



Financial Statements
September 30, 2014

Capital City Development Corporation

CAPITAL CITY DEVELOPMENT CORPORATION

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Independent Auditor's Report

To the Board of Commissioners
Capital City Development Corporation
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Capital City Development Corporation (the Agency), a component unit of Boise City, Idaho, as of and for the year ended September 30, 2014 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 an opinion 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 Agency'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 Agency'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 financial position of Capital City Development Corporation as of September 30, 2014, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Adoption of New Accounting Standard

As described in Note 1 to the financial statements, the Agency adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement resulted in the reclassification of items previously reported in assets as deferred charges and liabilities as deferred revenues. These items are now reported in deferred outflows of resources as deferred charges and deferred inflows of resources as unavailable revenues. As discussed in Note 13 to the financial statements, the Agency has retroactively restated the previously reported net position to account for bond issuance costs in accordance with this Statement. 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 management’s discussion and analysis and budgetary comparison information 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 December 30, 2014 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 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 internal control over financial reporting or on compliance. That reports 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
December 30, 2014

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

This section of Capital City Development Corporation's (The Agency's) annual financial report is provided by the management in accordance with GASB requirements to assist the reader in identifying and reviewing key issues and financial activity for the fiscal year ending September 30, 2014. Since this discussion and analysis focuses on the current fiscal year's activities and is a summary, the reader is encouraged to review the financial statements and notes which follow this section to gain a complete understanding of the Agency's finances.

Financial Highlights

- The Agency's total assets exceeded its liabilities at the close of the fiscal year 2014 by \$25,532,715. Of this total, \$14,399,834 is invested in capital assets (net of debt).
- At fiscal year close, the Agency's governmental funds reported a combined ending fund balance of \$24,280,639.
- During fiscal year 2014 the Agency's expenses were \$12,071,393 compared to the \$13,773,434 reported in 2013. The change was primarily due to decreased community development, capital outlay and related expenditures.
- Total revenues increased by \$197,219. The majority of the increase was a result of increased parking revenue.
- Interest and fees expense on long term debt in governmental activities decreased by \$289,875 compared with fiscal year 2013, consistent with the Agency's debt service schedule on outstanding bonds.
- The Agency's key revenues are parking revenues and revenue allocation district revenues (tax increment revenue). Parking revenues increased \$466,811, primarily due to increased parking activity and more effective parking revenue collection due to installation of new PARCS automated parking control equipment in 2014. Revenue allocation remained stable, increasing slightly, about 1.9% or \$171,055 in fiscal year 2014 as compared to the prior year.

Overview of the Financial Statements

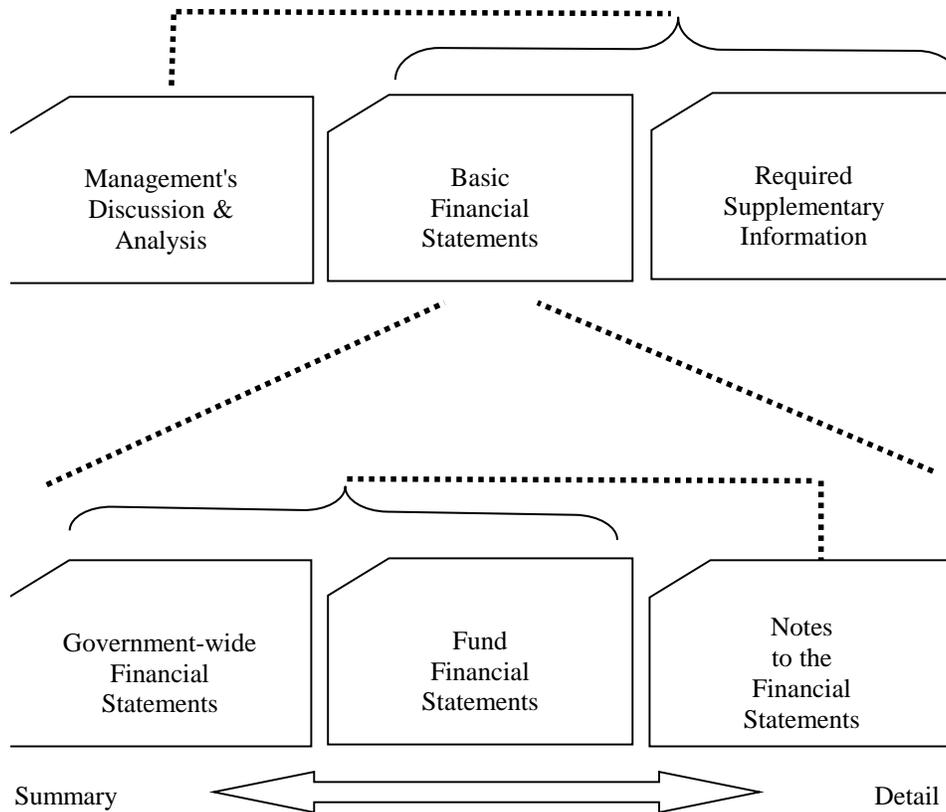
The format of this report allows the reader to examine combined financial statements to view the Agency as a whole (Agency-wide) as well as information on individual fund activities. This financial report consists of three parts: 1) Management Discussion and Analysis, 2) the Basic Financial Statements, and 3) Required Supplementary Information. Viewing governmental activity both as a whole and by individual major fund gives the reader a broader perspective, increases the Agency's accountability and provides a more complete picture of the financial health and activities of the Agency. The Basic Financial Statements include two kinds of statements that present different views of the Agency: Government-wide Financial Statements provide both long-term and short-term information about the Agency's overall financial status. Fund Financial Statements focus on individual parts of the Agency activities and report the Agency's operations in more detail than the Government-wide statements. The Governmental Funds statements show how general government services such as urban renewal and parking were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required Supplementary Information that further explains and supports the information in the financial statements.

**CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Figure A illustrates how the required parts of this annual report are arranged and relate to one another.

Required Components of CCDC Annual Financial Report



CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

In addition to these required elements, a section is included with the combined statements that provides details about the Agency’s non-major Governmental Funds, each of which are added together and presented in single columns in the Basic Financial Statements. Figure B identifies the presentation of the Agency’s financial statements as follows:

Major Features of CCDC’s Government-wide and Fund Financial Statements

| | Government-wide Statements | Governmental Funds |
|--------------------------------------|---|--|
| Scope | Entire Agency government (except fiduciary funds) and Agency’s component units | The activities of the Agency that are not proprietary such as urban renewal |
| Required financial statements | Statements of: Net Position Activities | Balance sheet Statement of revenues, expenditures and changes in fund balances |
| Accounting basis/ measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/ liability information | All assets and liabilities, both financial and capital and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received payment is due during the year or soon thereafter |

The remainder of this overview section of Management’s Discussion and Analysis explains the structure and content of each of the statements.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

Government-Wide Financial Statements

Government-wide financial statements for the Agency are designed to parallel more closely the reporting used in private-sector businesses, in that all governmental activities are reported using the same basis of accounting (accrual), and that the statements include a total column to provide information on the Agency as a whole. These statements are designed to better portray the fiscal position of the Agency relative to the prior year.

The Statement of Net Position provides information on all of the Agency's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. Historical trending of the net position can provide a useful indicator as to whether the financial position of the Agency is improving or declining. The Agency's principal physical assets are land and parking structures.

The Statement of Activities provides information showing changes made to the Agency's net position during fiscal year 2014. Financial activity shown on this statement is reported on an accrual basis (at the time the underlying event causing the change occurs, rather than at the time the cash flows happen). Thus revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. All of the year's revenues and expenses are accounted for in the Statement of Activities. The Agency's principal activities relate to planning and facilitation of quality private development, public infrastructure improvements, operation of the downtown parking system, and issuance of debt financing for larger strategic projects. The Agency's program operation, urban renewal activities and parking system operation are included in the governmental activities. The individual district activities are tracked separately and combined for reporting purposes.

Fund Financial Statements

The focus of the Fund Financial Statements is to provide more detailed information about the Agency's major funds rather than the previous focus on fund types or on the Agency as a whole. A fund is a self-balancing set of accounts that is used to keep track of specific revenues and expenditures related to certain activities or objectives. Some funds are required by State law and some stipulated by bond policies. Operational funds are established by the Board of Commissioners for appropriations and management purposes. All of the Agency's funds are Governmental funds.

Governmental funds use modified accrual accounting, which measures current economic resources and focuses on changes to the current financial resources. This method is useful in evaluating the Agency's short-term financial resources. Supplemental information following some of the included statements further addresses long-term issues and variances with the Government-wide statements. The Agency maintains seven Governmental funds: Debt Service Fund (Ada County Courthouse Lease Agreement), Central District Revenue Allocation Fund (urban renewal activities), River-Myrtle District Revenue Allocation Fund (urban renewal activities), Westside District Revenue Allocation Fund (urban renewal activities), 30th Street District Revenue Allocation Fund (urban renewal activities), Parking Fund (parking system activities), and the General Fund.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Agency-Wide Financial Analysis

Table 1 reflects the condensed fiscal year 2014 and fiscal year 2013 Statement of Net Position. Increases or decreases in Net Position value may vary significantly with variations in debt service payments, the timing of large public improvement projects; or the purchase or sale of land, buildings, and parking facilities. The Agency's combined Net Position increased \$4,642,191 compared to fiscal year 2013. The increase is the result of planned capital projects deferred to future budget years.

The prior year data is presented for comparison purposes and has been restated to conform to the implementation of GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65).

Table 1
Statement of Net Position
As of September 30, 2013 and 2014

| | <u>2013</u> | <u>2014</u> | <u>Percentage Change 2013-2014</u> |
|--------------------------------|----------------------|----------------------|--|
| Current & Other Assets | \$ 72,750,356 | \$ 73,699,574 | 1.3% |
| Capital Assets | 22,203,369 | 22,289,241 | 0.4% |
| Total Assets | 94,953,725 | 95,988,815 | 1.1% |
| Deferred Outflows of Resources | 211,305 | 148,040 | (29.9%) |
| Long-term Debt Outstanding | 61,990,000 | 56,015,000 | (9.6%) |
| Other Liabilities | 3,571,514 | 3,569,686 | (0.1%) |
| Total Liabilities | 65,561,514 | 59,584,686 | (9.1%) |
| Deferred Inflows of Resources | 8,712,992 | 11,019,454 | 26.5% |
| Net Position | | | |
| Net Investment in | | | |
| Capital Assets | 12,650,179 | 14,399,834 | 13.8% |
| Restricted & Unrestricted | 8,240,345 | 11,132,881 | 35.1% |
| Total Net Position | \$ 20,890,524 | \$ 25,532,715 | 22.2% |

Total assets increased \$1,035,090. The increase in total assets is attributable to increased cash and investments in the River Myrtle District RA fund.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

Approximately 56% of the Agency's net position is invested in capital assets (i.e. land, buildings, equipment, parking facilities, and other) with the balance remaining in other net position to provide for ongoing obligations and subsequent year activities.

Table 2 provides a summary of the Agency's operation for the fiscal year ended September 30, 2014. Prior year data is presented for comparison purposes and has been restated to conform to GASB 65.

Table 2
Statement of Activities
For Years Ended September 30, 2013 and 2014

| | 2013 | 2014 | Percentage Change 2013-2014 |
|----------------------------------|----------------------|----------------------|--|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 2,072,269 | \$ 2,037,729 | (1.7%) |
| Operating Grants & Contributions | 989,797 | 580,212 | (41.4%) |
| Parking | 4,448,882 | 4,915,693 | 10.5% |
| Total Program Revenue | 7,510,948 | 7,533,634 | 0.3% |
| General Revenue | | | |
| Property Tax Increment | 9,000,276 | 9,171,331 | 1.9% |
| Unrestricted Investment | | | |
| Earnings | 5,140 | 8,619 | 67.7% |
| Total Revenues | 16,516,364 | 16,713,584 | 1.2% |
| Expenses | | | |
| Program Expenses | | | |
| Community Development | 6,660,296 | 5,540,887 | (16.8%) |
| Interest on Long-Term Debt | 3,366,322 | 3,076,447 | (8.6%) |
| Parking Facilities | 3,746,816 | 3,454,059 | (7.8%) |
| Total Program Expenses | 13,773,434 | 12,071,393 | (12.4%) |
| Increase in Net Position | 2,742,930 | 4,642,191 | |
| Net Position - Beginning | 18,147,594 | 20,890,524 | 15.1% |
| Net Position - Ending | \$ 20,890,524 | \$ 25,532,715 | 22.2% |

Revenues: *Charges for Services* include lease revenues from the Ada County Corridor Project. *Operating Grants & Contributions* include access fees and reimbursements. *Parking* revenues include proceeds generated from operating the parking garages. *General Revenues* include earnings on investments. Overall, total Agency revenues increased \$197,219 compared with the prior year. Additionally, tax increment revenues increased \$171,055 compared to fiscal year 2013, reflecting improving economic conditions and higher property values.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

Expenses: *Community Development* includes the general expenses of the Agency related to fulfilling its mission. *Interest on Long-Term Debt* includes the interest portion of payments related to long-term financing arrangements. *Parking Facilities* includes the cost of operating the parking system. Overall, total Agency expenses in fiscal year 2014 decreased \$1,702,042. The change in expenses was primarily due to planned capital projects being deferred to future budget years.

Budgetary Highlights

The fiscal year 2014 budget was amended once during the year. The budget was increased for amounts related to the timing of capital improvement projects that were continued into the next fiscal year.

Capital Assets

Tables 3 and 4 present the Agency's Capital Assets. The Agency's did not have major Capital Asset activity during the fiscal year. The change in Capital Assets was primarily attributable to depreciation.

Table 3
 Capital Assets Net of Depreciation

| | 2013 | 2014 | Total Percentage Change |
|---------------------------------------|----------------------|----------------------|--|
| Land | \$ 3,943,660 | \$ 3,943,660 | 0.0% |
| Construction in Progress | 470,821 | 1,189,513 | 152.6% |
| Buildings, Improvements and Equipment | 17,788,888 | 17,156,068 | (3.6%) |
| Total Assets | \$ 22,203,369 | \$ 22,289,241 | 0.4% |

Table 4
 Major Capital Additions during Fiscal 2014

| | |
|--------------------------------|----------------------|
| Beginning Balance | \$ 22,203,369 |
| Capital Additions | |
| Construction in Progress | 718,692 |
| Equipment | 51,541 |
| Total Capital Additions | 770,233 |
| Current Year Depreciation | (684,361) |
| Ending Balance | \$ 22,289,241 |

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

Debt Amortization

Table 5 summarizes the principal amounts of the Agency's Long Term Debt (See also Note 7 – Long Term Debt). The changes in Long Term Debt represent the scheduled principal payments on that debt.

Table 5
Long-Term Debt

| Activity | Type | Total Dollar Change | | |
|-----------------|------|----------------------|----------------------|-----------------------|
| | | 2013 | 2014 | 2013-2014 |
| 2005 Series | Bond | \$ 38,680,000 | \$ 35,350,000 | \$ (3,330,000) |
| 2010 A-1 Series | Bond | 2,290,000 | 1,160,000 | (1,130,000) |
| 2010 B-1 | Bond | 7,250,000 | 6,720,000 | (530,000) |
| 2010 C | Note | 2,135,000 | 1,980,000 | (155,000) |
| 2011 B | Note | 11,635,000 | 10,805,000 | (830,000) |
| Total | | \$ 61,990,000 | \$ 56,015,000 | \$ (5,975,000) |

Economic Factors

Lingering effects of the 2008 Great Recession have all but disappeared in downtown Boise. Stabilized, upward-trending property values coupled with slight declines in levy rates have resulted in a modest overall increase in property tax increment revenue for fiscal year 2014. The Agency is experiencing strong, renewed interest in downtown development across multiple use types. Major construction projects were completed in fiscal year 2014 in the Central District (8th & Main building), River Myrtle – Old Boise District (Trader Joes and associated development) and Westside District (renovation of the historic Owyhee Hotel). Major new projects that are scheduled for completion in 2016 are currently under construction in Central District (City Center Plaza and associated underground Multi-Modal Center with a convention center expansion component expected to begin in fiscal year 2015) and Westside District (JUMP, aka Jack's Urban Meeting Place). Progress is being made on a number of additional major developments proposals. Addressing concomitant parking demand via structure parking is an important part of several of the projects. The Agency remains conservative, optimistic and engaged.

Further Information Available

This financial report is designed to provide the Agency's citizens, customers, investors and creditors with a general overview of its finances. Contact the Agency at: Capital City Development Corporation, 121 N. 9th Street, Suite 501, Boise, ID 83702, 208-384-4264 (Telephone), 208-384-4267 (Fax), www.ccdcboise.com (Website) with questions about this report or for additional information.

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
YEAR ENDED SEPTEMBER 30, 2014

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 18,374,830 |
| Receivables | |
| Accounts receivable | 101,750 |
| Interest receivable | 216,901 |
| Taxes receivable | 11,019,454 |
| Due from other governmental units | 35,350,000 |
| Prepays and deposits | 201,107 |
| Restricted cash | 3,101,295 |
| Investment in partnership | 130,000 |
| Investment in property held for resale or development | 4,020,646 |
| Prepaid interest on bonds | 1,183,591 |
| Capital assets | |
| Land, non-depreciable | 3,943,660 |
| Construction in progress, non-depreciable | 1,189,513 |
| Buildings, improvements, and equipment, net of accumulated depreciation | 17,156,068 |
| | <u>95,988,815</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charge on debt refunding | 148,040 |
| LIABILITIES | |
| Accounts payable | 1,508,245 |
| Accrued liabilities | 121,237 |
| Interest payable | 292,948 |
| Capital lease payable | 9,407 |
| Refundable deposits | 15,325 |
| Premium on bond issuance, net of accumulated amortization | 734,967 |
| Advanced lease payments | 887,557 |
| Long-term debt | |
| Current portion | 6,325,000 |
| Long-term | 49,690,000 |
| Total liabilities | <u>59,584,686</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable - property tax | 11,019,454 |
| NET POSITION | |
| Net investment in capital assets | 14,399,834 |
| Restricted | 10,298,445 |
| Unrestricted | 834,436 |
| | <u>\$ 25,532,715</u> |

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|-----------------------------|-----------------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities | | | | |
| Community development | \$ 5,540,887 | \$ 2,037,729 | \$ 580,213 | \$ - |
| Interest on long-term debt | 3,076,447 | - | - | - |
| Parking facilities | 3,454,059 | 4,915,693 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 12,071,393</u> | <u>\$ 6,953,422</u> | <u>\$ 580,213</u> | <u>\$ -</u> |

General revenues:

Property tax increment for general purposes

Unrestricted investment earnings

Total general revenues and transfers

Change in net position

Net position, beginning of year, as restated

Net position, end of year

| Net (Expense) Revenue and Changes in Net Position | |
|--|-------------|
| Governmental Activities | |
| \$ | (2,922,945) |
| | (3,076,447) |
| | 1,461,634 |
| | (4,537,758) |
| | 9,171,331 |
| | 8,618 |
| | 9,179,949 |
| | 4,642,191 |
| | 20,890,524 |
| \$ | 25,532,715 |

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

| | General Fund | Debt Service Fund | Central District RA Fund | River Myrtle District RA Fund |
|--|---------------------|-------------------------|-----------------------------|-------------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 1,000,000 | \$ - | \$ 2,599,512 | \$ 5,553,272 |
| Accounts receivable | 14,126 | - | 44,146 | 13,964 |
| Interest receivable | 318 | - | - | - |
| Taxes receivable | - | - | 3,813,602 | 5,137,635 |
| Due from other governmental units | - | 35,350,000 | - | - |
| Prepays | 507 | - | 200,000 | - |
| Restricted cash | - | - | - | 351,626 |
| Investment in partnership | - | - | - | 130,000 |
| Investment in property held for resale or development | - | - | - | 2,982,287 |
| | <u>\$ 1,014,951</u> | <u>\$ 35,350,000</u> | <u>\$ 6,657,260</u> | <u>\$ 14,168,784</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 30,769 | \$ - | \$ 212,189 | \$ 197,337 |
| Accrued liabilities | 121,237 | - | - | - |
| Refundable deposits | - | - | - | 15,325 |
| Total liabilities | 152,006 | - | 212,189 | 212,662 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable - capital lease | - | 35,350,000 | - | - |
| Unavailable- property tax | - | - | 3,813,602 | 5,137,635 |
| Total deferred inflows | - | 35,350,000 | 3,813,602 | 5,137,635 |
| FUND BALANCES | | | | |
| Nonspendable | 507 | - | - | 2,982,287 |
| Restricted | 28,002 | - | 2,631,469 | 5,836,200 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | 834,436 | - | - | - |
| Total fund balances | <u>862,945</u> | <u>-</u> | <u>2,631,469</u> | <u>8,818,487</u> |
| | <u>\$ 1,014,951</u> | <u>\$ 35,350,000</u> | <u>\$ 6,657,260</u> | <u>\$ 14,168,784</u> |

| Westside District RA Fund | 30th Street District RA Fund | Parking Fund | Total Governmental Funds |
|---------------------------------|------------------------------------|---------------------|--------------------------------|
| \$ 4,684,002 | \$ 126,238 | \$ 4,411,806 | \$ 18,374,830 |
| 375 | - | 29,139 | 101,750 |
| - | - | - | 318 |
| 1,922,831 | 145,386 | - | 11,019,454 |
| - | - | - | 35,350,000 |
| - | 600 | - | 201,107 |
| - | - | 2,749,669 | 3,101,295 |
| - | - | - | 130,000 |
| <u>1,038,359</u> | <u>-</u> | <u>-</u> | <u>4,020,646</u> |
| <u>\$ 7,645,567</u> | <u>\$ 272,224</u> | <u>\$ 7,190,614</u> | <u>\$ 72,299,400</u> |
| | | | |
| \$ 780,791 | \$ - | \$ 287,159 | \$ 1,508,245 |
| - | - | - | 121,237 |
| - | - | - | 15,325 |
| <u>780,791</u> | <u>-</u> | <u>287,159</u> | <u>1,644,807</u> |
| - | - | 4,500 | 35,354,500 |
| <u>1,922,831</u> | <u>145,386</u> | <u>-</u> | <u>11,019,454</u> |
| 1,922,831 | 145,386 | 4,500 | 46,373,954 |
| 1,038,359 | - | - | 4,021,153 |
| 3,903,586 | - | 2,249,665 | 14,648,922 |
| - | - | 500,000 | 500,000 |
| - | 126,838 | 4,149,290 | 4,276,128 |
| - | - | - | 834,436 |
| <u>4,941,945</u> | <u>126,838</u> | <u>6,898,955</u> | <u>24,280,639</u> |
| <u>\$ 7,645,567</u> | <u>\$ 272,224</u> | <u>\$ 7,190,614</u> | <u>\$ 72,299,400</u> |

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET POSITION TO THE FUND
BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2014

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

| | | |
|--------------------|--|---------------|
| Total fund balance | | \$ 24,280,639 |
|--------------------|--|---------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

| | | |
|--|---------------------|------------|
| Cost of land | 3,943,660 | |
| Cost of construction in progress | 1,189,513 | |
| Cost of buildings, improvements, equipment and artwork | 30,080,830 | |
| Accumulated depreciation | <u>(12,924,762)</u> | 22,289,241 |

Future payments for which the underlying transaction has occurred are recorded as revenue on the Statement of Activities, but are not available soon enough to pay current year expenditures and therefore are unavailable in the Governmental Fund Statements.

| | | |
|----------------------------------|----------------|------------|
| Notes receivable from Ada County | 35,350,000 | |
| Interest receivable | <u>216,583</u> | 35,566,583 |

Capital leases are recorded on the liabilities on the Statement of Net Position, but are recorded as expenses as cash payments are made on the Governmental Fund Statements.

(9,407)

Interest is expensed when paid on the Statement of Revenues, Expenditures and Changes in Fund Balances but is accrued as a payable on the Statement of Net Position.

(76,365)

Proceeds from the cinema parking validation agreement were recorded as revenue when received and available on the governmental fund statements however amortized over the life of the agreement as advanced lease payments on the Statement of Activities

| | | |
|-----------------------------|----------------|-----------|
| Theatre validation proceeds | (1,741,920) | |
| Revenue amortized to date | <u>858,863</u> | (883,057) |

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET POSITION TO THE FUND
BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2014

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.

Balances at September 30, 2014 are:

| | | |
|--|--------------------|---------|
| Premium on bonds issued | (3,341,573) | |
| Amortization of bond premium to date | 2,606,606 | |
| Prepaid interest | 5,381,267 | |
| Amortization of prepaid interest to date | <u>(4,197,676)</u> | 448,624 |

Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.

| | | |
|---------------------------|------------------|--------------|
| Bonds payable - current | (6,325,000) | |
| Bonds payable - long-term | (49,690,000) | |
| Accrued interest | <u>(216,583)</u> | (56,231,583) |

Deferred charge on debt refunding

| | | |
|--|---------------|----------------|
| Deferred economic loss on 2010 A Bonds | 12,119 | |
| Deferred economic loss on 2010 B Bonds | 62,157 | |
| Deferred economic loss on 2010 C Bonds | <u>73,764</u> | <u>148,040</u> |

Net position for governmental activities

\$ 25,532,715

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

| | General Fund | Debt Service Fund | Central District RA Fund | River Myrtle District RA Fund |
|--|--------------------|-------------------------|-----------------------------|-------------------------------------|
| REVENUES | | | | |
| Lease | \$ - | \$ 5,234,238 | \$ 4,550 | \$ - |
| Interest | 4,154 | - | 576 | 1,787 |
| Other | 86,612 | - | 114,550 | 374,242 |
| Parking | - | - | 10,834 | - |
| Revenue allocation funds | - | - | 2,851,537 | 4,773,173 |
| Total revenues | 90,766 | 5,234,238 | 2,982,047 | 5,149,202 |
| EXPENDITURES | | | | |
| Administrative expenses | 1,531,482 | - | - | - |
| Operating expenses | 456,595 | 2,100 | 268,605 | 110,309 |
| Capital outlay and related expenses | 30,248 | - | 551,652 | 1,456,510 |
| Debt service - principal | - | 3,330,000 | - | 249,100 |
| Debt service - interest | - | 1,904,238 | - | 144,819 |
| Total expenditures | 2,018,325 | 5,236,338 | 820,257 | 1,960,738 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,927,559) | (2,100) | 2,161,790 | 3,188,464 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers | 1,988,802 | 2,100 | (1,927,968) | (1,284,527) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,988,802 | 2,100 | (1,927,968) | (1,284,527) |
| NET CHANGE IN FUND BALANCES | 61,243 | - | 233,822 | 1,903,937 |
| FUND BALANCES, BEGINNING OF YEAR | 801,702 | - | 2,397,647 | 6,914,550 |
| FUND BALANCES, END OF YEAR | \$ 862,945 | \$ - | \$ 2,631,469 | \$ 8,818,487 |

| Westside District RA Fund | 30th District RA Fund | Parking Fund | Total Governmental Funds |
|---------------------------------|-----------------------------|---------------------|--------------------------------|
| \$ - | \$ - | \$ 139,554 | \$ 5,378,342 |
| 692 | - | 1,409 | 8,618 |
| 4,650 | - | 159 | 580,213 |
| - | - | 4,770,533 | 4,781,367 |
| <u>1,508,757</u> | <u>37,864</u> | <u>-</u> | <u>9,171,331</u> |
| <u>1,514,099</u> | <u>37,864</u> | <u>4,911,655</u> | <u>19,919,871</u> |
| - | - | - | 1,531,482 |
| 33,425 | 43,624 | 2,327,842 | 3,242,500 |
| 1,030,072 | 30,049 | 1,212,089 | 4,310,620 |
| - | - | 2,395,900 | 5,975,000 |
| - | - | 871,910 | 2,920,967 |
| <u>1,063,497</u> | <u>73,673</u> | <u>6,807,741</u> | <u>17,980,569</u> |
| <u>450,602</u> | <u>(35,809)</u> | <u>(1,896,086)</u> | <u>1,939,302</u> |
| <u>(312,032)</u> | <u>162,647</u> | <u>1,370,978</u> | <u>-</u> |
| <u>(312,032)</u> | <u>162,647</u> | <u>1,370,978</u> | <u>-</u> |
| 138,570 | 126,838 | (525,108) | 1,939,302 |
| <u>4,803,375</u> | <u>-</u> | <u>7,424,063</u> | <u>22,341,337</u> |
| <u>\$ 4,941,945</u> | <u>\$ 126,838</u> | <u>\$ 6,898,955</u> | <u>\$ 24,280,639</u> |

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Amounts reported for *governmental activities* in the Statement of Activities are different because:

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 1,939,302 |
|--|----|-----------|

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|----------------|-----------|--------|
| Capital outlay | 770,233 | |
| Depreciation | (684,361) | 85,872 |

| | | |
|---|--|-------------|
| Principal repaid on notes receivable are recorded as revenue in the governmental funds, but are recorded as a reduction of the note in the Statement of Net Position. | | (3,351,447) |
|---|--|-------------|

| | | |
|--|--|-------|
| Capital leases are recorded as liabilities on the Statement of Net Position, but are recorded as expenses as cash payments are made on the Governmental Fund Statements. | | 3,784 |
|--|--|-------|

| | | |
|--|--|---------|
| Proceeds from the prepaid theatre validations were recorded as revenue when received on the Governmental Fund Statements but amortized over the life of the theatre validation agreement for the Statement of Activities and recorded as unavailable revenue on the Statement of Net Position. | | 145,160 |
|--|--|---------|

| | | |
|---|----------|----------|
| Amortize deferred economic gain (loss) on refunded debt | | |
| Current year loss - 2010 A Refunding | (38,709) | |
| Current year loss - 2010 B Refunding | (11,436) | |
| Current year loss - 2010 C Refunding | (13,120) | (63,265) |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction of long-term liabilities in the statement of net position. In addition, interest expense is not recognized in the governmental funds until it is due, but is recognized when payable in the Statement of Activities.

| | | |
|---------------------------------------|-----------|-----------|
| Payment of long-term debt | 5,975,000 | |
| Amortization of 2005 premium | 199,908 | |
| Amortization of 2005 prepaid interest | (321,932) | |
| Interest expense | 29,809 | 5,882,785 |

| | | |
|--|----|------------------|
| Changes in net position of governmental activities | \$ | <u>4,642,191</u> |
|--|----|------------------|

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Capital City Development Corporation (the Agency) is an urban renewal agency created by and existing under the Idaho Urban Renewal Law of 1965, as amended, and is an independent public body, corporate and politic. The Agency provides urban renewal services to Boise City, Idaho (the City) and its citizens. The commissioners are appointed by the Mayor and approved by City Council. These statements present only the funds and account groups of the Agency and are not intended to present the financial position and results of operations of the City in conformity with generally accepted accounting principles.

The Agency is a component unit of Boise City and its financial activities are discretely presented in the City's basic financial statements.

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 who purchase, use, or directly benefit from goods, service 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. Other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

The Agency reports the following major governmental funds:

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. This fund currently accounts for the activities related to the Ada County Courthouse Corridor project debt service.

Central District Revenue Allocation Fund – The Central District accounts for the revenues derived from the revenue allocation area within the Central District and was established as a funding mechanism to provide public infrastructure improvements. The revenues are first pledged to repay the Series 2010 A-1 and 2010 A-2 Refunding Redevelopment Bonds. Any excess revenues may be expended in accordance with the provisions of the Revenue Allocation Law.

River Myrtle Revenue Allocation Fund – The River Myrtle District accounts for the revenues derived from the revenue allocation area within the River Myrtle District and was established as a funding mechanism to provide public infrastructure improvements. The revenues are first pledged to repay the Series 2010 B-1 and 2010 B-2 Refunding Redevelopment Bonds, the 2010 C Revenue Refunding Note and the 2011 B Revenue Refunding Note. Revenues may only be expended in accordance with the provisions of the Revenue Allocation Law.

Westside Revenue Allocation Fund – The Westside District accounts for the revenues derived from the revenue allocation area within the Westside District and was established as a funding mechanism to provide public infrastructure improvements. Revenues may only be expended in accordance with the provisions of the Revenue Allocation Law.

30th Street Revenue Allocation Fund - The 30th Street District accounts for the revenues derived from the revenue allocation area within the 30th Street District and was established as a funding mechanism to provide public infrastructure improvements. Revenues may only be expended in accordance with the provisions of the Revenue Allocation Law.

Parking Fund – This fund includes the parking activities of the Agency at the following parking facilities: Boulevard garage, Capitol Terrace garage, City Centre garage, Eastman garage, Grove Street garage and Myrtle Street garage. The revenues of the Parking Fund are pledged to support the operations of the Fund and the repayment of the Series 2010 A, 2010 B, 2010 C and 2011 B debt. Net parking revenues are otherwise unrestricted and are used for parking system operations and maintenance and are also available for general Agency use.

General Fund – This fund includes the personnel costs for Agency staff, general office operations as well as downtown-wide activities and program delivery.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include: 1) charges for services, or privileges provided, 2) operating grants and contributions (which includes revenue allocation funds), and 3) capital grants and contributions (which includes reimbursement from Ada County for the courthouse construction). Internally dedicated resources are reported as general revenues rather than as program revenues. When applying revenues to a program for which unrestricted and restricted revenues are used, restricted revenues are applied first.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Cash and Investments

Cash represents all cash on hand and in banks. Investments with original maturities of three months or less from the date of acquisition are also considered cash.

Investments

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The Agency policy allows for investment of idle funds consistent with the Idaho State Code 50-1013.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at amortized cost.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Agency limits its investments to institutions that are registered with the State of Idaho Department of Finance that adhere to the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). Non-bank broker/dealer firms and individuals doing business with the Agency must be registered with the National Association of Securities Dealers.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's or Fitch's. The Agency's policy does not restrict them to rated investments. As of September 30, 2014, none of the investments of the Agency were rated.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 sixty 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. Ada County bills and collects taxes for the Agency.

The Agency earned property taxes during the year in the amounts of \$2,851,537, \$4,773,173, \$1,508,757 and \$37,864 from Central District, River Myrtle Old Boise District, and Westside District, and 30th Street District, respectively.

Accounts Receivable

The Agency provides credit based on contractual agreements in the normal course of business. An allowance for doubtful accounts is based on management's review of the outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are past due based on the terms of the contracts and interest is charged on overdue receivables on a case-by-case basis as allowed by the contracts. Based on management's review of accounts receivable, no allowance was deemed necessary as of September 30, 2014.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Depreciation is computed using the straight-line method, over the estimated useful lives of the assets as follows:

| | <u>Estimated Useful Life (Years)</u> |
|------------------------------|--|
| Buildings | 30 - 45 |
| Improvements | 10 - 45 |
| Parking equipment | 7 |
| Office furniture & equipment | 3 - 10 |

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Investment in Property Held for Resale or Development

Property held for resale or development includes several properties in the River Myrtle and Westside Districts.

Property held for resale or development is reflected in the accompanying balance sheet. In furtherance of the Agency's purpose of redevelopment of downtown Boise, these properties may be disposed of for consideration that is substantially less than carrying value.

Deferred Outflows/Inflows of Resources and Unavailable Revenue

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds and government wide balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

The Agency established accounting policies related to GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement redefines the elements of fund balance in governmental funds and more clearly describes the different types of governmental funds to make the nature and extent of the constraints placed on a government's fund balance more transparent. The governmental fund types classify fund balances as follows:

Fund balance is reported as nonspendable when the resources cannot be spent because they are either legally or contractually required to be maintained intact, or are in a nonspendable form such as inventories, prepaid accounts, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments: or (b) imposed by law through constitutional provisions or enabling legislation.

Fund Balance is reported as committed when the Agency Board of Commissioners passes an ordinance or resolution that places specific constraints on how the resources may be used. The Board of Commissioners can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution, respectively.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Fund Balance is reported as assigned when it is intended for a specific purpose and the authority to “assign” is delegated to the Agency’s Executive Director.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

The Board of Commissioners adopted a Fund Balance Policy that recommends a spending order of restricted, committed, assigned and then unassigned unless the Board approves otherwise.

Per the guidance in the policy, the Board established that an emergency repair reserve in the minimum amount of \$500,000 shall be on hand as of September 30th of each fiscal year in the Parking fund. Funds within this reserve may be used intra-fiscal year for unforeseen, non-routine repair and maintenance expenditures in the garages when failure to do such repair and maintenance could adversely affect life safety or the ability to operate the garage(s) normally in the immediate future. The Board will evaluate the emergency repair reserve amount as part of each fiscal year’s budget process and may amend the amount by resolution as it deems appropriate. The balance in the Parking Emergency Repair Reserve fund as of September 30, 2014 was \$500,000.

The Board further determined that it may be appropriate to set aside funds apart from working capital for a future project or initiative pursuant generally to the budget and related documents such as the capital investment plan and parking reinvestment program. The Board delegated its authority to assign funds in this manner to the Executive Director. As of September 30, 2014, \$4,149,290 and \$126,838 was assigned in the Parking fund and 30th Street District Fund, respectively, for parking reinvestment projects and commitments budgeted in fiscal 2015. Assigned funds in the 30th Street District were a result of a cash transfer from parking revenue to help stimulate the new district.

Estimates

The preparation of the Agency's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the report relate to the estimated allowance for doubtful accounts for certain accounts receivable. It is reasonably possible that the significant estimates used will change within the next year.

Impact of Recently Issued Accounting Principles

During 2014, the Agency implemented GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures. See Note 13 for the effect of the implementation GASB 65 had on the Agency’s financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement of the Agency’s financial statements.

NOTE 2 – INVESTMENTS

Funds in the Local Government Investment Pool are invested in accordance with Section 67-1210 and Section 67-1210a of the Idaho code with safety of principal as the foremost objective of the investment program. The funds are collateralized by securities but are not insured. The LGIP was unrated as of September 30, 2014.

Interest Rate Risk

Interest rate risk is the risk a government may face should interest rate variances affect the fair value of investments. The Agency’s policy does not limit the maturities of their investments. As of September 30, 2014, the Agency had the following investments subject to interest rate risk.

| Investment Type | Fair Value | Investment Maturities (in years) | | Credit Rating |
|-----------------|--------------|----------------------------------|------|---------------|
| | | Less than one | 1-5 | |
| LGIP | \$ 3,010,267 | \$ 3,010,267 | \$ - | n/a |

Concentration of Credit Risk

Per GASB Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Agency’s policy is to avoid concentration in securities from a specific issuer or business sector other than U.S. Securities. However, the policy does not specifically limit the concentration in any single issuer. No single issuer exceeded 5% of the total investments.

At year end, the carrying amount of the Agency’s deposits was \$18,465,858 and the bank balance was \$18,611,739. The bank balance of \$250,000 was covered by federal depository insurance; in addition Federal Home Loan Bank of Cincinnati issued a letter of credit that would allow the Agency to draw up to \$22,800,000 or the amount of the deposit balance, in the event of bank default. All cash is held in national financial institutions located in Ada County.

Investment in Partnership

The Agency has made both cash and non-cash contributions to River Plaza Limited Partnership (the Partnership) in exchange for an ownership interest as the special limited partner. The Partnership owns an apartment complex. The Agency has recorded the investment on the cost basis of \$130,000. In accordance with the partnership agreement, there are no gains or losses allocated to the Agency. If the assets of the Partnership are sold or liquidated, the Agency is entitled to a 36.8% interest in the residual distribution upon sale or refinancing. There are no plans for sale or refinancing.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3 – RESTRICTED ASSETS

The Agency has four revenue allocation funds, one for each of its four revenue allocation districts. Title 50, Chapter 20 of the Idaho code delineates the purposes for which revenue allocation funds may be spent by urban renewal agencies, along with the purposes set forth in the Agency’s several urban renewal plans. Since the use of funds is proscribed in statute, the fund balance of the revenue allocation funds is considered restricted under the definitions provided in GASB Statement 54. Therefore, fund balance in its entirety is reported as restricted on the fund financial statements. Restricted fund balance as of September 30, 2014 for Central, River Myrtle and Westside is \$2,631,469, \$5,836,200 and \$3,903,586, respectively. The restricted balance in the Parking fund is \$2,249,665 and is restricted for reserves on the outstanding bonds. The restricted balance in the General Fund is \$28,002 and is restricted for a grant designated for a specific purpose.

Restricted assets are held by the Agency’s agent in the Agency’s name. Investments are generally held until maturity. The bond resolutions limit investments to certain types of securities which meet defined standards.

NOTE 4 – INTERFUND TRANSFERS

Interfund transfers are made for two primary purposes. Transfers are made as a method of allocating the cost of program operations to their respective funds. Transfers are also made from the revenue allocation funds to the parking fund to cover the debt service payments on the bonds.

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other agencies and units of government are as follows:

| | |
|--------------------------|---------------|
| Ada County capital lease | \$ 35,350,000 |
|--------------------------|---------------|

The following represents the minimum future payments on the capital lease from Ada County:

| | |
|------------|-------------------|
| 2015 | \$ 5,312,662 |
| 2016 | 5,472,150 |
| 2017 | 5,636,550 |
| 2018 | 5,802,300 |
| 2019 | 5,549,050 |
| Thereafter | 15,542,650 |
| | <u>43,315,362</u> |

| | |
|-----------------------------------|--------------------|
| Less amount representing interest | <u>(7,965,362)</u> |
|-----------------------------------|--------------------|

| | |
|--|-----------------------------|
| | <u><u>\$ 35,350,000</u></u> |
|--|-----------------------------|

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

| | September 30, 2013 | Additions | Deletions | September 30, 2014 |
|--|-----------------------|------------------|------------------|-----------------------|
| Governmental Activities | | | | |
| <i>Capital assets, not depreciated</i> | | | | |
| Land | \$ 3,943,660 | \$ - | \$ - | \$ 3,943,660 |
| Construction in progress | 470,821 | 718,692 | - | 1,189,513 |
| Artwork | - | 5,000 | - | 5,000 |
| | <u>4,414,481</u> | <u>723,692</u> | <u>-</u> | <u>5,138,173</u> |
| <i>Capital assets, depreciated</i> | | | | |
| Buildings | 27,110,936 | - | - | 27,110,936 |
| Improvements other than buildings | 3,087,424 | - | (359,929) | 2,727,495 |
| Equipment | 226,193 | 46,541 | (35,335) | 237,399 |
| Total | <u>30,424,553</u> | <u>46,541</u> | <u>(395,264)</u> | <u>30,075,830</u> |
| <i>Less accumulated depreciation</i> | | | | |
| Buildings | (10,383,287) | (565,705) | - | (10,948,992) |
| Improvements other than buildings | (2,063,641) | (100,798) | 359,929 | (1,804,510) |
| Equipment | (188,737) | (17,858) | 35,335 | (171,260) |
| Total | <u>(12,635,665)</u> | <u>(684,361)</u> | <u>395,264</u> | <u>(12,924,762)</u> |
| <i>Total depreciated capital assets, net</i> | <u>17,788,888</u> | <u>(637,820)</u> | <u>-</u> | <u>17,151,068</u> |
| <i>Governmental activities capital assets, net</i> | <u>\$ 22,203,369</u> | <u>\$ 85,872</u> | <u>\$ -</u> | <u>\$ 22,289,241</u> |

Depreciation expense was charged to functions of the primary government as follows:

| | |
|-------------------------|------------|
| Governmental Activities | |
| General Government | \$ 684,361 |

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 – LONG-TERM DEBT

As of September 30, 2014, long-term debt consists of the following:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------|----------------------|-------------|-----------------------|----------------------|------------------------|
| Government activities | | | | | |
| 2005 Series | \$ 38,680,000 | \$ - | \$ (3,330,000) | \$ 35,350,000 | \$ 3,580,000 |
| 2010 A-1 | 2,290,000 | - | (1,130,000) | 1,160,000 | 1,160,000 |
| 2010 B-1 | 7,250,000 | - | (530,000) | 6,720,000 | 555,000 |
| 2010 C | 2,135,000 | - | (155,000) | 1,980,000 | 160,000 |
| 2011 B | 11,635,000 | - | (830,000) | 10,805,000 | 870,000 |
| | <u>\$ 61,990,000</u> | <u>\$ -</u> | <u>\$ (5,975,000)</u> | <u>\$ 56,015,000</u> | <u>\$ 6,325,000</u> |

Parking Revenue and Revenue Allocation Bonds:

| | |
|-------------|----------------------|
| 2005 Series | \$ 35,350,000 |
| 2010 A-1 | 1,160,000 |
| 2010 B-1 | 6,720,000 |
| 2010C | 1,980,000 |
| 2011B | <u>10,805,000</u> |
| | <u>\$ 56,015,000</u> |

At September 30, 2014, long-term debt is classified on the Statement of Net Position as:

| | |
|-----------------|----------------------|
| Current portion | \$ 6,325,000 |
| Long-term | <u>49,541,960</u> |
| | <u>\$ 55,866,960</u> |

The 2005 Series bonds bear interest at rates between 4.162% and 5.24%. The Agency does not have the option to redeem bonds maturing in years 2014 through 2015 prior to the maturity date, unless extraordinary events happen as prescribed in the debt agreement. Series that mature on or after August 15, 2016 are subject to redemption at the option of the Agency, which option shall be exercised upon the written direction of Ada County, in whole or in part at any time at a price equal to 100% plus accrued interest. The bonds mature on August 15, 2022.

The Series 2010 A-1 are tax exempt fixed rate bonds with a rate of 2.81% that mature on September 1, 2015.

The Series 2010 B-1 are tax exempt fixed rate bonds with a rate of 4.25% that mature on September 1, 2024.

The 2010 C Revenue Refunding Note was issued through the Boise City Housing Authority, is tax exempt and has a fixed rate of 4.29% and matures on September 1, 2024.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

The 2011 B Revenue Refunding Note was issued through the Boise City Housing Authority, is tax exempt but subject to the alternative minimum tax and has a fixed rate of 4.75% and matures on September 1, 2024.

There are certain restrictive covenants, coverage requirements and ratios associated with the Agency’s bonds and notes. As of September 30, 2014 the Agency is compliance with these requirements.

The annual requirements to retire the debt for the 2005, 2010 A and 2010 B bonds and the 2010 C and 2011 B notes as of September 30, 2014 are shown below.

| | Governmental Activities | |
|-----------|-------------------------|----------------------|
| | Principal | Interest |
| 2015 | \$ 6,325,000 | \$ 2,649,038 |
| 2016 | 5,585,000 | 2,359,153 |
| 2017 | 6,015,000 | 2,088,385 |
| 2018 | 6,475,000 | 1,795,765 |
| 2019 | 6,535,000 | 1,485,516 |
| 2020-2024 | 25,080,000 | 2,803,163 |
| Total | <u>\$ 56,015,000</u> | <u>\$ 13,181,020</u> |

NOTE 8 – EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members’ years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI’s website, www.persi.idaho.gov.

The actuarially determined contribution requirements of the Agency and its employees are established and may be amended by the PERSI Board of Trustees. For the ended September 30, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members. The employer rate as a percentage of covered payroll was 11.32% for general members. The Agency employer contributions required and paid were \$94,518, \$73,326, and \$99,801 for the three years ended September 30, 2014, 2013, and 2012, respectively.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 – LEASES

Advance Lease Payments

In 2008, the Agency entered into an agreement with Bodo Development, LLC to provide cinema parking validation through November 30, 2020. All funds for this agreement were received by the Agency in the initial year of the agreement. This revenue is being amortized ratably over the life of agreement on the government-wide financial statements.

Lease Expense

The Agency is a party to the following operating leases:

The Agency entered into the lease for its office space on October 1, 2014. The lease term expires on September 30, 2015. Monthly rent is \$13,033.

The Agency is party to the following capital lease:

The Agency entered into a lease for its copier in September 2013. The lease has a term of thirty nine months and expires on November 30, 2016. The monthly rent is \$398. The lease qualifies as a capital lease. The original amount and accumulated depreciation are as follows:

| | |
|--------------------------------|-----------------|
| Copier capital lease agreement | \$ 13,492 |
| Accumulated depreciation | 4,498 |
| | <u>\$ 8,994</u> |

The payout schedule is as follows:

| | |
|-----------------------------------|-----------------|
| 2015 | \$ 4,776 |
| 2016 | 4,776 |
| 2017 | <u>796</u> |
| Less amount representing interest | <u>(941)</u> |
| | <u>\$ 9,407</u> |

Lease Other

The Agency has entered into an agreement with Ada County on the County Courthouse Project. The Agency has leased approximately 10.3 acres of land owned by Ada County under a master ground lease obligation that expires in 2098. The Agency issued bonds, Series 1999 for the County Courthouse Project in the amount of \$62,620,000 to finance the acquisition, construction and improvement of the courthouse and administration building for use by Ada County, and related parking facilities, integrated retail space and other public improvements. The Agency refunded the Series 1999 bonds and issued the Series 2005 bonds. The bonds are the obligation of the Agency, payable from and secured solely by lease payments made by Ada County under the agreement. The agreement provides for lease payments equal to the amount necessary for the payment of annual debt service requirements for the Series 2005 bonds. The Agency plans to lease the Courthouse to Ada County for the remaining twelve years of the bond

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

obligation, with title reverting to Ada County at the end of that term. Upon satisfaction of the outstanding lease obligation, Ada County may purchase the facilities from the Agency for \$1.

The Agency has recorded the transaction as a capital lease receivable for \$35,350,000. This receivable will be received over the remaining ten years of the term.

Future minimum lease payments under the leases are as follows:

| | Master Ground lease | Office Facility |
|-----------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| 2015 | \$ 5,312,663 | \$ 164,659 |
| 2016 | 5,472,150 | - |
| 2017 | 5,636,550 | - |
| 2018 | 5,802,300 | - |
| 2019 | 5,549,050 | - |
| 2020-2024 | 16,207,175 | - |
| 2025-2029 | 1,982,853 | - |
| 2030-2034 | 533,110 | - |
| 2035-2039 | 618,029 | - |
| 2040-2044 | 716,460 | - |
| 2045-2049 | 830,572 | - |
| 2050-2054 | 962,851 | - |
| 2055-2059 | 1,116,221 | - |
| 2060-2064 | 1,294,006 | - |
| 2065-2069 | 1,500,105 | - |
| 2070-2074 | 1,739,033 | - |
| 2075-2079 | 2,016,018 | - |
| 2080-2084 | 2,337,120 | - |
| 2085-2089 | 2,709,360 | - |
| 2090-2094 | 3,140,894 | - |
| 2095-2098 | 2,495,736 | - |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 67,972,256</u> | <u>\$ 164,659</u> |

Total lease expense for the year ended September 30, 2014 was \$5,549,470.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Agency agreed to take responsibility for the match requirement for the Federal Transportation Authority Multi Modal Center grant that is administered through Valley Regional Transit. The match responsibility was previously the obligation of Boise City. The total match requirement may be up to \$2,392,508. Of this total requirement, \$539,944 has already been met, leaving a remaining maximum match commitment of \$1,852,564. If the actual match is less than \$1,852,564, the Agency will provide funding up to a total of \$1,852,564 inclusive of the grant match to other projects identified in the Downtown Mobility Study.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with the Gardner Company, the developer of the 8th and Main Building - an 18 floor office building with a developer-estimated value of \$50 to \$60+ million – in the Central District. The Agency’s financial participation is an anticipated amount not to exceed \$4 million of public improvements and site remediation. The OPA sets out conditions of performance the developer must meet to become eligible for Agency financial participation. During the fiscal year ended September 30, 2014 no payments have been made.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with Owyhee Place, LLC. The project is the renovation of two existing historical structures in the Westside District with a completion value estimated by the developer at \$12 million. The Agency’s financial participation is an anticipated amount not to exceed \$700,000 for public improvements and site remediation. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. During the fiscal year ended September 30, 2014 no payments have been made.

NOTE 11 – SIGNIFICANT CONTRACTUAL AGREEMENTS

The Agency is party to numerous agreements related to the development of the parcels in the Ada County Courthouse Corridor. In 2011, the various agreements were amended to facilitate the refunding of the 2002 B bonds with the 2011 B Revenue Refunding Note. The Business Terms Sheet/Funds Flow calculation was one of the agreements amended. Under the terms of the amended agreement, the tax increment guarantee for the Idaho Place parcels was restated as \$245,000 for fiscal year 2011, increasing 3% each year thereafter through fiscal year 2024. The developer will receive credit against the guarantee amount for any actual increment received from the subject parcels. The supplemental rent obligation on the apartment parcels in the Courthouse Corridor is stated in the Business Terms Sheet as \$289,865 for fiscal year 2011, increasing 3% each year thereafter through fiscal year 2024. The developer will receive credit against the supplemental rent amount for any actual increment received from the apartment parcels. During fiscal year 2014, the tax increment guarantee and supplemental rent obligations in the amounts of \$2,040 and \$128,175 were received in full.

NOTE 12 – PLEDGED REVENUES

The Agency has certain long-term debt obligations for which revenues have been pledged. The Agency issued the Series 2010 A bonds to refund the 1995A, 1995 B, 1998 and 1999 bonds. Amounts in the 2010 A bond fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the bond fund each month. The source revenues for the deposits into the bond fund are revenue allocation from the Central District and parking revenues from the parking system. The 2010 A bonds mature in 2015. The bond fund is pledged until the bonds mature. For the year ended September 30, 2014 the total debt service on these bonds was \$1,194,349.

The Agency issued the Series 2010 B bonds to refund the 2004 A and 2004 B bonds. Amounts in the 2010 B bond fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the bond fund each month. The source revenues for the deposits into the bond fund are revenue allocation from the River Myrtle District and parking revenues from the parking system. The 2010 B bonds mature in 2024. The bond fund is pledged until the bonds mature. For the year ended September 30, 2014, the total debt service on these bonds was \$838,125.

The Agency issued the Series 2010 C Revenue Refunding Note to refund the 2002 C bonds. Amounts in the 2010 C note fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the note fund

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

each month. The source revenues for the deposits into the note fund are revenue allocation from the River Myrtle District and parking revenues from the parking system. The 2010 B Revenue Refunding Note matures in 2024. The bond fund is pledged until the bonds mature. For the year ended September 30, 2014, the total debt service on this note was \$246,592.

The Agency issued the Series 2011 B Revenue Refunding Note to refund the 2002 B bonds. Amounts in the 2011 B note fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the note fund each month. The source revenues for the deposits into the note fund are revenue allocation from the River Myrtle District and parking revenues from the parking system. The 2011 B Revenue Refunding Note matures in 2024. The bond fund is pledged until the bonds mature. For the year ended September 30, 2014, the total debt service on this note was \$1,382,663.

NOTE 13 – ADOPTION OF NEW ACCOUNTING STANDARD

During the year ended September 30, 2014 the Agency implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. As a result, cost of issuance previously capitalized on the statement of Net Position and amortized in Statement of Revenues, Expenses and Changes in Net Position were written off, as those costs are now expensed in the year of debt issuance. As a result of the change in accounting principle, beginning net position, the change in net position, and ending net position for the year ended September 30, 2013 have been restated as follows:

| | <u>2013</u> |
|---|-----------------------------|
| Net Position, End of Year - As Previously Stated | \$ 21,945,403 |
| Less adjustment to remove deferred issuance costs as of September 30, 2013 | <u>1,054,879</u> |
| Net Position, End of Year - As Restated | <u><u>\$ 20,890,524</u></u> |

CAPITAL CITY DEVELOPMENT CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

| | General Fund | | | Variance Favorable (Unfavorable) |
|--|--------------------|--------------------|--------------------|--|
| | Original Budget | Amended Budget | Actual | |
| REVENUES | | | | |
| Interest | \$ - | \$ - | \$ 4,154 | \$ 4,154 |
| Other | 28,500 | 65,700 | 86,612 | 20,912 |
| Total revenues | 28,500 | 65,700 | 90,766 | 25,066 |
| EXPENDITURES | | | | |
| Operating and administrative expenses | 2,399,692 | 2,501,095 | 1,988,077 | 513,018 |
| Capital outlay and related expenses | 37,000 | 41,000 | 30,248 | 10,752 |
| Total expenditures | 2,436,692 | 2,542,095 | 2,018,325 | 523,770 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(2,408,192)</u> | <u>(2,476,395)</u> | <u>(1,927,559)</u> | <u>548,836</u> |
| OTHER FINANCING SOURCES | | | | |
| Interfund transfers | 2,514,542 | 2,617,495 | 1,988,802 | (628,693) |
| TOTAL OTHER FINANCING SOURCES | <u>2,514,542</u> | <u>2,617,495</u> | <u>1,988,802</u> | <u>(628,693)</u> |
| NET CHANGE IN FUND BALANCES | 106,350 | 141,100 | 61,243 | (79,857) |
| FUND BALANCES, BEGINNING OF YEAR | <u>801,702</u> | <u>801,702</u> | <u>801,702</u> | <u>-</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 908,052</u> | <u>\$ 942,802</u> | <u>\$ 862,945</u> | <u>\$ (79,857)</u> |

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

| | Central District RA Fund | | | Variance Favorable (Unfavorable) |
|---|--------------------------|-------------------|--------------|--|
| | Original Budget | Amended Budget | Actual | |
| REVENUES | | | | |
| Lease | \$ 3,000 | \$ 3,000 | \$ 4,550 | \$ 1,550 |
| Interest | - | - | 576 | 576 |
| Other | 45,700 | 45,700 | 114,550 | 68,850 |
| Parking revenues | 7,500 | 7,500 | 10,834 | 3,334 |
| Revenue allocation funds | 2,650,000 | 2,650,000 | 2,851,537 | 201,537 |
| Total revenues | 2,706,200 | 2,706,200 | 2,982,047 | 275,847 |
| EXPENDITURES | | | | |
| Operating expenses | 319,100 | 451,100 | 268,605 | 182,495 |
| Capital outlay and related expenses | 1,614,560 | 3,834,060 | 551,652 | 3,282,408 |
| Total expenditures | 1,933,660 | 4,285,160 | 820,257 | 3,464,903 |
| EXCESS OF REVENUES OVER EXPENDITURES | 772,540 | (1,578,960) | 2,161,790 | 3,740,750 |
| OTHER FINANCING USES | | | | |
| Interfund transfers | (1,948,750) | (2,070,865) | (1,927,968) | 142,897 |
| TOTAL OTHER FINANCING USES | (1,948,750) | (2,070,865) | (1,927,968) | 142,897 |
| NET CHANGE IN FUND BALANCES | (1,176,210) | (3,649,825) | 233,822 | 3,883,647 |
| FUND BALANCES, BEGINNING OF YEAR | 2,397,647 | 2,397,647 | 2,397,647 | - |
| FUND BALANCES, END OF YEAR | \$ 1,221,437 | \$ (1,252,178) | \$ 2,631,469 | \$ 3,883,647 |

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

| | River Myrtle District RA Fund | | | Variance Favorable (Unfavorable) |
|---|-------------------------------|-------------------|--------------|--|
| | Original Budget | Amended Budget | Actual | |
| REVENUES | | | | |
| Interest | \$ - | \$ - | \$ 1,787 | \$ 1,787 |
| Other | 563,100 | 463,100 | 374,242 | (88,858) |
| Revenue allocation funds | 4,300,000 | 4,300,000 | 4,773,173 | 473,173 |
| Total revenues | 4,863,100 | 4,763,100 | 5,149,202 | 386,102 |
| EXPENDITURES | | | | |
| Operating expenses | 304,800 | 309,800 | 110,309 | 199,491 |
| Capital outlay and related expenses | 3,442,560 | 3,445,060 | 1,456,510 | 1,988,550 |
| Debt service - principal | 249,100 | 250,079 | 249,100 | 979 |
| Debt service -interest | 461,819 | 460,937 | 144,819 | 316,118 |
| Total expenditures | 4,458,279 | 4,465,876 | 1,960,738 | 2,505,138 |
| EXCESS OF REVENUES OVER EXPENDITURES | 404,821 | 297,224 | 3,188,464 | 2,891,240 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers | (1,596,880) | (1,427,223) | (1,284,527) | 142,696 |
| TOTAL OTHER FINANCING USES | (1,596,880) | (1,427,223) | (1,284,527) | 142,696 |
| NET CHANGE IN FUND BALANCES | (1,192,059) | (1,129,999) | 1,903,937 | 3,033,936 |
| FUND BALANCES, BEGINNING OF YEAR | 6,914,550 | 6,914,550 | 6,914,550 | - |
| FUND BALANCES, END OF YEAR | \$ 5,722,491 | \$ 5,784,551 | \$ 8,818,487 | \$ 3,033,936 |

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

| | Westside District RA Fund | | | Variance Favorable (Unfavorable) |
|--|---------------------------|---------------------|---------------------|--|
| | Original Budget | Amended Budget | Actual | |
| REVENUES | | | | |
| Interest | \$ - | \$ - | \$ 692 | \$ 692 |
| Other | 4,500 | 4,500 | 4,650 | 150 |
| Revenue allocation funds | 1,450,000 | 1,450,000 | 1,508,757 | 58,757 |
| Total revenues | 1,454,500 | 1,454,500 | 1,514,099 | 59,599 |
| EXPENDITURES | | | | |
| Operating expenses | 223,850 | 223,580 | 33,425 | 190,155 |
| Capital outlay and related expenses | 3,708,598 | 1,830,195 | 1,030,072 | 800,123 |
| Total expenditures | 3,932,448 | 2,053,775 | 1,063,497 | 990,278 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,477,948) | (599,275) | 450,602 | 1,049,877 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers | (414,790) | (381,314) | (312,032) | 69,282 |
| TOTAL OTHER FINANCING USES | (414,790) | (381,314) | (312,032) | 69,282 |
| NET CHANGE IN FUND BALANCES | (2,892,738) | (980,589) | 138,570 | 1,119,159 |
| FUND BALANCES, BEGINNING OF YEAR | 4,803,375 | 4,803,375 | 4,803,375 | - |
| FUND BALANCES, END OF YEAR | \$ 1,910,637 | \$ 3,822,786 | \$ 4,941,945 | \$ 1,119,159 |

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

| | 30th Street District RA Fund | | | Variance Favorable (Unfavorable) |
|--|------------------------------|-------------------|------------|--|
| | Original Budget | Amended Budget | Actual | |
| REVENUES | | | | |
| Revenue allocation funds | \$ 35,000 | \$ 35,000 | \$ 37,864 | \$ 2,864 |
| Total revenues | 35,000 | 35,000 | 37,864 | 2,864 |
| EXPENDITURES | | | | |
| Operating expenses | 90,000 | 91,000 | 43,624 | 47,376 |
| Capital outlay and related expenses | 135,000 | 135,000 | 30,049 | 104,951 |
| Total expenditures | 225,000 | 226,000 | 73,673 | 152,327 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (190,000) | (191,000) | (35,809) | 155,191 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers | 215,000 | 138,737 | 162,647 | 23,910 |
| TOTAL OTHER FINANCING USES | 215,000 | 138,737 | 162,647 | 23,910 |
| NET CHANGE IN FUND BALANCES | 25,000 | (52,263) | 126,838 | 179,101 |
| FUND BALANCES, BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCES, END OF YEAR | \$ 25,000 | \$ (52,263) | \$ 126,838 | \$ 179,101 |

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

| | Parking Fund | | | Variance Favorable (Unfavorable) |
|--|--------------------|-------------------|--------------|--|
| | Original Budget | Amended Budget | Actual | |
| REVENUES | | | | |
| Lease | \$ 38,814 | \$ 38,814 | \$ 139,554 | \$ 100,740 |
| Interest | - | - | 1,409 | 1,409 |
| Other | - | - | 159 | 159 |
| Parking revenues | 4,317,237 | 4,802,546 | 4,770,533 | (32,013) |
| Total revenues | 4,356,051 | 4,841,360 | 4,911,655 | 70,295 |
| EXPENDITURES | | | | |
| Operating expenses | 1,937,699 | 2,134,735 | 2,327,842 | (193,107) |
| Capital outlay and related expenses | 2,411,000 | 2,369,572 | 1,212,089 | 1,157,483 |
| Debt service - principal | 2,565,900 | 2,572,837 | 2,395,900 | 176,937 |
| Debt service - interest and fees | 872,270 | 864,428 | 871,910 | (7,482) |
| Total expenditures | 7,786,869 | 7,941,572 | 6,807,741 | 1,133,831 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (3,430,818) | (3,100,212) | (1,896,086) | 1,204,126 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers | 1,231,078 | 1,121,170 | 1,370,978 | 249,808 |
| TOTAL OTHER FINANCING SOURCES | 1,231,078 | 1,121,170 | 1,370,978 | 249,808 |
| NET CHANGE IN FUND BALANCES | (2,199,740) | (1,979,042) | (525,108) | 1,453,934 |
| FUND BALANCES, BEGINNING OF YEAR | 7,424,063 | 7,424,063 | 7,424,063 | - |
| FUND BALANCES, END OF YEAR | \$ 5,224,323 | \$ 5,445,021 | \$ 6,898,955 | \$ 1,453,934 |

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The Agency follows these procedures in establishing the budget:

1. Prior to August, the preliminary budget is reviewed by the Agency's Executive Committee.
2. The preliminary budget is presented to the Board of Commissioners at either the July or August meeting.
3. The preliminary budget is revised, if necessary, prior to final approval.
4. The proposed budget is approved by the Board of Commissioners at the August meeting.
5. The proposed budget is published for public review.
6. The Board of Commissioners holds a public hearing on the budget.
7. The proposed budget is adopted by the Board of Commissioners prior to September.
8. The adopted budget is filed with the City of Boise.
9. October 1 begins the Agency's fiscal year.
10. Formal budget amendments, if any, require approval of the Agency's Board of Commissioners.

NOTE 2 – AMENDED BUDGET

The fiscal year 2014 budget was amended once during the year to reflect a restatement of appropriations in the adopted and amended budget.



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*

To the Board of Commissioners
Capital City Development Corporation
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Capital City Development Corporation (the Agency), a component unit of Boise City, Idaho, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 30, 2014. An explanatory paragraph was included in the auditor's report to emphasize the implementation of GASB No. 65.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
December 30, 2014