Financial Statements
September 30, 2016

Capital City Development Corporation

CAPITAL CITY DEVELOPMENT CORPORATION

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CPAs & BUSINESS ADVISORS

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), as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise 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, 2016, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2017 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.

Eide Bailly LLP

Boise, Idaho
February 10, 2017

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, 2016. 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 and deferred outflows of resources exceeded its liabilities and deferred inflow of resources at the close of the fiscal year 2016 by $37,796,202. Of this total, $14,533,359 is invested in capital assets (net of debt).

- At fiscal year close, the Agency's governmental funds reported a combined ending fund balance of $35,004,757, of which $34,405,846 is nonspendable, restricted, committed or assigned.

- During fiscal year 2016 the Agency's expenses were $12,674,685 compared to the $15,288,248 reported in 2015. The change was primarily due to the decrease in interest on long-term debt with the Ada County Courthouse Project Bond payoff in fiscal year 2015.

- Total revenues increased by $1,859,035. The majority of the increase was a result of increased property tax increment revenue.

- Interest and fees expense on long-term debt in governmental activities decreased by $2,001,067 compared with fiscal year 2015, consistent with the payoff of the Ada County Courthouse Project Bond in 2015.

- The Agency's key revenues are parking revenues and revenue allocation district revenues (tax increment revenue). Parking revenues increased $676,297 primarily due to: 1) monthly parking rate increased effective on January 1, 2016, 2) increased parking activity and 3) continued parking revenue collection efficiency due to installation of new PARCS automated parking control equipment in 2014. Revenue allocation increased about 12.8% or $1,511,032 in fiscal year 2016 as compared to the prior year due to the increased property valuations and new construction in Agency urban renewal districts.

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 & Analysis, 2) 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.

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

Figure A - Required Components of CCDC Annual Financial Report

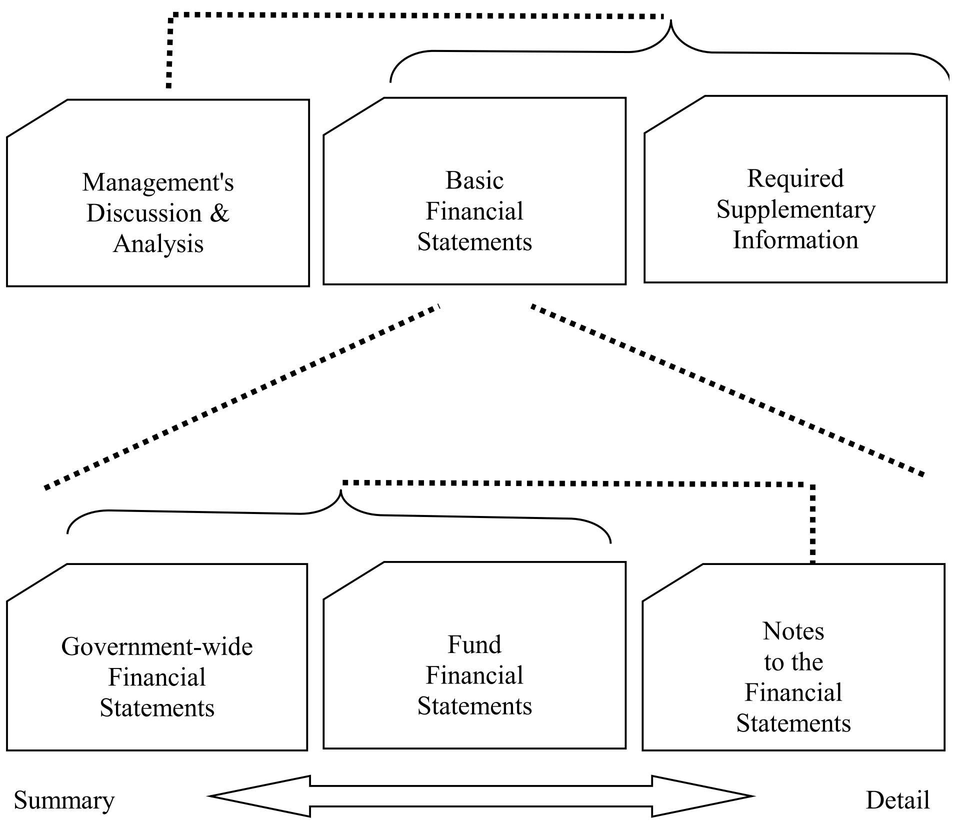

Figure B identifies the presentation of the Agency's financial statements.

Figure B - 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.

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 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 2016. 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 Ground Lease Agreements), 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.

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 2016 and fiscal year 2015 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 total Net Position increased $8,522,260 compared to fiscal year 2015. The increase is the result of planned capital projects deferred to future budget years and continued increase of property tax increment revenues.

Table 1
Statement of Net Position
As of September 30, 2015 and 2016

	2015	2016	Percentage Change 2015-2016
Current & Other Assets	$ 40,240,182	$ 50,877,527	26.4%
Capital Assets	22,222,029	24,619,146	10.8%
Total Assets	**62,462,211**	**75,496,673**	**20.9%**
Deferred Outflows of Resources	**444,730**	**494,324**	**11.2%**
Long-term Debt Outstanding	18,396,459	21,578,832	17.3%
Other Liabilities	1,546,518	2,304,877	49.0%
Total Liabilities	**19,942,977**	**23,883,709**	**19.8%**
Deferred Inflows of Resources	**13,765,022**	**14,311,086**	**4.0%**
Net Position			
Net Investment in Capital Assets	16,051,747	14,533,359	(9.5%)
Restricted & Unrestricted	13,147,195	23,262,843	76.9%
Total Net Position	**$ 29,198,942**	**$ 37,796,202**	**29.4%**

Approximately 38% of the Agency's net position is invested in Capital Assets (i.e. land, buildings, equipment, parking facilities, and other) with the remaining balance in other net assets 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, 2016. Prior year data is presented for comparison purposes.

Table 2
Statement of Activities
For Years Ended September 30, 2015 and 2016

	2015	2016	Percentage Change 2015-2016
Revenues			
Program Revenues			
Charges for Services	$ 1,621,402	$ 194,372	(88.0%)
Operating Grants & Contributions	562,718	1,652,113	193.6%
Parking	5,391,272	6,065,718	12.5%
Total Program Revenue	**7,575,392**	**7,912,203**	**4.4%**
General Revenue			
Property Tax Increment	11,826,169	13,337,201	12.8%
Unrestricted Investment Earnings	11,349	22,541	98.6%
Total Revenues	**19,412,910**	**21,271,945**	**9.6%**
Expenses			
Program Expenses			
Community Development	8,782,209	8,372,953	(4.7%)
Interest on Long-Term Debt	2,990,768	989,701	(66.9%)
Parking Facilities	3,515,271	3,312,031	(5.8%)
Total Program Expenses	**15,288,248**	**12,674,685**	**(17.1%)**
Increase in Net Position	**4,124,662**	**8,597,260**	
Net Position - Beginning	**25,074,280**	**29,198,942**	**16.4%**
Net Position - Ending	**$ 29,198,942**	**$ 37,796,202**	**29.4%**

Revenues: *Charges for Services* include lease revenues from the Ada County Courthouse Corridor Project. *Operating Grants & Contributions* include various reimbursements. *Parking* revenues include proceeds generated from operating the parking garages. *General Revenues* include earnings on investments. Overall, total Agency revenues increased $1,859,035 compared with the prior year. Additionally, tax increment revenues increased $1,511,032 compared to fiscal year 2015, reflecting strong economic conditions and higher property values.

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 2016 decreased $2,613,563. The change was primarily due to the decrease in interest on long-term debt with the Ada County Courthouse Corridor Project Bond payoff in fiscal year 2015.

Budgetary Highlights

The fiscal year 2016 budget was amended once during the year. The budget was decreased 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. During fiscal year 2016, the Agency-owned The Grove Plaza's renovation started and a total of $3,529,101 renovation costs is recorded as construction in progress under capital assets as the renovation was not yet completed as of September 30, 2016. The renovation is expected to complete in the winter of 2016. The Plaza's original construction cost of $1,089,968 was written off due to the renovation.

Table 3
Capital Assets Net of Depreciation

	2015	2016	Total Dollar Change 2015-2016
Land	$ 3,943,660	$ 3,943,660	$ -
Construction in Progress	35,364	3,639,979	3,604,615
Buildings, Improvements and Equipment, net	18,243,005	17,035,507	(1,207,498)
Total Capital Assets	**$ 22,222,029**	**$ 24,619,146**	**$ 2,397,117**

Table 4
Major Capital Additions during Fiscal 2016

Beginning Balance	$ 22,222,029
Capital Additions:	
Construction in Progress	3,610,529
Equipment	70,645
Total Capital Additions	3,681,174
Capital Deletions:	
Improvements other than Buildings	(1,089,968)
Equipment	(58,794)
Accumulated Depreciaton for deletions	815,315
Total Capital Deletions	(333,447)
Current Year Transfers of Construction in Process to Equipment	(5,914)
Current Year Depreciation	(944,696)
Ending Balance	$ 24,619,146

Debt Amortization

Table 5 summarizes the principal amounts of the Agency's Long-Term Debt (See also Note 6 – Long-Term Debt). The changes in Long-Term Debt represent the scheduled principal payments on that debt.

Table 5
Long-Term Debt

Activity	Type	2015	2016	Total Dollar Change 2015-2016
2010 B-1	Bond	$ 6,165,000	$ 5,585,000	$ (580,000)
2010 C	Note	1,820,000	1,650,000	(170,000)
2011 B	Note	9,935,000	9,025,000	(910,000)
2015	Note	-	4,500,000	4,500,000
Total		**$ 17,920,000**	**$ 20,760,000**	**$ 2,840,000**

Economic Factors

With Downtown Boise is in the middle of an unprecedented period of growth and sustained investment, fiscal year 2016 was about construction projects commencing, continuing and being completed. The Agency is a key participant in many of the developments that comprise multiple use types. Increased property values and new construction on various scales being added to the roll resulted in a 12.8% overall increase in property tax increment revenue for fiscal year 2016.

In the Agency's original urban renewal district, the Central District, the multi-building City Center Plaza constructed with and above Valley Regional Transit's subterranean multi-modal center ("Main Street Station") is transforming the northeast quadrant of The Grove Plaza superblock. That development also houses the Greater Boise Auditorium District's long-sought expansion. An elevated concourse will connect the two facilities via the interposed Century Link Arena / Grove Hotel complex. Those developments have in turn prompted the Agency to renovate its thirty-year-old The Grove Plaza, one of the city's premier community spaces. The City Center Plaza and Main Street Station have been completed and officially opened in October 2016. The Grove Plaza renovation is expected to complete in the winter of 2016, just prior to the termination of the Central District Revenue Allocation Area in fiscal year 2018.

The River-Myrtle / Old Boise District continues to mature and benefit from its proximity to the city center and the Boise River. JUMP (Jack's Urban Meeting Place) officially opened in 2016 and Simplot Corporate headquarters development is well on its way to completion. Across 11th Street immediately to the west of the JUMP / JR Simplot Corporate Offices block, development of a hotel, office building, and parking garage on Pioneer Crossing (previously known as Parcel B) started in the fall of 2016. The Afton condominium development broke ground at 620 S 9th Street in October 2015 and is expected to be completed in the spring of 2017. The property and the now-razed derelict warehouse that came with it had been acquired by the Agency a number of years ago in anticipation of attracting just this type of project. The Agency and the City are collaborating in substantial public improvements in and around the city's first LIV (Lasting, Innovative, Vibrant) District-designated area – Broad Street from 2nd Street to Capitol Boulevard – that will soon be the home of a new hotel and apartment building with structured parking. Further to the west at 13th and River streets Payette Brewing has completed the renovation an existing building into a brew house and corporate offices that opened in the fall of 2016.

Fiscal year 2016 was also a good year for the Westside District. Athlos Academies, a charter school service provider, purchased and is renovating the historic CC Anderson / Macy's department store building that sat empty at 10th and Idaho streets for several years. The renovation is expected to complete in the spring of 2017. The Watercooler Apartments development is under construction and is expected to complete in the fall of 2017. A Hyatt Place hotel is also under construction at 11th and Bannock streets with completion expected in the spring of 2017.

The fast-growing, Nampa-based College of Western Idaho acquired the long-vacant, former Bob Rice Ford lot at Main Street and Whitewater Park Boulevard for an Ada County campus that will eventually stimulate interest in the young 30th Street District. A $180 million bond to build facilities at both this location and at CWI's main campus in Nampa did not receive the necessary supermajority vote in the November 2016 General Election. CWI has stated their intention to bring a redesigned facilities and financing package back to voters in the near future.

Addressing concomitant parking demand with structure parking is an important part of several of the projects.

The Agency is actively engaged with private developers and public agencies to make judicious use of its highly sought-after, catalytic, limited resources.

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 (Voice), 208-384-4267 (Fax), www.ccdcboise.com with questions about this report or for additional information

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities
ASSETS	
Cash and investments	$ 30,525,818
Receivables	
Accounts receivable	186,568
Interest receivable	1,463
Taxes receivable	14,229,495
Prepaids and deposits	235,459
Restricted cash	3,197,527
Interest in partnership	130,000
Property held for resale or development	2,371,197
Capital assets	
Land, non-depreciable	3,943,660
Construction in progress, non-depreciable	3,639,979
Buildings, improvements, and equipment, net of accumulated depreciation	17,035,507
TOTAL ASSETS	75,496,673
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on debt refunding	92,385
Deferred outflows related to pensions	401,939
TOTAL DEFERRED OUTFLOWS OF RESOURCES	494,324
LIABILITIES	
Accounts payable	1,522,034
Accrued liabilities	106,521
Advanced revenues	14,720
Interest payable	68,078
Capital lease payable	787
Advanced lease payments	592,737
Long-term debt	
Current portion	3,980,000
Long-term	16,780,000
Net pension liabilities	818,832
TOTAL LIABILITIES	23,883,709
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property tax	14,229,495
Deferred inflows related to pensions	81,591
TOTAL DEFERRED INFLOWS OF RESOURCES	14,311,086
NET POSITION	
Net investment in capital assets	14,533,359
Restricted	22,663,932
Unrestricted	598,911
TOTAL NET POSITION	$ 37,796,202

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Community development	$ 8,372,953	$ 194,372	$ 1,652,113	$ -	$ (6,526,468)
Interest on long-term debt	989,701	-	-	-	(989,701)
Parking facilities	3,312,031	6,065,718	-	-	2,753,687
Total	$ 12,674,685	$ 6,260,090	$ 1,652,113	$ -	(4,762,482)
General revenues:					
Property tax increment					13,337,201
Unrestricted investment earnings					22,541
Total general revenues and transfers					13,359,742
Change in net position					8,597,260
Net position, beginning of year					29,198,942
Net position, end of year					$ 37,796,202

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
ASSETS				
Cash and investments	$ 780,000	$ -	$ 6,767,798	$ 10,174,251
Accounts receivable	972	-	32,910	78,910
Interest receivable	1,463	-	-	-
Taxes receivable	-	-	4,735,533	6,485,001
Prepaids	24,067	-	200,000	10,792
Restricted cash	-	-	194,202	351,626
Interest in partnership	-	-	-	130,000
Property held for resale or development	-	-	-	2,371,197
	$ 806,502	$ -	$ 11,930,443	$ 19,601,777
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 77,003	$ -	$ 891,687	$ 231,939
Accrued liabilities	106,521	-	-	-
Advanced revenues	-	-	14,720	-
Total liabilities	183,524	-	906,407	231,939
DEFERRED INFLOW OF RESOURCES				
Unavailable- property tax	-	-	4,735,533	6,485,001
Total deferred inflows	-	-	4,735,533	6,485,001
FUND BALANCES				
Nonspendable	24,067	-	200,000	2,381,989
Restricted	-	-	6,088,503	10,502,848
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	598,911	-	-	-
Total fund balances	622,978	-	6,288,503	12,884,837
	$ 806,502	$ -	$ 11,930,443	$ 19,601,777

Westside District RA Fund	30th Street District RA Fund	Parking Fund	Total Governmental Funds
$ 7,423,410	$ 556,771	$ 4,823,588	$ 30,525,818
849	-	72,927	186,568
-	-	-	1,463
2,506,073	502,888	-	14,229,495
-	600	-	235,459
-	-	2,651,699	3,197,527
-	-	-	130,000
-	-	-	2,371,197
$ 9,930,332	$ 1,060,259	$ 7,548,214	$ 50,877,527
$ 41,552	$ 6,976	$ 272,877	$ 1,522,034
-	-	-	106,521
-	-	-	14,720
41,552	6,976	272,877	1,643,275
2,506,073	502,888	-	14,229,495
2,506,073	502,888	-	14,229,495
-	600	-	2,606,656
7,382,707	411,474	2,151,695	26,537,227
-	-	500,000	500,000
-	138,321	4,623,642	4,761,963
-	-	-	598,911
7,382,707	550,395	7,275,337	35,004,757
$ 9,930,332	$ 1,060,259	$ 7,548,214	$ 50,877,527

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET POSITION TO THE FUND BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2016

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

Total fund balance		$ 35,004,757
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	3,639,979	
Cost of buildings, improvements, equipment and artwork	30,892,855	
Accumulated depreciation	(13,857,348)	24,619,146
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.		(787)
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.		(68,078)
Proceeds from the theatre parking validation agreement were recorded as revenue when received and available on the governmental fund statements however were amortized over the life of the agreement as advanced lease payments on the Statement of Net Position		
Theatre validation proceeds	(1,741,920)	
Revenue amortized to date	1,149,183	(592,737)
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.		
Net pension liability	(818,832)	
Bonds payable - current	(3,980,000)	
Bonds payable - long-term	(16,780,000)	(21,578,832)

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET POSITION TO THE FUND BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2016

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions:		
Differences between expected and actual experience	212,324	
Changes of assumptions	18,202	
Contributions made subsequent to measurement date	36,672	
Changes in proportionate share	134,741	401,939
Deferred inflows of resources related to pensions:		
Differences between expected and actual experience		(81,591)
Deferred charge on debt refunding		
Deferred economic loss on 2010 B Bonds	41,972	
Deferred economic loss on 2010 C Bonds	50,413	92,385
Net position for governmental activities		$37,796,202

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
REVENUES				
Lease	$ -	$ 75,078	$ 19,750	$ -
Interest	9,199	-	3,712	4,187
Other	46,588	-	1,031,734	568,022
Parking	-	-	8,859	-
Revenue allocation funds	-	-	4,398,920	6,240,210
Total revenues	55,787	75,078	5,462,975	6,812,419
EXPENDITURES				
Administrative expenses	2,163,514	-	-	-
Operating expenses	350,670	-	192,169	324,415
Capital outlay and related expenses	56,928	-	5,305,516	2,490,605
Debt service - principal	-	-	500,000	272,600
Debt service - interest	-	75,078	81,583	122,961
Total expenditures	2,571,112	75,078	6,079,268	3,210,581
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,515,325)	-	(616,293)	3,601,838
OTHER FINANCING SOURCES (USES)				
Interfund transfers	2,039,959	-	(496,878)	(604,593)
Gain (loss) on sale of properties held for resale	-	-	-	151,101
Bond Proceeds	-	-	5,000,000	-
TOTAL OTHER FINANCING SOURCES (USES)	2,039,959	-	4,503,122	(453,492)
NET CHANGE IN FUND BALANCES	(475,366)	-	3,886,829	3,148,346
FUND BALANCES, BEGINNING OF YEAR	1,098,344	-	2,401,674	9,736,491
FUND BALANCES, END OF YEAR	$ 622,978	$ -	$ 6,288,503	$ 12,884,837

Westside District RA Fund	30th District RA Fund	Parking Fund	Total Governmental Funds
$ -	$ -	$ 90,685	$ 185,513
2,740	219	2,484	22,541
5,762	-	7	1,652,113
-	-	5,920,558	5,929,417
2,354,731	343,340	-	13,337,201
2,363,233	343,559	6,013,734	21,126,785
-	-	-	2,163,514
52,038	23,895	2,326,322	3,269,509
668,602	-	180,485	8,702,136
-	-	1,387,400	2,160,000
-	-	688,649	968,271
720,640	23,895	4,582,856	17,263,430
1,642,593	319,664	1,430,878	3,863,355
(262,892)	(124,513)	(551,083)	-
(56,509)	-	-	94,592
-	-	-	5,000,000
(319,401)	(124,513)	(551,083)	5,094,592
1,323,192	195,151	879,795	8,957,947
6,059,515	355,244	6,395,542	26,046,810
$ 7,382,707	$ 550,395	$ 7,275,337	$ 35,004,757

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

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

Net change in fund balances - total governmental funds		$ 8,957,947
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	3,675,260	
Loss on disposal of fixed assets	(333,447)	
Depreciation	(944,696)	2,397,117
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.		4,495
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 B Refunding	(9,835)	
Current year loss - 2010 C Refunding	(11,184)	(21,019)
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	2,160,000	
Proceeds from new debt	(5,000,000)	
Interest expense	(411)	(2,840,411)

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

In the Governmental funds, pension contributions are considered an expense, while on the Statement of Activities the contributions are considered a deferred outflow because they are made subsequent to the measurement date. The cost of pension benefits earned net of employee contribution is reported as pension expense.

Changes in proportionate share - amortization	(36,258)	
Pension expense related to net pension liability	(46,443)	
Pension contributions made subsequent to measurement date	36,672	(46,029)
Changes in net position of governmental activities		$ 8,597,260

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Capital City Development Corporation (the Agency) is an urban renewal agency created by the City of Boise 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 the City of Boise, (the City) and its citizens but is not a component unit of the City. 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 of Boise, Idaho in conformity with generally accepted accounting principles.

Urban Renewal Districts

The Agency currently has four urban renewal districts: Central District, River Myrtle-Old Boise District, Westside District, and 30th Street District. Together, they comprise 767 acres of Boise's downtown core.

Central District – the City's oldest district and the State of Idaho's first urban renewal district, was established in 1989 and will end in fiscal year 2018.

River Myrtle-Old Boise District – the City's largest district, was established in 1996 and will end in fiscal year 2025.

Westside District – was established in 2003 and will end in fiscal year 2026.

30th Street District – the newest district, was established in 2014 and will end in fiscal year 2033.

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.

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 ground lease transactions. The 2005 Series County Courthouse Project bonds were paid off in fiscal year 2015.

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 Redevelopment Bond, Series 2015. Any excess revenues may be expended in accordance with the provisions of the urban renewal statutes.

River Myrtle District 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 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 urban renewal statutes.

Westside Revenue District 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 urban renewal statutes.

30th Street District 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 urban renewal statutes.

Parking Fund – This fund includes the parking activities of the Agency's six structure parking facilities: Capitol & Front garage (formerly named Boulevard garage), Capitol & Main garage (formerly Capitol Terrace), 9th & Front garage (formerly City Centre), 9th & Main garage (formerly Eastman), 10th & Front garage (formerly Grove Street) and Capitol & Myrtle garage (formerly Myrtle Street). The revenues of the Parking Fund are pledged to support the operations of the Fund and the repayment of the Series 2010 B, 2010 C, 2011 B and 2015 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 various reimbursements), and 3) capital grants and contributions (which includes reimbursement from Ada County for the courthouse corridor development project). 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.

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 Section 50-1013, Idaho Code.

Idaho Code limits investments of public funds 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.

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

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 Agency’s total investments.

At year end, the carrying amount of the Agency's deposits was $30,695,719 and the bank balance was $30,689,367. Of the bank balance $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 $36,500,000 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.

Property Taxes (Tax Increment Revenue) 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 unearned 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 received property taxes during the current fiscal year in the amounts of $4,398,920, $6,240,210, $2,354,731 and $343,340 from Central District, River Myrtle District, 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, 2016.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column 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 acquisition value.

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:

	Estimated Useful Life (Years)
Buildings	30 - 45
Improvements	10 - 45
Parking equipment	7
Office furniture & equipment	3 - 10

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 redeveloping downtown Boise, these properties may be disposed of for consideration that is substantially less than carrying value.

During fiscal year 2016, the Agency transferred ownership of the 611 S. 8th Street property to 620 S. 9th Street LLC, developer of The Afton at the sales price of $765,000. The Afton Project is an approximately 166,610 square foot mixed-use condominium project located in the Agency's River Myrtle Urban Renewal District. The overall Afton Project is proposed to be disposed of and developed in two phases with each phase containing a 6-story building. This ownership transfer on October 7th, 2015 was for Phase I which started construction in the fall of 2015 and is expected to be completed in the spring of 2017. At the completion of construction of each Phase and the issuance of a certificate of completion by the Agency, the adjusted parcel sales price shall be one dollar for each Phase as per the reuse appraisal. The difference between the original sales price and the adjusted sales price will be remitted to the Developer, as set forth in the Disposition & Development Agreement.

During fiscal year 2016, the Agency also transferred ownership of the 1401 W. Idaho Street to The Watercooler Project LLC, developer of Watercooler Apartments at the sales price of $985,000. The Watercooler Apartment Project is an approximately 32,500 square foot mixed-use apartment building located in the Agency's Westside Urban Renewal District. The Project includes 37 residential apartment units including 7 live-work units, 875 square foot of commercial space and 29 surface parking spaces. The Project began construction in the summer of 2016 and is expected to be completed in the fall of 2017. At the completion of construction and the issuance of a certificate of completion by the Agency, the adjusted parcel sales price shall be $250,000 as per the reuse appraisal. The difference between the original sales price and the adjusted sales price will be remitted to the Developer, as set forth in the Disposition & Development Agreement.

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 will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has two items that qualify for reporting in this category. The first item 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. The second item is the deferred inflows related to pensions reported in the government-wide Statement of Net Position. See Note 7 for details of deferred inflows related to pensions.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The Agency has two items that qualify for reporting in this category. 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. The second item is the deferred inflows related to pensions reported in the government-wide Statement of Net Position. See Note 7 for details of deferred inflows related to pensions.

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. Accordingly, the beginning fund balance of certain governmental funds have been restated. 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.

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 is the Agency's highest level of decision making authority. The Board adopted the 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, 2016 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 improvement plan and

parking reinvestment program. The Board delegated its authority to assign funds in this manner to the Executive Director. As of September 30, 2016, \$4,623,642 and \$138,321 was assigned in the Parking fund and 30th Street District Fund, respectively, for parking reinvestment projects and commitments budgeted in fiscal year 2017. Assigned funds in the 30th street district were a result of a cash transfer from parking revenue to help stimulate the new district in fiscal year 2014 and 2015.

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 net pension liability. It is reasonably possible that the significant estimates used will change within the next year.

Pensions

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

NOTE 2 – INTEREST 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 a 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.

NOTE 3 – RESTRICTED ASSETS

The Agency has four revenue allocation funds, one for each of its four revenue allocation districts. Title 50, Chapter 20 and Chapter 29 of 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 balances as of September 30, 2016:

Central District Revenue Allocation Fund	$ 6,088,503
River Myrtle District Revenue Allocation Fund	10,502,848
Westside District Revenue Allocation Fund	7,382,707
30th Street District Revenue Allocation Fund	411,474
Parking Fund	2,151,695

The restricted balance in the Parking fund is restricted for reserves on the outstanding bonds. Restricted assets consist of cash and investments 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 one primary purpose. Transfers are made as a method of allocating the costs of program operations to their respective funds. The program operations costs are shown in the General Fund.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	September 30, 2015	Additions	Deletions	September 30, 2016
Governmental Activities				
Capital assets, not depreciated				
Land	$ 3,943,660	$ -	$ -	$ 3,943,660
Construction in progress	35,364	3,610,529	(5,914)	3,639,979
	3,979,024	3,610,529	(5,914)	7,583,639
Capital assets, depreciated				
Buildings	27,110,936	-	-	27,110,936
Improvements other than buildings	4,615,210	33,861	(1,089,968)	3,559,103
Equipment	244,826	36,784	(58,794)	222,816
Total	31,970,972	70,645	(1,148,762)	30,892,855
Less accumulated depreciation				
Buildings	(11,514,697)	(565,705)	-	(12,080,402)
Improvements other than buildings	(2,015,033)	(354,808)	756,521	(1,613,320)
Equipment	(198,237)	(24,183)	58,794	(163,626)
Total	(13,727,967)	(944,696)	815,315	(13,857,348)
Total depreciated capital assets, net	18,243,005	(874,051)	(333,447)	17,035,507
Governmental activities capital assets, net	$ 22,222,029	$ 2,736,478	$ (339,361)	$ 24,619,146

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

Governmental Activities	
General Government	$ 944,696

NOTE 6 – LONG-TERM DEBT

At September 30, 2016, long-term debt consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
2010 B-1	$ 6,165,000	$ -	$ (580,000)	$ 5,585,000	$ 600,000
2010 C	1,820,000	-	(170,000)	1,650,000	175,000
2011 B	9,935,000	-	(910,000)	9,025,000	955,000
2015	-	5,000,000	(500,000)	4,500,000	2,250,000
	$ 17,920,000	$ 5,000,000	$ (2,160,000)	$ 20,760,000	$ 3,980,000

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, has a fixed rate of 4.29% and matures on September 1, 2024.

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.

The Redevelopment Bond, Series 2015 (Series 2015) was issued on October 1, 2015. The Series 2015 bond of $5,000,000 provides funds (i) for the local match to a federal grant received by Valley Regional Transit (VRT) for the acquisition and construction of the Main Street Station, a multi modal below ground public transit center, (ii) for improvements to and the renovation of the Grove Plaza, a public plaza owned by the Agency and (iii) for improvements to and the renovation of the Boise City Hall Plaza with a parking garage located underneath. All three projects are in the Agency's Central Urban Renewal District.

The Series 2015 are tax exempt fixed rate bonds with a rate of 1.78% that mature on September 1, 2018.

There are certain restrictive covenants, coverage requirements and ratios associated with the Agency's bonds and notes. As of September 30, 2016 the Agency is compliance with these requirements.

The annual requirements to retire the debt for the 2010 B-1 bonds, 2010 C, 2011 B notes, and 2015 notes as of September 30, 2016 are shown below.

	Governmental Activities	
	Principal	Interest
2017	$ 3,980,000	$ 816,935
2018	4,060,000	698,515
2019	1,895,000	576,466
2020	1,975,000	490,626
2021	2,070,000	401,133
2022-2025	6,780,000	623,754
Total	$ 20,760,000	$ 3,607,429

NOTE 7 – PENSION PLAN

Plan Description

The Agency contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

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

Member and Employer Contributions

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

The contribution rates for employees are set by stature at 60% (72%) of the employer rate. As of June 30, 2016 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The Agency's contributions were $135,975 for the year ended September 30, 2016. Amounts in parenthesis represent police/firefighters.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At September 30, 2016, the Agency reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2016, the Agency's proportion was 0.000403932, an increase of 0.000042112 from the prior year.

For the year ended September 30, 2016, the Agency recognized pension expense of $180,012. At September 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 81,591
Changes in assumptions or other inputs	18,202	-
Net difference between projected and actual earnings on pension plan investments	212,324	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	134,741	-
Agency's contributions subsequent to the measurement date	36,672	-
Total	$ 401,939	$ 81,591

$36,672 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the Base Plan (active and inactive employees) determined at July 1, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period ended June 30, 2015.

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended September 30, 2016:	
2017	$ (37,090)
2018	(37,090)
2019	(131,256)
2020	(78,240)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.25 - 10.00 percent
Salary inflation	3.75 percent
Investment rate of return	7.10 percent, net of pension plan investment expenses
Cost-of-living adjustments	1.00 percent

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

Asset Class	**Expected Return**	**Expected Risk**	**Strategic Normal**	**Strategic Ranges**
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	**Expected Return**	**Expected Inflation**	**Expected Real Return**	**Expected Risk**
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions	
Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	$ 1,606,258	$ 818,832	$ 164,001

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the Pension Plan

At September 30, 2016, the Agency reported payables to the defined benefit pension plan of $2,523 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 8 – LEASES

Advance Lease Payments

In 2008, the Agency entered into an agreement with Bodo Development, LLC to provide theatre 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 the 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, 2015. The lease term expires on September 30, 2018. Monthly rent is $9,838 for the first year, $10,132 for the second year and $10,437 for the third year.

The Agency entered into the lease for Trailhead office space on February 1, 2015. Trailhead is a non-profit entrepreneurial resource center supported by the Agency, City of Boise and private sector partners. The lease term expires on January 31, 2020. Monthly rent is $12,210 for the first year, $12,479 for the second year, $12,754 for the third year, $13,042 for the fourth year and $13,330 for the fifth year.

The Agency leased office space in its new 30th Street District and with the City of Boise engaged an economic development expert to accelerate redevelopment activity there. The lease for the 30th Street District office space expired on October 15, 2016 and it was not renewed. Monthly rent was $600.

The Agency is a 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		12,800
	$	692

The payout schedule is as follows:

2017	$	796
Less amount representing interest		(9)
	$	787

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 Ada County Courthouse Corridor 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.

In fiscal year 2016, the Agency entered into a Termination Agreement and Mutual Release with Civic Partners Idaho, LLC and Ada County. The Termination Agreement terminates the Sublease Agreements with Civic Partners and all interest that Civic Partners has in and to the subleased properties. See Note 10 for more details of the Termination Agreement. Total lease expense for the year ended September 30, 2016 was $75,078.

	Master Ground Lease	Office Facility
2017	$ 87,952	$ 273,527
2018	89,658	280,588
2019	92,267	158,804
2020	103,111	53,319
2021	104,850	-
2022-2026	644,413	-
2027-2031	551,003	-
2032-2036	222,995	-
2037-2041	258,514	-
2042-2046	299,686	-
2047-2051	347,409	-
2052-2056	402,754	-
2057-2061	466,906	-
2062-2066	541,269	-
2067-2071	627,479	-
2072-2076	727,420	-
2077-2081	843,279	-
2082-2086	977,591	-
2087-2091	1,133,299	-
2092-2096	1,313,803	-
2097-2098	435,088	-
Total	$ 10,270,746	$ 766,238

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Agency agreed to provide the local match for the Federal Transit Administration grant for the construction of a multi-modal center (newly named Main Street Station). The grant is administered by Valley Regional Transit. The local match responsibility was originally the obligation of Boise City. During fiscal year 2016, a total of $571,992 has been paid. As of September 30, 2016, the total local match maximum requirement of $2,392,508 for this local match has been met. $250,000 was contributed by City of Boise and $2,142,508 was contributed by the Agency. Main Street Station officially opened on October 24, 2016.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with the Gardner Company, the developer of the completed 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 over the course of four years after the project is complete. The OPA sets out conditions of performance the developer must meet to become eligible for Agency financial participation. During fiscal year 2016, the second payment of $1 million has been made. As of September 30, 2016, a total of $2 million has been paid to the developer.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with Owyhee Place, LLC. The now completed 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 over the course of four years after the project is compete. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. During fiscal year 2016 and as of September 30, 2016, a total of $103,234 has been paid to the developer.

The Agency entered into a sponsorship agreement with Valley Regional Transit (VRT) for Boise Bike Share. VRT owns and operates Boise Bike Share, which includes fee-operated bike share stations forming an urban alternative transportation network in the greater downtown Boise area. The total sponsorship fee is $30,000 with $10,000 payable each year from 2015 to 2017. During fiscal year 2016, the second payment of $10,000 has been made. As of September 30, 2016, a total of $20,000 has been paid to VRT.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with Gardner Company, the developer of the City Center Plaza – a multi-building development between the existing Gardner-owned, 19-story US Bank Plaza and the Agency-owned Grove Plaza with a developer-estimated value of $74 million – in the Central District. The Agency's financial participation is an anticipated amount not to exceed $825,000 of public improvements, site remediation and tree replacements. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. During fiscal year 2016, a total of $203,135 has been made. As of September 30, 2016, a total of $709,569 has been paid to the developer. The City Center Plaza officially opened on October 20, 2016.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with Inn at 500 Capitol, LLC, the developer of the Inn at 500 Capitol Hotel – currently under construction a 6-story boutique hotel of approximately 110 hotel rooms, conference and meeting rooms, wellness center, 26 space first floor parking garage and a 100 seat restaurant in the River Myrtle District. The project is estimated by the developer to have a total value of $24 million upon completion. The Agency's financial participation is an anticipated amount not to exceed $471,498 for public improvements over the course of four years after the project is complete. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in the winter of 2016. As of September 30, 2016, no payments have been made.

The Agency entered into a Memorandum of Understanding (MOU) and related agreements with the City of Boise for the Trailhead Business Accelerator project. The Agency and the City have been working together to encourage private investment within the city by facilitating business education, connecting entrepreneurs to resources, and working to increase the interaction between entrepreneurs and local businesses located in downtown Boise. Trailhead Business Accelerator was established in February 2015 by the Agency and the City to accomplish this goal. The Agency agreed to take responsibility for the rent and maintenance of the office space occupied by Trailhead at 500 South 8th Street. See Note 8 for details of the lease for Trailhead office space. During the fiscal year 2016, a total of $170,385 has been made for rent and maintenances. As of September 30, 2016, a total of $259,154 has been paid to landlord and other vendors.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with Athlos Academies, the new owner of the 918 W. Idaho Street property (known as C.C. Anderson or Macy's Building). Originally built in 1927 it has been vacant since 2010. Athlos Academies is renovating and upgrading the 1927 structure into the charter school HQ/training center in the Westside District. The project is estimated by the developer to have a total value of $5.5 million upon completion. The Agency's financial participation is an anticipated amount not to exceed $750,000 for public improvements that include streetscape and façade improvement. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in early 2017. As of September 30, 2016, no payments have been made.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with Pennbridge Bodo, LLC, the developer of the Residence Inn by Marriott – currently under construction a 10-story extended stay hotel of approximately 186 hotel rooms, conference room, fitness area, pool, a third floor patio and bar, and 103 parking spaces in the River Myrtle District. The project is estimated by the developer to have a total value of $30 million upon completion. The Agency's financial participation is an anticipated amount not to exceed $875,897 for public improvements over the course of four years after the project is complete. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in early 2017. As of September 30, 2016, no payments have been made.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with Boise Hotel Investors, LLC, the developer of the Hyatt Place – currently under construction a 5-story hotel of approximately 150 hotel rooms, conference rooms, fitness area, spa, and eating area in the Westside District. The project is estimated by the developer to have a total value of $20 million upon completion. The Agency's financial participation is an anticipated amount not to exceed $452,463 for public improvements over the course of four years after the project is complete. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in early 2017. As of September 30, 2016, no payments have been made.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with 5th and Idaho Development, LLC, the developer of the 5th and Idaho Apartments, a mixed-use, 5-story project consisting of approximately 81 studio, one and two bedroom apartments, 82 underground parking stalls, 3,000 square feet of retail space, and a 3,600 square feet public park facing Idaho Street in the River Myrtle District. The project is estimated by the developer to have a total value of $13 million upon completion. The Agency's financial participation is an anticipated amount not to exceed $1,155,000 for public improvements over the course of four years after the project is complete. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to start construction in the spring of 2017 and to complete in fall 2018. As of September 30, 2016, no payments have been made.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with The Roost Project, LLC, the developer of The Fowler (as renamed) – currently under construction a 7-story residential apartment building (two floors of parking and five floors of apartment units) of approximately 158 studio, one and two bedroom apartment units, 189 structured parking spaces and 4,000 square feet of first floor retail space in the River Myrtle District. The project is estimated by the developer to have a total value of $27 million upon completion. The Agency's financial participation is an anticipated amount not to exceed $3,140,000 for public improvements ($550,000) and purchase of one floor of parking ($2,590,000) to be available to the public. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in 2017. As of September 30, 2016, no payments have been made.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with BVGC Parcel B, LLC, the developer of Pioneer Crossing (previously known as Parcel B) – currently under construction a mixed-use development consisting of retail space, office space, other commercial uses and a 650-space parking garage in the River Myrtle District. The project is estimated by the developer to have a total value of $48 million upon completion. The Agency's financial participation is an anticipated amount not to exceed $9,688,625 for public improvements ($4,288,625) and purchase of at least 250 parking spaces ($5,400,000) to be available to the public. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in 2018. As of September 30, 2016, no payments have been made.

The Agency entered into an Owners Participation Agreement (OPA) and related agreements with JRS properties III, LP, the developer of JUMP building and JR Simplot Company Offices – currently under construction a mixed-use development consisting of multiple buildings and facilities to be known as "Jack's Urban Meeting Place" and the JR Simplot Headquarters in the River Myrtle District. The project is estimated by the developer to have a total value of $215 million (JUMP $70 million tax exempt and JR Simplot Company Offices $145 million) upon completion. The Agency's financial participation is an anticipated amount not to exceed $875,000 for public improvements over the course of four years after the project is complete. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete at the end of 2016. As of September 30, 2016, no payments have been made.

NOTE 10 – 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 2016, the tax increment guarantee and supplemental rent obligations in the amounts of $22,122 and $174,368 were received in full.

As part of the Ada County Courthouse Corridor project ("Courthouse Project") and under the terms of the associated Second Amended and Restated Master Sublease, the Agency subleased two parcels (parcels 4 and 5) to Civic Partners Idaho, LLC ("Civic"). Similarly, under the terms of the Amended and Restated Parcel 1 Sublease, the Agency subleased two Courthouse Project condominium units (units 401 and 102) to Civic. Civic failed to make the

April 1, 2015 and July 1, 2015 quarterly lease payments as required by the agreements and failed to timely cure the defaults. The Agency declared the leases terminated on October 2, 2015 and initiated action to take possession of the properties as permitted under the leases. On May 10, 2016, the Agency, Civic, and Ada County entered into a Termination Agreement and Mutual Release (Termination Agreement). The Termination Agreement terminates the Sublease Agreements with Civic Partners and all interest that Civic Partners has in and to the subleased properties.

NOTE 11 – PLEDGED REVENUES

The Agency has certain long-term debt obligations for which revenues have been pledged.

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, 2016, the total debt service on these bonds was $841,619.

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 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 C Revenue Refunding Note matures in 2024. The bond fund is pledged until the bonds mature. For the year ended September 30, 2016, the total debt service on this note was $248,078.

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, 2016, the total debt service on this note was $1,381,913.

The Agency issued the Series 2015 Redevelopment Bond in fiscal year 2016. Amounts in the 2015 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 deposited into the bond fund are revenue allocation from the Central District and parking revenues from the parking system. The Series 2015 bond matures in 2018. The bond fund is pledged until the bond matures. For the year ended September 30, 2016, the total debt service on this bond was $581,583.

NOTE 12 – CONDUIT DEBT

On April 29, 2016, the Agency authorized the issuance of its Lease Revenue Bonds, Series 2016 (Greater Boise Auditorium District Expansion Project), in the aggregate principal amount of $23,085,000. The proceeds of the bonds were used to expand and improve the “Boise Centre”, an existing convention center and public event facility in downtown Boise operated by the Greater Boise Auditorium District (the District), to pay bond issuance costs, to fund capitalized interest and to fund a reserve fund in connection therewith.

The Series 2016 bonds were issued at a fixed rate range from 3.00% to 5.00%. The issuance is a conduit financing arrangement for the District, and the Agency receives no benefit from the issuance of these Bonds and has no liability. Therefore, the Agency has not recorded any benefit or liability. As of September 30, 2016, the unpaid principal balance of the Bonds is $23,085,000.

NOTE 13 – SUBSEQUENT EVENTS

On October 26, 2016, the Agency received the refund of financial security deposit from Ada County Highway District (ACHD) in the amount of $200,000. The financial security deposit was required for the Main Street Station Project (the Project) under the Financial Assurance of Performance section in the Development Agreement. With the completion of the Project, ACHD authorized release of the financial security deposit on October 5, 2016.

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, 2016

	General Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	$ -	$ -	$ 9,199	$ 9,199
Other	40,700	40,700	46,588	5,888
Total revenues	40,700	40,700	55,787	15,087
EXPENDITURES				
Operating and administrative expenses	2,622,200	2,656,087	2,514,184	141,903
Capital outlay and related expenses	50,000	62,500	56,928	5,572
Total expenditures	2,672,200	2,718,587	2,571,112	147,475
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,631,500)	(2,677,887)	(2,515,325)	162,562
OTHER FINANCING SOURCES (USES)				
Interfund transfers	2,749,800	2,494,087	2,039,959	(454,128)
NET CHANGE IN FUND BALANCES	118,300	(183,800)	(475,366)	(291,566)
FUND BALANCES, BEGINNING OF YEAR	1,098,344	1,098,344	1,098,344	-
FUND BALANCES, END OF YEAR	$ 1,216,644	$ 914,544	$ 622,978	$ (291,566)

See Notes to Required Supplementary Information

CAPITAL CITY DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2016

	Central District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ 21,000	$ 21,000	$ 19,750	$ (1,250)
Interest	-	-	3,712	3,712
Other	22,700	949,783	1,031,734	81,951
Parking revenues	10,000	10,000	8,859	(1,141)
Revenue allocation funds	4,300,000	4,100,000	4,398,920	298,920
Total revenues	4,353,700	5,080,783	5,462,975	382,192
EXPENDITURES				
Operating expenses	657,550	312,520	192,169	120,351
Capital outlay and related expenses	6,365,000	6,521,000	5,305,516	1,215,484
Debt service - principal	500,000	500,000	500,000	-
Debt service - interest & fees	98,016	81,583	81,583	-
Total expenditures	7,620,566	7,415,103	6,079,268	1,335,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,266,866)	(2,334,320)	(616,293)	1,718,027
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(614,606)	(604,647)	(496,878)	107,769
Net proceeds and payoffs, refunded debt	5,000,000	5,000,000	5,000,000	-
Total other financing sources	4,385,394	4,395,353	4,503,122	107,769
NET CHANGE IN FUND BALANCES	1,118,528	2,061,033	3,886,829	1,825,796
FUND BALANCES, BEGINNING OF YEAR	2,401,674	2,401,674	2,401,674	-
FUND BALANCES, END OF YEAR	$ 3,520,202	$ 4,462,707	$ 6,288,503	$ 1,825,796

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

	River Myrtle District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	$ -	$ -	$ 4,187	$ 4,187
Other	446,437	933,000	568,022	(364,978)
Revenue allocation funds	6,550,000	5,950,000	6,240,210	290,210
Total revenues	6,996,437	6,883,000	6,812,419	(70,581)
EXPENDITURES				
Operating expenses	545,824	506,500	324,415	182,085
Capital outlay and related expenses	20,539,500	4,761,905	2,490,605	2,271,300
Debt service - principal	272,600	272,600	272,600	-
Debt service -interest	123,416	123,416	122,961	455
Total expenditures	21,481,340	5,664,421	3,210,581	2,453,840
EXCESS OF REVENUES OVER EXPENDITURES	(14,484,903)	1,218,579	3,601,838	2,383,259
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(803,760)	(749,762)	(604,593)	145,169
Gain on sale of poperties held for resale	-	151,000	151,101	101
Net proceeds and payoffs, refunded debt	13,500,000	-	-	-
Total other financing sources (uses)	12,696,240	(598,762)	(453,492)	145,270
NET CHANGE IN FUND BALANCES	(1,788,663)	619,817	3,148,346	2,528,529
FUND BALANCES, BEGINNING OF YEAR	9,736,491	9,736,491	9,736,491	-
FUND BALANCES, END OF YEAR	$ 7,947,828	$ 10,356,308	$ 12,884,837	$ 2,528,529

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

	Westside District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	$ -	$ -	$ 2,740	$ 2,740
Other	4,500	5,000	5,762	762
Revenue allocation funds	2,300,000	2,300,000	2,354,731	54,731
Total revenues	2,304,500	2,305,000	2,363,233	58,233
EXPENDITURES				
Operating expenses	273,350	169,750	52,038	117,712
Capital outlay and related expenses	4,738,220	1,980,000	668,602	1,311,398
Total expenditures	5,011,570	2,149,750	720,640	1,429,110
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,707,070)	155,250	1,642,593	1,487,343
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(480,996)	(314,416)	(262,892)	51,524
Loss on sale of properties held for resale	-	(56,000)	(56,509)	(509)
Total other financing sources (uses)	(480,996)	(370,416)	(319,401)	51,015
NET CHANGE IN FUND BALANCES	(3,188,066)	(215,166)	1,323,192	1,538,358
FUND BALANCES, BEGINNING OF YEAR	6,059,515	6,059,515	6,059,515	-
FUND BALANCES, END OF YEAR	$ 2,871,449	$ 5,844,349	$ 7,382,707	$ 1,538,358

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

	30th Street District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	$ -	$ -	$ 219	$ 219
Revenue allocation funds	340,000	340,000	343,340	3,340
Total revenues	340,000	340,000	343,559	3,559
EXPENDITURES				
Operating expenses	62,200	62,383	23,895	38,488
Capital outlay and related expenses	255,000	145,000	-	145,000
Total expenditures	317,200	207,383	23,895	183,488
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22,800	132,617	319,664	187,047
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(133,610)	(145,115)	(124,513)	20,602
NET CHANGE IN FUND BALANCES	(110,810)	(12,498)	195,151	207,649
FUND BALANCES, BEGINNING OF YEAR	355,244	355,244	355,244	-
FUND BALANCES, END OF YEAR	$ 244,434	$ 342,746	$ 550,395	$ 207,649

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

	Parking Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ 70,000	$ 70,000	$ 90,685	$ 20,685
Interest	-	-	2,484	2,484
Other	-	-	7	7
Parking revenues	5,639,908	5,860,218	5,920,558	60,340
Total revenues	5,709,908	5,930,218	6,013,734	83,516
EXPENDITURES				
Operating expenses	2,394,241	2,421,778	2,326,322	95,456
Capital outlay and related expenses	797,000	249,000	180,485	68,515
Debt service - principal	1,387,400	1,387,400	1,387,400	-
Debt service - interest and fees	688,858	688,858	688,649	209
Total expenditures	5,267,499	4,747,036	4,582,856	164,180
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	442,409	1,183,182	1,430,878	247,696
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(718,928)	(680,147)	(551,083)	129,064
NET CHANGE IN FUND BALANCES	(276,519)	503,035	879,795	376,760
FUND BALANCES, BEGINNING OF YEAR	6,395,542	6,395,542	6,395,542	-
FUND BALANCES, END OF YEAR	$ 6,119,023	$ 6,898,577	$ 7,275,337	$ 376,760

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

	2016	2015
Employer's portion of net of the pension liability	0.0403932%	0.0361820%
Employer's proportionate share of the net pension liability	$ 818,832	$ 476,459
Employer's covered-employee payroll	$ 1,096,499	$ 1,035,703
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.68%	46.00%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%

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

Data reported is measured as of July 1, 2016 (measurement date).

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

	2016	2015
Statutorily required contribution	$ 135,975	$ 118,352
Contributions in relation to the statutorily required contribution	$ (133,983)	$ (116,231)
Contribution (deficiency) excess	$ 1,992	$ 2,121
Employer's covered-employee payroll	$ 1,202,851	$ 1,096,499
Contributions as a percentage of covered-employee payroll	11.14%	11.23%

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

Data reported is measured as of September 30, 2016.

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 2016 budget was amended once during the year to reflect a restatement of appropriations in the adopted and amended budget.

NOTE 3 – ACTUARY ASSUMPTIONS

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.25 - 10.00 percent
Salary inflation	3.75 percent
Investment rate of return	7.10 percent, net of pension plan investment expenses
Cost-of-living adjustments	1.00 percent

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

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), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 10, 2017.

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 been identified.

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
February 10, 2017