. 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 and 74% for public safety. As of June 30, 2024, it was 6.71% for general employees and 9.83% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters. Worley Highway District's contributions were $166,273 for the year ended September 30, 2024.

## NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At September 30, 2024, Worley Highway 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. Worley Highway 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 0.02935916 percent.

For the year ended September 30, 2024, the District recognized pension expense of $315,042. 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 | $ 174,847 | $ - |
| Changes in assumptions or other inputs | 43,506 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 19,935 |
| Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions | - | - |
| District's contributions subsequent to the measurement date | 45,624 | - |
| Total | $ 263,977 | $ 19,935 |

$45,624 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, 2022 the beginning of the measurement period ended June 30, 2023 is 4.6 and 4.6 years for the measurement period June 30, 2024.

## NOTE 8: DEFINED BENEFIT 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:

| Year Ending September 30, | |
|---|---|
| 2025 | 54,204 |
| 2026 | 204,766 |
| 2027 | (35,312) |
| 2028 | (25,240) |

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

| | |
|---|---|
| Inflation | 2.30% |
| Salary increases | 3.05% |
| Salary inflation | 3.05% |
| Investment rate of return | 6.35%, net of investment expenses |
| Cost-of-living adjustments | 1% |

**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%.
Teachers – Males Pub-2010 Teacher Tables, increased 12%.
Teachers – Females Pub-2010 Teacher Tables, increased 21%.
Fire & Police – Males Pub-2010 Safety Tables, increased 21%.
Fire & Police – Females Pub-2010 Safety Tables, increased 26%.
Disabled Members – Males Pub-2010 Disabled Tables, increased 38%
Disabled Members – Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2023 is based on the results of an actuarial valuation date of July 1, 2024.

## NOTE 8: DEFINED BENEFIT 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 the 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 2024.

**Capital Market Assumptions**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 0.00% | 0.0% |
| Large Cap | 18.00% | 4.50% |
| Small/Mid Cap | 11.00% | 4.70% |
| International Equity | 15.00% | 4.50% |
| Emerging Markets Equity | 10.00% | 4.90% |
| Domestic Fixed | 20.00% | -0.25% |
| TIPS | 10.00% | -0.30% |
| Real Estate | 8.00% | 3.75% |
| Private Equity | 8.00% | 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.

## NOTE 8: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the District's proportional 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 | $ 2,086,964 | $ 1,098,222 | $ 290,672 |

*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, the District reported no payables outstanding 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 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance. The Special Revenue Insurance Fund monies are being used to pay for this coverage.

The District pays the State Workers' Compensation System a premium based on a rate per $100 of salaries or wages. This rate is calculated based on accident history and administrative costs. The District provides medical and dental insurance to most employees.

The District is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect on the financial position of the District.

## NOTE 10: PRIOR PERIOD ADJUSTMENT

The District has historically not reported an inventory balance for the value of its quantities of rock chips, gravel, and other materials on hand at its four gravel pit locations. Accordingly, management has estimated the amount of inventory on hand as of September 30, 2023 and recorded a prior period adjustment to establish the inventory levels and values as of that date. The effect on the accompanying fiscal 2024 financial statements was that beginning inventory balance increased from $0 to $1,265,864 and beginning fund balance increased $1,265,864 on the governmental funds balance sheet. Similarly, beginning inventory and net position on the government-wide statement of net position increased by the same amount.

# Financial Section

## Required Supplementary Information

**Worley Highway District**

**GENERAL FUNDS**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**BUDGET AND ACTUAL**
**For the Year Ended September 30, 2024**

| | General * | | |
|---|---|---|---|
| | Original* Budgeted Amounts | Actual Amounts | Variance With Final Budget |
| **REVENUES** | | | |
| Property taxes | $ 2,946,514 | $ 2,957,198 | $ 10,684 |
| Highway users | 2,468,736 | 2,555,272 | 86,536 |
| Development contributions | - | 37,500 | 37,500 |
| Federal forest | - | 40,907 | 40,907 |
| Federal matching funds | 180,784 | 358,138 | 177,354 |
| Interest | 50,000 | 220,674 | 170,674 |
| Sales tax | 442,000 | 402,655 | (39,345) |
| Miscellaneous | 45,000 | 70,918 | 25,918 |
| Fuel reimbursement | 65,000 | 45,955 | (19,045) |
| Total revenues | 6,198,034 | 6,689,217 | 491,183 |
| **EXPENDITURES** | | | |
| Labor expense | 1,900,852 | 1,679,350 | 221,502 |
| Special road construction | 1,354,941 | 1,152,901 | 202,040 |
| Administration | 576,670 | 515,067 | 61,603 |
| Maintenance and operations | 817,800 | 562,399 | 255,401 |
| Road expense | 55,500 | 45,115 | 10,385 |
| Special insurance | - | - | - |
| Debt service expenditures | | | |
| Principal payments on debt | - | 375,454 | (375,454) |
| Interest payments on debt | - | - | - |
| Capital expenditures | 3,515,501 | 3,490,282 | 25,219 |
| Total expenditures | 8,221,264 | 7,820,568 | 400,696 |
| Excess (deficiency) of revenues over (under) expenditures | (2,023,230) | (1,131,351) | 891,879 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Proceeds from asset purchase financing | - | 727,551 | 727,551 |
| Proceeds from sale of assets | 57,500 | 61,050 | 3,550 |
| Total other financing sources (uses) | 57,500 | 788,601 | 731,101 |
| Net change in fund balance | (1,965,730) | (342,750) | 1,622,980 |
| Fund balance- beginning (as restated) | 1,965,730 | 6,362,531 | 4,396,801 |
| Fund balance- ending | $ - | $ 6,019,781 | $ 6,019,781 |

**** - Budget was not amended***

| Special Revenue * | | | Total (Memo Only) | | |
|---|---|---|---|---|---|
| Original Budgeted Amounts | Actual Amounts | Variance With Final Budget | Final Budgeted Amounts | Actual Amounts | Variance With Final Budget |
| $ 37,595 | $ 36,358 | $ (1,237) | $ 2,984,109 | $ 2,993,556 | $ 9,447 |
| - | - | - | 2,468,736 | 2,555,272 | 86,536 |
| - | - | - | - | 37,500 | 37,500 |
| - | - | - | - | 40,907 | 40,907 |
| - | - | - | 180,784 | 358,138 | 177,354 |
| - | - | - | 50,000 | 220,674 | 170,674 |
| - | - | - | 442,000 | 402,655 | (39,345) |
| - | - | - | 45,000 | 70,918 | 25,918 |
| - | - | - | 65,000 | 45,955 | (19,045) |
| 37,595 | 36,358 | (1,237) | 6,235,629 | 6,725,575 | 489,946 |
| | | | | | |
| - | - | - | 1,900,852 | 1,679,350 | 221,502 |
| - | - | - | 1,354,941 | 1,152,901 | 202,040 |
| - | - | - | 576,670 | 515,067 | 61,603 |
| - | - | - | 817,800 | 562,399 | 255,401 |
| - | - | - | 55,500 | 45,115 | 10,385 |
| 40,721 | 36,587 | 4,134 | 40,721 | 36,587 | 4,134 |
| | | | | | |
| - | - | - | - | 375,454 | (375,454) |
| - | - | - | - | - | - |
| - | - | - | 3,515,501 | 3,490,282 | 25,219 |
| 40,721 | 36,587 | 4,134 | 8,261,985 | 7,857,155 | 404,830 |
| | | | | | |
| (3,126) | (229) | 2,897 | (2,026,356) | (1,131,580) | 894,776 |
| | | | | | |
| - | | | - | 727,551 | 727,551 |
| - | - | - | 57,500 | 61,050 | 3,550 |
| - | - | - | 57,500 | 788,601 | 731,101 |
| | | | | | |
| (3,126) | (229) | 2,897 | (1,968,856) | (342,979) | 1,625,877 |
| | | | | | |
| 3,126 | 53,872 | 50,746 | 1,968,856 | 6,416,403 | 4,447,547 |
| | | | | | |
| $ - | $ 53,643 | $ 53,643 | $ - | $ 6,073,424 | $ 6,073,424 |

**Worley Highway District**

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employer's portion of the net pension liability (asset) | 0.029359% | 0.029358% | 0.031984% | 0.033128% | 0.033447% | 0.033252% | 0.030828% | 0.031739% | 0.029516% | 0.031092% |
| Employer's proportionate share of the net pension liability (asset) | $ 1,098,222 | $ 1,171,579 | $ 1,259,757 | $ (26,164) | $ 776,681 | $ 379,563 | $ 454,715 | $ 498,889 | $ 598,327 | $ 409,434 |
| Employer's covered-employee payroll | $ 1,460,614 | $ 1,376,043 | $ 1,271,454 | $ 1,237,219 | $ 1,199,624 | $ 1,168,697 | $ 996,392 | $ 1,008,645 | $ 879,435 | $ 863,658 |
| Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 75.19% | 85.14% | 99.08% | -2.11% | 64.74% | 32.48% | 45.64% | 49.46% | 68.04% | 47.41% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 85.54% | 83.83% | 83.09% | 100.36% | 88.22% | 93.79% | 91.69% | 90.68% | 87.26% | 91.38% |

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

Date reported is measured as of June 30th.

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 166,273 | $ 161,815 | $ 151,851 | $ 147,754 | $ 143,334 | $ 134,226 | $ 112,792 | $ 114,179 | $ 99,552 | $ 97,767 |
| Contributions in relation to the statutorily required contribution | (166,273) | (161,815) | (151,851) | (147,754) | (143,334) | (134,226) | (112,792) | (114,179) | (99,552) | (97,767) |
| Contribution (deficiency) excess | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered-employee payroll | $ 1,460,614 | $ 1,376,043 | $ 1,271,454 | $ 1,237,219 | $ 1,199,624 | $ 1,168,697 | $ 996,392 | $ 1,008,645 | $ 879,435 | $ 863,658 |
| Contributions as a percentage of covered-employee payroll | 11.38% | 11.76% | 11.94% | 11.94% | 11.95% | 11.49% | 11.32% | 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, the District will present information for those years for which information is available.

Date reported is measured as of September 30th.

# Financial Section

## Report Required by the GAO

HOOVER
Certified Public Accountant | Business Consultant

## 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*

### Independent Auditor's Report

To the Board of Commissioners
Worley Highway District
Coeur d'Alene, 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 each major fund of Worley Highway District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Worley Highway District's basic financial statements and have issued our report thereon dated March 26, 2025.

### *Report on Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Worley Highway 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. 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 were not identified.

### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Worley Highway District's financial statements are free of 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*.

**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 (CONCLUDED)***

**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.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC

Liberty Lake, WA

March 26, 2025