Financial Statements
September 30, 2018

Caldwell East Urban Renewal Agency

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Independent Auditor's Report

Members of the Board of Commissioners
Caldwell East Urban Renewal Agency
Caldwell, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and the major fund information of Caldwell East Urban Renewal Agency (the Agency), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Caldwell East Urban Renewal Agency, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 13 of the financial statements, the Agency recorded a prior period adjustment for a change in accounting principle related to the reporting of land held for development in the Agency's general fund. This required a restatement to the Agency's beginning fund balance. Our opinions are not modified with respect to this matter.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2019, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Agency'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 Agency's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
February 6, 2019

Commissioners of the Caldwell East Urban Renewal Agency (the Agency), offer readers of these financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended September 30, 2018.

It is a privilege for the Caldwell East Urban Renewal Agency to provide you with our Annual Report for fiscal year ended September 30, 2018. This report has been compiled in compliance with Idaho Code Section 50-2006 in which the Agency *"is required to file, with the local governing body, on or before March 31 of each year, a report of its activities for the preceding calendar year. Such report is to include a complete financial statement setting forth its assets, liabilities, income and operating expense as of the end of the calendar year."*

In addition to the above stated requirement of Idaho Urban Law, Sections 50-1010 and 67-450B in the Idaho Code further require the Agency to *"cause a full and complete audit of its financial statements to be made each fiscal year."* In response to this annual fiscal year audit requirement, independent auditor Eide Bailly LLP has completed the 2018 fiscal year audit for the Urban Renewal Agency of the City of Caldwell (the City). This audit is available in the office of the City Clerk, 411 Blaine Street, Caldwell, Idaho.

The results of the 2018 fiscal year audit for the Agency are included within the financial statements, footnotes and audit opinion presented in this annual report.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities and deferred inflows of resources at September 30, 2018, by $1,359,728. Liabilities include $18,261,077 in outstanding principal for notes and revenue bonds issued in 2006, 2008, 2012, 2016, 2017 and 2018, and $1,541,049 in accounts payable and amounts due to other governments. Deferred inflows consist of $8,700,500 for unavailable property tax revenues for taxes levied but not yet earned. Assets include $8,431,772 in cash, $9,055,425 in taxes receivable, $6,589,458 in cash restricted by bond covenants and $5,035,232 in land holdings and construction in progress and $783,256 in miscellaneous receivables.

- As of September 30, 2018, the Agency's general fund reported ending fund balance of $14,285,776. Of this amount, $7,692,345 is restricted for urban renewal projects, $3,973 is in the non-spendable form of long-term notes receivable, and $6,589,458 restricted by bond covenants. Cash and cash equivalents were $8,431,772 and represents 64.72% of total fund expenditures reported on the Statement of Revenues, Expenditures and Changes in Fund Balance.

- The Agency's total debt obligation is $18,261,077.

BACKGROUND

The Agency was organized and approved by the City on December 21, 1998, under Idaho Code, Title 50; Chapter 20 entitled "Idaho Urban Renewal Agency Law of 1965." The Agency was established to promote development and redevelopment efforts in an undervalued portion of the City and in the City's area of impact within Canyon County (the County). The goals of the Agency include a plan to transform this underdeveloped area into a desirable location for prospective homeowners, small businesses, and corporate development. Letters of support from taxing districts within the urban renewal area were submitted as evidence of support for the organization of the Agency during the public hearing on December 21, 1998. Later in 1999, Canyon County organized a similar Urban Renewal Agency covering lands within the City area of impact that were designated in the City's Urban Renewal Agency. This action paved the way for communication between the City and County on urban renewal matters in the impact area.

On December 21, 1998, the Caldwell City Council approved the Urban Renewal "Plan." This Plan described the proposed activities of the Urban Renewal Agency including the adoption of a *revenue allocation (tax increment)* financing provision. With the adoption of this tax increment financing provision, the County Commissioners and County Treasurer allocate incremental increases in tax revenues annually between the Agency and other taxing districts located within the boundaries of the revenue allocation area.

On September 29, 2003, the Agency amended Plan boundaries and the revenue allocation area to include the downtown corridor between 10th St. and 5th St. from the Union Pacific Railroad right-of-way to Dearborn and public and private land within the following boundary: beginning at the intersection of Ustick Road and Florida Avenue "point of beginning", thence north on Florida Avenue to the Caldwell Highline Canal, thence northwesterly along the Highline Canal to Indiana Avenue, thence south to the southern boundary of Fairoaks Subdivision, thence west along said boundary to Illinois Avenue extended, thence south on Illinois Avenue extended to Ustick Road, thence east on Ustick Road to the point of beginning. These amendments add a project to the scope of the Workable Program/Implementation Plan within the downtown corridor. The project is commonly referred to as the "Indian Creek Day-lighting and Restoration Project". The amendments also add some detail to Plan provisions dealing with recreational, park and swimming facilities and expand the revenue allocation area so that revenue allocation funding can be used to facilitate financing of the project.

The Plan amendment on November 21, 2005, extended the duration of the Plan and added language directing the use of increment received after December 31, 2014. The 2005 amendment modified Section 800 "Duration of This Plan" to read as follows:

"Except for the nondiscrimination and non-segregation provisions which shall run in perpetuity, the provisions of this Plan shall be effective, and the provisions of other documents formulated pursuant to this Plan shall be effective for twenty-four (24) years from the original date of adoption of this plan by the City of Caldwell through December 21, 2022 provided, however, that the revenue from property taxes shall be restricted to collection of taxes assessed for the twenty-three (23) year period commencing with the 1999 assessment through the 2022 assessment, with the condition that the tax increment revenue received after December 31, 2014, will be used only to pay debt service on bonds for urban renewal projects constructed prior to said date and not for any other projects constructed after said date. Any tax increment revenue received after December 31, 2014, exceeding the amount needed for payment of urban renewal bonds issued prior to said date shall be returned to the local taxing districts in order that such entities may reduce their tax levies proportionally."

The Plan was again amended on August 25, 2014. This amendment changed the language in the 2005 amendment above. Language in the Plan after the 2014 amendment reads:

"Except for the nondiscrimination and non-segregation provisions which shall run in perpetuity, the provisions of this Plan shall be effective, and the provisions of other documents formulated pursuant to this Plan shall be effective for twenty-four (24) years from the original date of adoption of this Plan by the City of Caldwell through December 21, 2022 provided, however, that the revenue from property taxes shall be restricted to collection of taxes assessed for the twenty-three (23) year period commencing with the 1999 assessment through the 2022 assessment."

Subsequent to December 31, 2014, the Agency shall work specifically with the public bodies affected by revenue allocation to identify and implement urban renewal projects important to those public bodies and consider the scope of such projects in light of such public bodies' pro rata connection to tax increment. All projects and funding shall be at the discretion of the Agency, not the public bodies.

As a result of legislation, on July 10, 2017, the Board of Commissioners for the Agency changed from six members from City Council to three members from City Council and three members from public who reside in the urban renewal boundaries. As a result of this action, the Agency is no longer considered to be a component unit of the City.

PROPERTY VALUE AND TAX INCREMENT FINANCING

Tax increment financing is the primary source of revenue for the Agency. The amount of revenue received from property taxes is determined by the value of taxable property in excess of the base year, multiplied by the current tax levy rates in effect from the various taxing districts within the urban renewal boundaries. If the market value of property increases, the proceeds from the property tax may increase even with no increase in the tax levy rate.

The net taxable value of properties in the City is $2,052,742,481. This $282,432,860 increase is 15.95% more than the 2017 net taxable value of $1,770,309,621, (2017 base adjusted for county assessor changes). Consistent with this increase, the increment value of real and personal properties within the urban renewal boundaries in the City limits is $531,827,449 and increased $96,386,564 or 22.14%, over the 2017 base of $435,440,885, (2017 base adjusted for county assessor changes). Combined net taxable value increase in the City and Urban Renewal totaled $378,819,424 or 14.65% to a net taxable value of $2,584,569,930.

As of January 1, 1998, the base year, assessed values of taxable properties within urban renewal boundaries, including the impact area, totaled $60,492,278. As of September 30, 2018, assessed values within this same area now total $599,980,463. This increase in assessed values established an incremental value of $539,488,185 at September 30, 2018. Property tax increment revenue estimated for the fiscal year 2019 equals $8,584,965 an increase of $879,074, or 11.4% from property taxes levied in 2018 of $7,705,891. Principal and interest payments for bonds due in 2019 equal $4,592,267. Estimated property tax increment revenue divided by debt service yields a debt service coverage ratio of 1.86 in 2019.

The total property tax receipts for fiscal year ended September 30, 2018, were $7,829,178 as reported on the Statement of Activities on page 11.

ACTIVITIES AND COMMITMENTS

The Agency remains committed to economic development and residential stability within its geographic boundaries in the City. Some of the specific activities, including accomplishments and board actions, are listed below.

- The Agency funds a Business Incentive Grant to encourage new business developments and existing business expansions. Through the grant, qualifying businesses are reimbursed 50% of eligible project costs to a maximum of $200,000 over a two year period based on the number of eligible jobs created. A total of six businesses, employing 298 employees, applied for and qualified under the terms of the grant since its inception in 2011.

- The Agency issued Series 2018 Bonds in the amount of $4,400,000 to construct the Indian Creek Plaza Project.

- Indian Creek Plaza construction completed in July 2018, with the exception of the Ice Ribbon, which will be completed in November 2018. The plaza features a fountain and splash pads, a performance stage and an ice skating rink in the winter. The Plaza held its' grand opening in July 2018 and has hosted several events including a summer concert series, exercise classes and movie nights on the Plaza.

- The Agency participated with the City in a façade and fire sprinkler incentive program for buildings fronting the plaza. This façade and fire sprinkler incentive program will provide property owners financial resources to beautify their building and showcase a revitalized downtown.

- In May 2018 the construction of a Movie Theater and one retail/restaurant building in downtown along Indian Creek, 10th Ave and Arthur St. were completed. The Luxe Reel Movie Theater held its' grand opening in June 2018 showcasing an eleven-screen movie theater with "first-run" movies.

- The Agency is holding 1.21 acres in downtown Caldwell for future development for which it has entered into a develop agreement for the construction of a hotel, retail, office and/or residential spaces.

- In anticipation of other manufacturing leads, the Agency acquired an additional 20 acres in Sky Ranch.

- The Agency recruited two substantial basic sector businesses to Caldwell. Price Pump began construction of a 45,000 sq. ft. facility in 2018, and Capital Distributing started construction of their 220,000 sq. ft. building. Between the two businesses, over 200 quality jobs will be added to our community, and a capital expenditure of more than $60 million. In anticipation of other manufacturing leads, the Agency acquired a 20 acre parcel in 2018. This acquisition, along with infrastructure improvements in the area will provide a desirable site for a manufacturing use.

- The Agency constructed Skyway Drive Extension, Smeed realignment, and relocated the 400 & 500 irrigation laterals.

- The Agency entered into a partnership with the City of Caldwell and Building Hope to provide infrastructure improvements for the construction of an alternative charter school, Elevate Academy, to provide educational opportunities for at risk youth.

- The Agency continues discussions with Canyon County Highway District regarding tax increment funding of the Plymouth Street Bridge Project. Federal funding for this project may be available in 2021 and URA increment could provide the local funding match for this project.

FINANCIAL OVERVIEW

Caldwell East Urban Renewal Agency - Net Position

	Governmental Activities	
	2018	2017
Other Assets	$ 24,859,911	$ 19,216,818
Capital Assets	5,053,232	5,776,084
Total Assets	29,913,143	24,992,902
Short-Term Liabilities	5,507,441	3,972,415
Long-Term Liabilities	14,345,474	13,905,649
Total Liabilities	19,852,915	17,878,064
Deferred Inflows of Resources	8,700,500	7,776,913
Total Liabilities and Deferred Inflow of Resources	28,553,415	25,654,977
Invested in Capital Assets	5,053,232	5,776,084
Unrestricted	(3,693,504)	(6,438,159)
Total Net Position	$ 1,359,728	$ (662,075)

Caldwell East Urban Renewal Agency - Statement of Activities

	Governmental Activities	
	2018	2017
Revenues:		
General Revenues		
Property taxes		
General Purpose	$ 7,829,178	$ 7,472,553
Unrestricted investment earnings	91,737	74,256
Gain on sale of land	1,915,975	701,887
Miscellaneous	242,072	256,910
Total Revenues	10,078,962	8,505,606
Expenses:		
Urban Renewal Agency	1,221,982	3,092,008
Interest on long-term debt	641,035	626,893
Debt issuance costs	36,125	-
Total Expenses	1,899,142	3,718,901
Other financing uses		
Transfers to other governments	(6,158,017)	-
Net Revenues (Expenses)	$ 2,021,803	$ 4,786,705

Cash, investments and cash equivalents, both restricted and unrestricted, increased $4,818,629 to $15,021,230 from the 2017 balance of $10,202,601. Major cash uses included land purchases totaling $1,763,047, City Economic Development support of $216,000 and $5,718,890 for City projects within the district. Major sources of cash included facility rental of $217,560, and land sales of $4,776,747 and bond proceeds of $4,400,000. The increase of $876,980 in taxes receivable resulted from increases in assessed values totaling $60,591,572 and an increase in levy rates from the taxing districts. Vouchers payable and amounts due to other governments increased $407,444 to $1,541,049 made up of $733,136 reimbursable to the City for projects, $570,577 Indian Creek Plaza project, $119,334 Airport Improvement Program and $118,002 in operating expenses and incentive grants payable at September 30, 2018.

Other financial commitments include $25,000 committed under the business incentive grant program. Total bond debt service payments during the fiscal year included $2,791,691 in principal and $681,937 in interest made in connection with five (5) revenue allocation bonds and one note payable.

BUDGET

The Agency is required to submit and operate under a budget approved by the board. The 2018 budget for the Agency was approved September 11, 2017, in a public meeting and appears in the supplementary information following the footnotes section of the report.

BOARD OF COMMISSIONERS

Effective July 1, 2017, the Idaho legislature passed legislation which requires three at large citizens from the Urban Renewal boundaries and three council to be appointed to the commission. Mayor Nancolas serves as an ex-officio non-voting member. Commissioner Hopper is currently serving as Chairman of the Board of Commissioners, Commissioner Porter serves as vice-chairman and Caldwell City Clerk, Debbie Geyer serves as Secretary and Caldwell City Finance Director/Treasurer Carol Mitchell serves as Treasurer.

All members of the Board of Commissioners as September 30, 2018:

COMMISSIONER	TERM EXPIRATION
Rob Hopper (Chair)	July 1, 2020
Jim Porter (Vice Chair)	July 1, 2020
Chuck Stadick	July 1, 2019
Julie Warwick	July 1, 2019
Joe Ramirez	July 1, 2021
Chris Allgood	July 1, 2021

FINANCIAL STATEMENTS

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Cash, investments, and cash equivalents	$ 8,431,772	$ -	$ 8,431,772
Receivables			
Taxes	9,055,425	-	9,055,425
Accounts	779,283	-	779,283
Notes	3,973	-	3,973
Restricted cash and cash equivalents	6,589,458	-	6,589,458
Land held for development	-	3,423,505	3,423,505
Construction in Process	-	1,629,727	1,629,727
	$ 24,859,911	$ 5,053,232	$ 29,913,143
Liabilities			
Vouchers and payroll payable	$ 807,913	$ -	$ 807,913
Due to other governments	733,136	-	733,136
Interest payable	-	50,789	50,789
Long-term liabilities			
Due within one year	-	3,915,603	3,915,603
Due after one year	-	14,345,474	14,345,474
Total liabilities	1,541,049	18,311,866	19,852,915
Deferred Inflows of Resources			
Unavailable property tax revenue	9,033,086	(332,586)	8,700,500
Fund Balance/Net Position			
Fund balances			
Nonspendable	3,973	(3,973)	-
Restricted by bond covenants for			
Revenue allocation	4,602,614	(4,602,614)	-
Debt service	101,094	(101,094)	-
Reserve fund	1,885,750	(1,885,750)	-
Restricted for urban renewal projects	7,692,345	(7,692,345)	-
Total fund balance	14,285,776	(14,285,776)	-
	$ 24,859,911		
Net Position			
Net investment in capital assets		5,053,232	5,053,232
Unrestricted		(3,693,504)	(3,693,504)
Total net position		1,359,728	1,359,728
		$ 5,053,232	$ 29,913,143

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/Expenses			
Urban renewal	$ 1,221,982	$ -	$ 1,221,982
Capital outlay	7,481,937	(7,481,937)	-
Debt service			
Principal	2,791,691	(2,791,691)	-
Interest	681,937	(40,902)	641,035
Debt issuance costs	36,125	-	36,125
Total expenditures/expenses	12,213,672	(10,314,530)	1,899,142
General Revenues			
Property taxes	7,864,839	(35,661)	7,829,178
Interest	91,768	-	91,768
Unrealized loss	(31)	-	(31)
Gain on sale of land	-	1,915,975	1,915,975
Miscellaneous	242,072	-	242,072
Total general revenues	8,198,648	1,880,314	10,078,962
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,015,024)	12,194,844	8,179,820
Other Financing Sources (Uses)			
Bond proceeds	4,400,000	(4,400,000)	-
Proceeds from sale of land	4,776,747	(4,776,747)	-
Transfers to Other Governments	-	(6,158,017)	(6,158,017)
Total other financing sources (uses)	9,176,747	(15,334,764)	(6,158,017)
Change in Total Fund Balance	5,161,723	(3,139,920)	2,021,803
Change in Net Position	-	-	2,021,803
Fund Balance/Net Position			
Beginning of Year	9,938,053	(10,600,128)	(662,075)
Restatement (See Note 13)	(814,000)	814,000	-
Beginning of Year, restated	9,124,053	(9,786,128)	-
Fund Balance/Net Position, End of Year	$ 14,285,776	$ (12,926,048)	$ 1,359,728

Note 1 - Summary of Significant Accounting Policies

The Caldwell East Urban Renewal Agency (the Agency) was organized on December 21, 1998, under the Idaho Urban Renewal Law, Chapter 20, and Title 50 of the Idaho Code. The Agency was established to oversee redevelopment efforts in the Northeastern Caldwell areas, including housing rehabilitation, incentives for development of multi-family affordable housing, beautification of entryways, improvements to the City of Caldwell (the City) infrastructure, and creation of new parks and a recreation complex. When the redevelopment plan is completed, the Agency's assets will revert to City ownership.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

The accounting and reporting policies of the Agency relating to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the GASB and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

Financial Reporting Entity

For financial reporting purposes, the Agency is stand-alone government. The Agency provides urban renewal services to the City of Caldwell and its citizens. These statements present only the funds of the Agency and are not intended to present the financial position and results of operations of the City of Caldwell, Idaho in conformity with generally accepted accounting principles.

Government-Wide and Fund Financial Statements

The government-wide column of the financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As allowed under GAAP, the Agency is reported as a "Single Program Entity". This allows for the government-wide financial statements to be combined with the fund level financial statements.

Measurement Focus, Basis of Accounting, And Financial Statement Presentation

The government-wide column of the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The general fund (governmental fund) column of the financial statements is 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 30 to 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, are recorded only when payment is due.

The Agency considers property taxes available if they are collected within 60 days after year end and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major governmental funds:

General Fund - the Agency's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Agency has no non-major funds.

Agency Sunset

Under the conditions of the 2014 amendment to the Plan of the Urban Renewal Agency of the City of Caldwell, Idaho, the Agency's revenue allocation area and the collection of revenue from property taxes will cease December 21, 2022.

Section 800 regarding Duration of this Plan is hereby further amended to read, in its entirety, as follows:

> Except for the nondiscrimination and non-segregation provisions which shall run in perpetuity, the provisions of this Plan shall be effective, and the provisions of other documents formulated pursuant to this Plan shall be effective for twenty-four (24) years from the original date of adoption of this Plan by the City of Caldwell through December 21, 2022, provided, however, that the revenue from property taxes shall be restricted to collection of taxes assessed for the twenty-three (23) year period commencing with the 1999 assessment through the 2022 assessment.

Section 304 regarding Cooperation with Public Bodies shall be amended by addition of the following paragraph:

> Subsequent to December 31, 2014, the Agency shall work specifically with the public bodies affected by revenue allocation to identify and implement urban renewal projects important to those public bodies and consider the scope of such projects in light of such public bodies' pro rata connection to tax increment. All projects and funding shall be at the discretion of the Agency, not the public bodies. For guidance, the Agency's construction of the new Canyon County Administration Building prior to December 31, 2014, shall be deemed an identified and implemented project for Canyon County and the Agency's construction of two sewer projects (Revenue Allocation Bonds Series 2006A for various sewer system improvements including collection lines and related facilities for the system, and Revenue Allocation Bonds Series 2008 for Caldwell Wastewater Treatment Plant upgrades – Phase 4) prior to December 31, 2014, shall be deemed identified and implemented projects for the City of Caldwell.

Cash and Cash Equivalents

The Agency considers all highly liquid investments, including restricted cash, with a maturity of three months or less when purchased, to be cash equivalents. For purposes of efficient cash flow management and the management of temporary investments, the Agency utilizes the State of Idaho's Local Government Investment Pool for its cash.

Restricted cash equivalents are defined differently from unrestricted cash equivalents because they are restricted by an outside source.

Investments

State statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, commercial paper, corporate bonds, repurchase agreements, City coupons and local improvement district bonds.

Investments are stated at fair value as determined by quoted market prices, except for the certificates of deposit which are non-participating contracts, and are therefore carried at amortized costs.

Property Taxes Receivable

Property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within 60 days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the Agency is on a September 30 fiscal year-end, property taxes levied during September for the succeeding year's collection are recorded as unavailable revenue at the Agency's year-end and recognized as revenue in the following fiscal year. Canyon County bills and collects taxes for the Agency.

Capital Assets

Capital assets consist of land and at times, construction in process. Capital assets are defined by the Agency as assets with an initial, individual cost of more than $20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at their estimated acquisition value. These assets are reported in the government-wide column of the financial statements but are not reported in the general fund column of the financial statements. The Agency does not hold any capital assets that are depreciated.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The Agency only has two types of items that qualify for reporting in this category relating to property taxes.

The government-wide column and general fund column of the financial statements both report the unavailable property tax revenue as a deferred inflow of resources. The balance of the deferred inflows of resources as of September 30, 2018, will be recognized as a revenue and increase in net position at the start of the next fiscal year. This treatment is a result of the property tax calendar in the State of Idaho.

The final item reported as deferred inflow of resources arises only under a modified accrual basis of accounting. The general fund column of the financial statements report unavailable revenues from delinquent property taxes not collected within 60 days after year-end as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Risk Management

The Agency is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The Agency participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for property and liability insurance. The Agency's exposure to loss from its participation in ICRMP is limited to the extent of the deductible only.

Budgets

In accordance with Title 50, Chapter 20 of the Idaho State Code, the Agency is required to prepare, approve and adopt an annual budget for filing with the local governing body, for informational purposes. A budget means an annual estimate of revenues and expenses for the following fiscal year of the agency.

Bonded Indebtedness

In the government-wide column of the financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the general fund column of the financial statements, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized in the period the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Urban Renewal Agency Revenue Allocation Bonds, Series 2006A were issued to finance, in part, a variety of public infrastructure improvements which will expand waste water collection lines and pumping capacity in the project area. Principal and interest on the bonds are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Notes, Series 2008 were issued to finance the acquisition and construction of a portion of certain sewer treatment facilities and related improvements. Principal and interest on the notes are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Notes, Series 2012 were issued to finance the construction of a new Canyon County Administration Building. Principal and interest on the notes are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Notes, Series 2016 were issued to finance the construction of Caldwell School District Improvement Project. Principal and interest on the notes are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Notes, Series 2018 were issued to finance the construction of Indian Creek Plaza Project. Principal and interest on the notes are payable solely from future tax revenues of the Agency.

Note 2 - Explanation of Differences Between the Governmental Funds Balance Sheet and the Statement of Net Position

"Total fund balances" of the Agency's governmental fund differs from "net position" of the governmental activities reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

The main components of the differences are described below.

Fund balance – general fund	$ 14,285,776
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,053,232
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	332,586
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(18,261,077)
Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(50,789)
Net position of governmental activities	$ 1,359,728

Note 3 - Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds differs from the "change in net position" for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental funds. The effect of the differences is illustrated below.

Net change in fund balances – total governmental funds		$ 5,161,723
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($7,481,937) exceeded depreciation expense ($0).		7,481,937
In the statement of activities, the gain (loss) on the sale of equipment is reported, whereas in the governmental funds, the proceeds from sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the equipment sold.		(2,860,772)
Transfer of capital assets and other miscellaneous capital asset transactions recorded in government-wide financial statements but not recorded in fund level financial statements.		(6,158,017)
Some property tax revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the funds.		(35,661)
Interest expense accrued but not paid reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.		(3,670)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums and bond issuance costs when the debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.		
Repayment of long-term debt	2,791,691	
Proceeds from issuance of long-term debt	(4,400,000)	
Amortization of bond premium	44,572	(1,563,737)
Change in net position		$ 2,021,803

Note 4 - Cash and Cash Equivalents

	Cost	Fair Value
Cash - unrestricted	$ 8,069,639	$ 8,069,639
Certificates of Deposit	250,380	250,380
Total cash equivalents - unrestricted	$ 8,320,019	$ 8,320,019
Cash equivalents - restricted		
Money Market Funds	$ 6,589,458	$ 6,589,458
Total cash equivalents - restricted	$ 6,589,458	$ 6,589,458
Investments-unrestricted		
Local Government Investment Pool	$ 111,753	$ 111,753

Investment types that are authorized for the Agency by the Idaho Code and the Agency's investment policy are as follows:

1. Local and State Agency Bonds
2. U. S. Agency Bonds
3. U. S. Agency Securities
4. Certificates of Deposit

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Agency manages its exposure to interest rate risk is by purchasing a combination of long and short-term investments. The Agency keeps funds needed for operations in short-term liquid investments while maintaining a stable longer-term investment portfolio with duration matched to expected completion of capital projects. When selecting longer-term maturities, the Agency's policy requires investments which provide for the stability of income and reasonable liquidity. The Local Government Investment Pool weighted average maturity as of September 30, 2018 was 106 days. The Agency does not have any other investments subject to interest rate risk at September 30, 2018.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Money Market Funds are AAA rated by Moody's and Standard and Poor. All other investments of the Agency are not rated and the Agency does not have a restrictive policy regarding rated investments.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entity's investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Agency has no policy limiting on the amount it may invest in any one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Agency does not have a policy for custodial credit risk outside of the deposit and investment agreements.

The bank ledger balance for unrestricted cash deposits at September 30, 2018, is $8,329,370. This ledger balance includes $500,000 of deposits insured by FDIC and $7,820,019 uninsured and uncollateralized. Restricted cash equivalents total $6,589,458, of which all are held by a bond trustee in AAA rated Money Market accounts in accordance with bond documents, which are not insured under FDIC or collateralized.

The Agency minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to Caldwell East Urban Renewal Agency ownership and be held in the Agency's name. The Money Market Funds are held in custody by Zions Bank in the Agency's name.

The LGIP is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Note 5 - Fund Equity

In the government-wide column of the financial statements, equity is classified as net position and displayed in three components:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.

- Restricted net position – Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. Restricted net position in the Agency is restricted pursuant to bonds issued to finance, in part, a variety of public and private infrastructure improvements which will improve existing conditions in the project area.

- Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- Nonspendable fund balance — amounts that are not in nonspendable form (such as inventory or long-term notes receivable) or are required to be maintained intact.
- Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance — amounts constrained to specific purposes by the Agency itself, using its highest level of decision-making authority (i.e., Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Agency takes the same highest level action to remove or change the constraint.
- Assigned fund balance — amounts the Agency intends to use for a specific purpose. Intent can be expressed by the Agency Commissioners or by an official or body to which the Agency Commissioners delegate the authority.
- Unassigned fund balance — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Agency's Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Commissioners through adoption or amendment of the budget as intended for specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment or assignment actions.

Note 6 - Capital Assets

Changes in capital assets are as follows:

	October 1, 2017	Additions	Deletions	Transfers	September 30, 2018
Governmental activities					
Capital assets, not depreciated					
Land held for development	$ 4,628,230	$ 1,763,047	$(2,860,772)	$ (107,000)	$ 3,423,505
Construction in progress	1,961,854	5,718,890	-	(6,051,017)	1,629,727
Total capital assets, not depreciated	$ 6,590,084	$ 7,481,937	$(2,860,772)	$(6,158,017)	$ 5,053,232

Note 7 - Long-Term Debt

Long-term debt consisted of the following as of September 30, 2018:

Governmental activities	
Revenue Bonds	
\$8,300,000 Urban Renewal Revenue Allocation Bonds Series 2006A due in annual installments through March 2023 of \$560,000 to \$720,000, interest from 4.00% to 5.00% due semi-annually, including unamortized bond premium of \$189,430. Certificates maturing on or after March 1, 2017, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2016, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	\$ 3,449,430
\$8,000,000 Urban Renewal Revenue Allocation Bonds Series 2008 due in annual installments through September 2023 of \$590,000 to \$720,000; interest from 4.00% to 4.25% due semi-annually, including unamortized bond premium of \$0. Certificates maturing on or after September 1, 2018, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on September 1, 2017, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	3,325,000
\$8,500,000 Urban Renewal Revenue Allocation Bonds Series 2012 due in annual installments through September 2022 of \$1,034,000 to \$1,157,000; interest from 1.85% to 3.3% due semi-annually. Certificates maturing on or after September 15, 2016, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on September 15, 2015, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	4,428,000
\$2,500,000 Urban Renewal Revenue Allocation Bonds Series 2016 due in annual installments through September 2022, in the amount of \$332,691; interest 3.35% due semi-annually. Certificates maturing on or after March 1, 2018, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2017, or any interest and principle payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	1,833,647

Long-Term Debt cont.

$4,400,000 Urban Renewal Revenue Allocation Bonds Series 2018 due in annual installments through September 2022, in the amount of $1,036,674; interest 3.88% due semi-annually. Certificates maturing on or after March 1, 2019, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2018, or any interest and principle payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	4,400,000
$1,100,000 Urban Renewal Revenue Long Term Note due in annual installments through September 2021, in the amount of $275,000; interest 4.00% due annually.	825,000
	$ 18,261,077

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay $8,300,000 in revenue allocation bonds and $724,294 in re-offering premium issued in December 2006 to finance improvements to the City's waste water treatment plant including collection lines and related facilities. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $3,684,250, payable through March 2023. For the current year, principal and interest paid were:	$ 734,200
The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay $8,000,000 in revenue allocation bonds and $37,047 in premium issued in February 2008 to finance improvements to the City's waste water treatment plant including a new aeration basin and related facilities. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bond is $3,755,398, payable through September 2023. For the current year, principal and interest paid were:	752,075
The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay $8,500,000 in revenue allocation bonds issued in December 2012 to finance the construction of the Canyon County Courthouse. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $4,784,243, payable through September 2022. For the current year, principal and interest paid were:	1,195,194

Long-Term Debt cont.

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay $2,500,000 in revenue allocation bonds issued in February 2016 to finance the construction of the Caldwell School District Improvement Project. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $1,996,638, payable through September 2022. For the current year, principal and interest paid were:	402,500
The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay $4,400,000 in revenue allocation bonds issued in April 2018 to finance the construction of the Indian Creek Plaza Project. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $4,798,290, payable through September 2022. For the current year, principal and interest paid were:	70,659
The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay $1,100,000 in notes payable issued in August, 2017 to finance the construction of the Indian Creek Plaza. The note is payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the note. Total principal and interest remaining on the note is $891,000, payable through September 2021. For the current year, principal and interest paid were:	319,000
Total principal and interest paid in the current year	$ 3,473,628
Total incremental tax revenues collected in the current year	$ 7,864,839

The annual requirements to amortize all debt outstanding at September 30, 2018, are as follows:

	Governmental Activities	
	Principal	Interest
2019	$ 3,915,603	$ 676,664
2020	4,052,034	529,358
2021	4,200,218	372,401
2022	4,463,792	207,887
2023	1,440,000	48,600
	18,071,647	$ 1,834,909
Bond premium	189,430	
	$ 18,261,077	

Total interest cost incurred during 2018 was $641,035.

The following is a summary of changes in long-term debt of the Agency for the year ended September 30, 2018:

	Balance at October 1, 2017	Debt Issued	Debt Retired	Balance at September 30, 2018	Due Within One Year
Governmental activities					
Revenue Allocation Bonds 2006A	$ 3,820,000	$ -	$ (560,000)	$ 3,260,000	$ 585,000
Revenue Allocation Bonds 2008	3,915,000	-	(590,000)	3,325,000	615,000
Revenue Allocation Bonds 2012	5,462,000	-	(1,034,000)	4,428,000	1,060,000
Revenue Allocation Bonds 2016	2,166,338	-	(332,691)	1,833,647	343,929
Revenue Allocation Bonds 2018	-	4,400,000	-	4,400,000	1,036,674
Note Payable - 2017	1,100,000	-	(275,000)	825,000	275,000
Bond Premium	234,002	-	(44,572)	189,430	-
Governmental activities long-term liabilities	$ 16,697,340	$ 4,400,000	$ (2,836,263)	$ 18,261,077	$ 3,915,603

Note 8 - Other Commitments

The agency received two applications in 2018 requesting a business incentive grant contribution up to $200,000 each. The agency approved those requests and are currently waiting for the two entities to complete the grant agreements and written commitment forms. The agency has only one outstanding business incentive grant commitment of $25,000 in 2019.

Note 9 - Related Party Transactions

During 2018, the Agency reimbursed the City in the amount of $1,007,173 for expenditures paid on its behalf on various projects (Indian Creek Plaza, 400 and 500 Lateral Relocate Projects, Smeed Realignment, Skyway Extension Project, Demo project, Building Repairs and Utility Expenses). Additionally, the Agency issued monthly payments to the City for the Caldwell Economic Development funding in the amount of $216,000 and paid the City $8,000 for Accounting Services.

As of September 30, 2018, the Agency owed the City $125,942 for the Smeed Realignment Project, $128,761 for the 400 Lateral Relocation $431,944 for the Skyway Extension Project and $46,489 project related costs (Utilities, TVCC R&M, 5221 E Linden Demo).

During 2017, The Agency received a loan from the City's Cemetery Perpetual Care fund in the amount of $1,100,000 for purposes of purchasing property. The loan is due in annual installments of $275,000 at 4 % interest through September 2021. Remaining balance owing on the note as of September 30, 2018 is $825,000.

Note 10 - Subsequent Event

As of the issuance of these financial statements, subsequent to September 30, 2018, the development agreement with the downtown Hotel Project was still pending.

Note 11 - Tax Abatements

Agency tax revenues were reduced under agreements entered into by Canyon County.

These revenues were reduced through a business property tax abatement program authorized under Idaho Code 63-602NN. This program provides property tax exemptions to certain businesses which invest in non-retail buildings or plants for commercial or industrial purposes. The investment must be made in a plant that will bring significant economic benefit to the county. The exemption may be granted for up to five years. Canyon County has determined the Agency's share of abatements as of September 30, 2018 as follows:

Tax Abatement Program	Total Amount of Taxes Abated for the Agency
Idaho Code 63-602NN Tax Exemption	$ 37,776

Note 12 – Other Information

Accounting principles generally accepted in the United States of America required disclosure, as part of the basic financial statements. The Agency over expended its final approved budget by $820,359 during fiscal year ending September 30, 2018.

Note 13 – Change in Accounting Principle

During fiscal year 2018, the Agency recorded a prior period adjustment for a change in accounting principle on the reporting of land held for development as of September 30, 2017. In a prior year, a plot of land held for development was reported as an asset at the fund level based on the expectation the land would sell to a developer during the following fiscal year. Subsequent to this reporting of land held for development, management changed their policy to recognize all purchases of land held for sale or development as capital outlay in the year of purchase, regardless of the timing of the expected future financial inflow of resources from the sale of that land. Therefore, management determined this plot of land should be removed from the fund level balance sheet and recognized as a capital outlay expenditure in a prior year. The prior period adjustment from the change in accounting policy resulted in decreasing the Agency’s beginning fund balance in the general fund as follows:

	General Fund September 30, 2017
Beginning fund balance, as previously stated	$ 9,938,053
Prior period adjustment-land held for development	(814,000)
Beginning fund balance, restated	$ 9,124,053

Required Supplementary Information
September 30, 2018

Caldwell East Urban Renewal Agency

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Property taxes	$ 7,531,308	$ 7,531,308	$ 7,864,839	$ 333,531
Interest	10,000	10,000	91,768	81,768
Unrealized loss	-	-	(31)	(31)
Miscellaneous	200,000	200,000	242,072	42,072
Total revenues	7,741,308	7,741,308	8,198,648	457,340
Expenditures				
Current				
Urban Renewal Agency	6,158,464	6,158,464	1,221,982	4,936,482
Capital outlay	2,090,880	2,090,880	7,481,937	(5,391,057)
Debt service				
Principal	2,515,225	2,515,225	2,791,691	(276,466)
Interest	628,744	628,744	681,937	(53,193)
Debt issuance costs	-	-	36,125	(36,125)
Total expenditures	11,393,313	11,393,313	12,213,672	(820,359)
Deficiency of Revenues Under Expenditures	(3,652,005)	(3,652,005)	(4,015,024)	(363,019)
Other Financing Sources				
Bond/Loan proceeds	1,300,000	1,300,000	4,400,000	3,100,000
Proceeds from sale of land	3,153,744	3,153,744	4,776,747	1,623,003
Total other financing sources	4,453,744	4,453,744	9,176,747	4,723,003
Net Change in Fund Balances	$ 801,739	$ 801,739	5,161,723	$ 4,359,984
Fund Balance, Beginning of Year, restated			9,124,053	
Fund Balance, End of Year			$ 14,285,776	

Note 1 - Budgets and Budgetary Accounting

In accordance with Title 50, Chapter 20 of the Idaho State Code, the Agency is required to prepare, approve and adopt an annual budget for filing with the local governing body, for informational purposes. A budget means an annual estimate of revenues and expenses for the following fiscal year of the Agency.

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

- The Board of Commissioners prepares a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public workshops are conducted in Council Chambers located at Caldwell Police Department to obtain taxpayer comments.
- The budget is passed by resolution no later than the first Tuesday of each fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end. Revisions that alter the total expenditure appropriation must be approved by the Board of Commissioners.

Other Supplementary Information
September 30, 2018

Caldwell East Urban Renewal Agency

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*

Members of the Board of Commissioners
Caldwell East Urban Renewal Agency
Caldwell, 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 the major fund information of Caldwell East Urban Renewal Agency (the Agency), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 have not yet been identified.

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
February 6, 2019