



Financial Statements  
September 30, 2017

# Caldwell East Urban Renewal Agency

Caldwell East Urban Renewal Agency

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September 30, 2017

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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, 2017, 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 audits. We conducted our audits 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As discussed in Note 1, the financial statements of the Agency are intended to present the financial position and changes in financial position attributable to the Agency. They do not purport to, and do not present fairly the financial position of the City of Caldwell as of September 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles general accepted in the United States of America. Our opinion has not been 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 January 10, 2018, 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.



Boise, Idaho  
January 10, 2018

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, 2017.

It is a privilege for the Caldwell East Urban Renewal Agency to provide you with our Annual Report for fiscal year ended September 30, 2017. 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 2017 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 2017 fiscal year audit for the Agency are included within the financial statements, footnotes and audit opinion presented in this annual report.

## **FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of the Agency exceeded its assets at September 30, 2017, by \$662,075. Liabilities include \$16,697,340 in outstanding principal for notes and revenue bonds issued in 2006, 2008, 2012, 2016, and 2017 \$1,180,724 in accounts payable. Deferred inflows consist of \$7,776,913 for unavailable property tax revenues for taxes levied but not yet earned. Assets include \$6,688,691 in cash, \$8,178,445 in taxes receivable, \$3,513,910 in cash restricted by bond covenants and \$6,590,085 in land holdings and construction in progress and \$21,771 in miscellaneous receivables.
- As of September 30, 2017, the Agency's general fund reported ending fund balance of \$9,938,053. Of this amount, \$6,420,170 is restricted for urban renewal projects, \$3,973 is in the non-spendable form of long-term notes receivable, and \$3,513,910 restricted by bond covenants. Cash and cash equivalents were \$6,688,691 and represents 68.56% of total fund expenditures reported on the Statement of Activities.
- The Agency's total debt obligation is \$16,463,338.

## **BACKGROUND**

The Agency was organized and approved by Caldwell City Council (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 10<sup>th</sup> St. and 5<sup>th</sup> 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 Fair Oaks 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<sup>th</sup>, 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 \$1,770,313,200. This \$200,099,856 increase is 12.7% more than the 2016 net taxable value of \$1,570,213,344, (2016 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 \$435,440,885 and increased \$60,591,572 or 16.12%, over the 2016 base of \$374,849,313, (2016 base adjusted for county assessor changes). Combined net taxable value increase in the City and Urban Renewal totaled \$260,691,428 or 13.4% to a net taxable value of \$2,205,754,085.

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, 2017, assessed values within this same area now total \$502,227,099. This increase in assessed values established an incremental value of \$441,734,821 at September 30, 2017. Property tax increment revenue estimated for the fiscal year 2018 equals \$7,705,891 an increase of \$572,837, or 8.15% from property taxes levied in 2017 of \$7,023,288. Principal and interest payments for bonds due in 2018 equal \$3,402,969. Estimated property tax increment revenue divided by debt service yields a debt service coverage ratio of 2.26 in 2018.

The total property tax receipts for fiscal year ended September 30, 2017, were \$7,472,553 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 246 employees, applied for and qualified under the terms of the grant since its inception in 2011.
- The Agency issued Series 2016 Bonds in the amount of \$2,500,000 to construct the Caldwell School District Improvement Project.

- The Agency contracted for the design and construction of a downtown plaza. Construction has started on this \$7.16 million project, and is expected to be completed in 2018. The plaza will feature a fountain, a performance stage and an ice skating rink in the winter. It will be located adjacent to Indian Creek and will host up to 150 events annually. An active, thriving downtown will provide an opportunity for family entertainment in downtown, and move our downtown into a "gathering place" for our residents and visitors.
- The Agency committed to participate 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.
- The Agency entered into a development agreement in March 2017 for the construction of a Movie Theater and two retail/restaurant buildings in downtown along Indian Creek, 10<sup>th</sup> Ave and Arthur St. The theater will be the first of its kind in Caldwell. Construction costs are expected to exceed \$10 million. The Agency purchased the property in 2016, razed the buildings and completed environmental cleanup in preparation for the project. The Movie Theater started construction during the 2017 summer. The Casper Management Group anticipates opening the 11 screen movie theater in May 2018.
- The Agency is holding 1.21 acres in downtown Caldwell for future development.
- The Agency recruited two substantial basic sector businesses to Caldwell. Fresca Mexican Food Company begin construction of a 190,000 sq. ft. facility in 2017 and American Food Equipment Company (AMFEC) just completed construction of their 75,000 sq. ft. building. Between the two businesses, 300 quality jobs will be added to our community, and a capital expenditure of more than \$50 million. The Agency is positioned to accommodate additional industrial users in 2018. In anticipation of other manufacturing leads, the Agency acquired a 22 acre parcel in 2016 and is negotiating for an additional 40 acres adjacent to the 22 acre parcel. These acquisitions, along with infrastructure improvements in the area will provide desirable site(s) for a variety of manufacturing and distribution uses.
- The Agency began 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	
	2017	2016
Other Assets	\$ 19,216,818	\$ 17,880,310
Capital Assets	5,776,084	3,532,079
Total Assets	<u>24,992,902</u>	<u>21,412,389</u>
Short-Term Liabilities	3,972,415	3,867,051
Long-Term Liabilities	13,905,649	15,658,566
Total Liabilities	<u>17,878,064</u>	<u>19,525,617</u>
Deferred Inflows of Resources	7,776,913	7,335,552
Total Liabilities and Deferred Inflow of Resources	<u>25,654,977</u>	<u>26,861,169</u>
Invested in Capital Assets	5,776,084	3,532,079
Unrestricted	(6,438,159)	(8,980,859)
Total Net Position	<u>\$ (662,075)</u>	<u>\$ (5,448,780)</u>

**Caldwell East Urban Renewal Agency - Statement of Activities**

	Governmental Activities	
	2017	2016
<u>Revenues:</u>		
General Revenues		
Property taxes		
General Purpose	\$ 7,472,553	\$ 6,642,039
Unrestricted investment earnings	74,256	60,992
Gain on sale of land	701,887	150,419
Miscellaneous	256,910	243,757
Total Revenues	<u>8,505,606</u>	<u>7,097,207</u>
<u>Expenses:</u>		
Urban Renewal Agency	3,092,008	4,904,779
Interest on long-term debt	626,893	630,713
Total Expenses	<u>3,718,901</u>	<u>5,535,492</u>
Net Revenues (Expenses)	<u>\$ 4,786,705</u>	<u>\$ 1,561,715</u>

Cash and cash equivalents, both restricted and unrestricted, increased \$756,398 to \$10,202,601 from the 2016 balance of \$9,446,203. Major cash uses included the use of \$982,167 to finish construction on the Caldwell School District Improvement Project, land purchases totaling \$1,617,252, City Economic Development support of \$216,000 and \$5,517,671 for City projects within the district. Major sources of cash included facility rental of \$215,900, and land sales of \$2,036,988. The increase of \$562,762 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 internal balances decreased \$242,288 to \$1,133,605 made up of \$355,642 reimbursable to the City for projects, \$635,685 for construction expenses for Indian Creek Plaza project and \$142,278 in operating expenses and incentive grants payable at September 30, 2017.

Other financial commitments include \$137,500 committed under the business incentive grant program. Total bond debt service payments during the calendar year included \$2,450,662 in principal and \$633,677 in interest made in connection with four (4) revenue allocation bonds.

#### BUDGET

The Agency is required to submit and operate under a budget approved by the board. The 2017 budget for the Agency was approved September 12<sup>th</sup>, 2016, in a public meeting and appears in the supplementary information following the footnotes section of the report.

#### BOARD OF COMMISSIONERS

Effective July 1<sup>st</sup>, 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 ElJay Waite serves as Treasurer.

All members of the Board of Commissioners as September 30, 2017:

<u>COMMISSIONER</u>	<u>TERM EXPIRATION</u>
Rob Hopper (Chair)	July 1, 2020
Jim Porter (Vice Chair)	July 1, 2020
Julie Warwick	July 1, 2019
Joe Ramirez	July 1, 2018
Chris Allgood	July 1, 2018
Chuck Stadick	July 1, 2019

## 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.

Caldwell East Urban Renewal Agency  
Statement of Net Position and Governmental Fund Balance Sheet  
September 30, 2017

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,688,691	\$ -	\$ 6,688,691
Receivables			
Taxes	8,178,445	-	8,178,445
Accounts	17,798	-	17,798
Notes	3,973	-	3,973
Restricted cash and cash equivalents	3,513,910	-	3,513,910
Land held for development	814,001	-	814,001
Land and other assets not depreciated	-	3,814,230	3,814,230
Construction in Process	-	1,961,854	1,961,854
	<u>\$ 19,216,818</u>	<u>\$ 5,776,084</u>	<u>\$ 24,992,902</u>
<b>Liabilities</b>			
Vouchers and payroll payable	\$ 777,963	\$ -	\$ 777,963
Due from other governments	355,642	-	355,642
Interest payable	-	47,119	47,119
Long-term liabilities			
Due within one year	-	2,791,691	2,791,691
Due after one year	-	13,905,649	13,905,649
Total liabilities	<u>1,133,605</u>	<u>16,744,459</u>	<u>17,878,064</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>8,145,160</u>	<u>(368,247)</u>	<u>7,776,913</u>
<b>Fund Balance/Net Position</b>			
Fund balances			
Nonspendable	3,973	(3,973)	-
Restricted by bond covenants for			
Revenue allocation	1,527,066	(1,527,066)	-
Debt service	101,094	(101,094)	-
Reserve fund	1,885,750	(1,885,750)	-
Restricted for urban renewal projects	<u>6,420,170</u>	<u>(6,420,170)</u>	<u>-</u>
Total fund balance	<u>9,938,053</u>	<u>(9,938,053)</u>	<u>-</u>
	<u>\$ 19,216,818</u>		
<b>Net Position</b>			
Net investment in capital assets		5,776,084	5,776,084
Unrestricted		<u>(6,438,159)</u>	<u>(6,438,159)</u>
Total net position		<u>(662,075)</u>	<u>(662,075)</u>
		<u>\$ 5,776,084</u>	<u>\$ 24,992,902</u>

Caldwell East Urban Renewal Agency  
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund  
Balance  
Year Ended September 30, 2017

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/Expenses			
Urban renewal	\$ 3,092,008	\$ -	\$ 3,092,008
Capital outlay	3,579,106	(3,579,106)	-
Debt service			
Principal	2,450,662	(2,450,662)	-
Interest	633,677	(6,784)	626,893
Total expenditures/expenses	<u>9,755,453</u>	<u>(6,036,552)</u>	<u>3,718,901</u>
General Revenues			
Property taxes	7,336,137	136,416	7,472,553
Interest	26,437	47,819	74,256
Gain on sale of land	-	701,887	701,887
Miscellaneous	256,910	-	256,910
Total general revenues	<u>7,619,484</u>	<u>886,122</u>	<u>8,505,606</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,135,969)	6,922,674	4,786,705
Other Financing Sources			
Loan Proceeds	1,100,000	(1,100,000)	-
Proceeds from sale of land	2,036,988	(2,036,988)	-
Total other financing sources	<u>3,136,988</u>	<u>(3,136,988)</u>	<u>-</u>
Change in Total Fund Balance	<u>1,001,019</u>	<u>3,785,686</u>	<u>4,786,705</u>
Change in Net Position	-	-	4,786,705
Fund Balance/Net Position			
Beginning of Year	<u>8,937,034</u>	<u>(14,385,814)</u>	<u>(5,448,780)</u>
Fund Balance/Net Position, End of Year	<u>\$ 9,938,053</u>	<u>\$ (10,600,128)</u>	<u>\$ (662,075)</u>

## **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 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 government 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 fair market value on the date of the donation. 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, 2017, 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.

**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	\$ 9,938,053
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,776,084
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	368,247
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(16,697,340)
Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	<u>(47,119)</u>
Net position of governmental activities	<u><u>\$ (662,075)</u></u>

**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		\$ 1,001,019
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 (\$3,579,106) exceeded depreciation expense (\$0).		3,579,106
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.		(1,335,101)
Some property tax revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the funds.		136,416
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.		6,784
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	2,450,662	
Proceeds from issuance of long-term debt	(1,100,000)	
Amortization of bond premium	47,819	1,398,481
Change in net position		\$ 4,786,705

**Note 4 - Cash and Cash Equivalents**

	Cost	Fair Value
Cash - unrestricted	\$ 6,328,643	\$ 6,328,643
Certificates of Deposit	250,000	250,000
Local Government Investment Pool	110,048	110,048
Total cash equivalents - unrestricted	\$ 6,688,691	\$ 6,688,691
Cash equivalents - restricted		
Money Market Funds	\$ 3,513,910	\$ 3,513,910
Total cash equivalents - restricted	\$ 3,513,910	\$ 3,513,910

**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 Agency does not have any investments subject to interest rate risk at September 30, 2017.

**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, 2017, is \$6,578,643. This ledger balance includes \$500,000 of deposits insured by FDIC and \$6,078,643 uninsured and uncollateralized. Restricted cash equivalents total \$3,513,910, 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:

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Governmental activities				
Capital assets, not depreciated				
Land	\$ 3,532,079	\$ 1,617,252	\$ (1,335,101)	\$ 3,814,230
Construction in progress	-	1,961,854	-	1,961,854
Total capital assets, not depreciated	\$ 3,532,079	\$ 3,579,106	\$ (1,335,101)	\$ 5,776,084

**Note 7 - Long-Term Debt**

Long-term debt consisted of the following as of September 30, 2017:

Governmental activities

Revenue Bonds and Notes Payable

\$8,300,000 Urban Renewal Revenue Allocation Bonds Series 2006A due in annual installments through March 2023 of \$540,000 to \$720,000, interest from 4.00% to 5.00% due semi-annually, including unamortized bond premium of \$234,002. 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. \$ 4,054,002

\$8,000,000 Urban Renewal Revenue Allocation Bonds Series 2008 due in annual installments through September 2023 of \$565,000 to \$720,000; interest from 4.00% to 4.25% due semi-annually. 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. 3,915,000

\$8,500,000 Urban Renewal Revenue Allocation Bonds Series 2012 due in annual installments through September 2022 of \$1,012,000 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. 5,462,000

\$2,500,000 Urban Renewal Revenue Allocation Bonds Series 2016 due in annual installments through September 2022, in the amount of \$333,662; interest of 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. 2,166,338

\$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. 1,100,000

\$ 16,697,340

Caldwell East Urban Renewal Agency

Notes to Financial Statements

September 30, 2017

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 \$4,418,450, payable through March 2023. For the current year, principal and interest paid were:

\$ 736,200

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 \$4,507,472, payable through September 2023. For the current year, principal and interest paid were:

749,675

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 \$5,976,437, payable through September 2022. For the current year, principal and interest paid were:

1,195,964

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 \$2,399,138, 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 \$1,100,000 in notes payable issued in August, 2017 to finance the construction of the Indian Creek Plaza. The notes 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 note. Total principal and interest remaining on the note is \$1,210,000, payable through September 2021. For the current year, principal and interest paid were:

-

Total principal and interest paid in the current year

\$ 3,084,339

Total incremental tax revenues collected in the current year

\$ 7,336,137



The annual requirements to amortize all debt outstanding at September 30, 2017, are as follows:

	Governmental Activities	
	Principal	Interest
2018	\$ 2,791,691	\$ 611,278
2019	2,878,929	513,764
2020	2,974,547	407,272
2021	3,079,558	293,489
2022	3,298,613	173,757
2023	1,440,000	48,600
	16,463,338	<u>\$ 2,048,160</u>
Bond premium	234,002	
	<u>\$ 16,697,340</u>	

Total interest cost incurred during 2017 was \$633,677.

The following is a summary of changes in long-term debt of the Agency for the year ended September 30, 2017:

	Balance at October 1, 2016	Debt Issued	Debt Retired	Balance at September 30, 2017	Due Within One Year
Governmental activities					
Revenue Allocation Bonds 2006A	\$ 4,360,000	\$ -	\$ (540,000)	\$ 3,820,000	\$ 560,000
Revenue Allocation Bonds 2008	4,480,000	-	(565,000)	3,915,000	590,000
Revenue Allocation Bonds 2012	6,474,000	-	(1,012,000)	5,462,000	1,034,000
Revenue Allocation Bonds 2016	2,500,000	-	(333,662)	2,166,338	332,691
Note Payable - 2017	-	1,100,000	-	1,100,000	275,000
Bond Premium	281,821	-	(47,819)	234,002	-
Governmental activities long-term liabilities	<u>\$ 18,095,821</u>	<u>\$ 1,100,000</u>	<u>\$ (2,498,481)</u>	<u>\$ 16,697,340</u>	<u>\$ 2,791,691</u>

### Note 8 - Other Commitments

The agency passed two resolutions authorizing business incentive grant contributions up to \$112,500 in 2018 and \$25,000 in 2019.

**Note 9 - Related Party Transactions**

During 2017, the Agency reimbursed the City in the amount of \$1,584,687 (Demolition on Downtown Hotel Project, Canyon Hill Lateral Relocate Project, Smeed Realignment Project, Downtown Plaza, 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, 2017, the Agency owed the City \$331,791 for the Smeed Realignment Project and \$23,851 project related costs (Utilities, bid proposal and TVCC R&M).

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.

**Note 10 - Contribution to Caldwell School District Project Improvement**

The Agency assisted Caldwell School District with its Project Improvement by issuing \$2,500,000 in revenue bonds in 2016 to fund the construction. Construction on the Project completed in 2017.

**Note 11 - Subsequent Event**

As of the issuance of these financial statements, subsequent to September 30, 2017, the development agreement with the downtown Hotel Project was still pending.

The Agency transferred ownership of the Movie Theater property in November, 2017 to the developer, Casper Management Group.

**Note 12 - 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, 2017 as follows:

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated for the Agency</u>
Idaho Code 63-602NN Tax Exemption	\$ 7,788,413



Required Supplementary Information  
September 30, 2017

# Caldwell East Urban Renewal Agency

Caldwell East Urban Renewal Agency  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund  
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 6,819,048	\$ 6,819,048	\$ 7,336,137	\$ 517,089
Interest	10,000	10,000	26,437	16,437
Miscellaneous	200,000	200,000	256,910	56,910
Total revenues	<u>7,029,048</u>	<u>7,029,048</u>	<u>7,619,484</u>	<u>590,436</u>
<b>Expenditures</b>				
Current				
Urban Renewal Agency	7,318,816	7,318,816	3,092,008	4,226,808
Capital outlay	3,116,640	3,116,640	3,579,106	(462,466)
Debt service				
Principal	2,437,255	2,437,255	2,450,662	(13,407)
Interest	647,084	647,084	633,677	13,407
Total expenditures	<u>13,519,795</u>	<u>13,519,795</u>	<u>9,755,453</u>	<u>3,764,342</u>
<b>Deficiency of Revenues Under Expenditures</b>				
	<u>(6,490,747)</u>	<u>(6,490,747)</u>	<u>(2,135,969)</u>	<u>4,354,778</u>
<b>Other Financing Sources</b>				
Bond/Loan proceeds	3,000,000	3,000,000	1,100,000	(1,900,000)
Proceeds from sale of land	2,979,504	2,979,504	2,036,988	(942,516)
Total other financing sources	<u>5,979,504</u>	<u>5,979,504</u>	<u>3,136,988</u>	<u>(2,842,516)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (511,243)</u>	<u>\$ (511,243)</u>	1,001,019	<u>\$ 1,512,262</u>
Fund Balance, Beginning of Year			<u>8,937,034</u>	
Fund Balance, End of Year			<u>\$ 9,938,053</u>	

**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 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, 2017

# Caldwell East Urban Renewal Agency



**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, 2017, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements, and have issued our report thereon dated January 10, 2018.

**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.

**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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
January 10, 2018