



Financial Statements
September 30, 2017

Capital City Development Corporation

CAPITAL CITY DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Net Position in the Statement of Net Position to the Fund Balance in the Balance Sheet	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	20
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	43
Schedule of Employer's Share of Net Pension Liability	49
Schedule of Employer Contributions	49
Notes to Required Supplementary Information	50
 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 <i>Government Auditing Standards</i>	 51



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, 2017 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 respective financial position of the governmental activities and each major fund of Capital City Development Corporation, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 December 29, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That 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.

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

Boise, Idaho
December 29, 2017

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 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, 2017. 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 2017 by \$43,225,290. Of this total, \$18,908,624 is invested in capital assets (net of debt).
- At fiscal year close, the Agency's governmental funds reported a combined ending fund balance of \$46,019,380, of which \$45,205,774 is nonspendable, restricted, committed or assigned.
- During fiscal year 2017 the Agency's expenses were \$18,354,433 compared to the \$12,674,685 reported in 2016. The change was primarily due to the increase in community development expenses related to the Grove Plaza renovation project and Broad Street improvement project in 2017.
- Total revenues increased by \$2,511,576. 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 increased by \$193,986 compared with fiscal year 2016. The Agency has refunded the Series 2010 B-1 bond and redeemed early the Series 2010 C bond in fiscal year 2017. The Agency also paid issuance costs for the refunded debt. Over the long term, the refunding and redemption will provide the agency savings in interest payments. Additional cost of issuance were incurred to issue the 2017 A bond as well.
- The Agency's key revenues are parking revenues and revenue allocation district revenues (tax increment revenue). Parking revenues increased \$760,196 primarily due to: 1) increased parking activity and 2) continued parking revenue collection efficiency. Revenue allocation increased about 13.2% or \$1,755,555 in fiscal year 2017 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

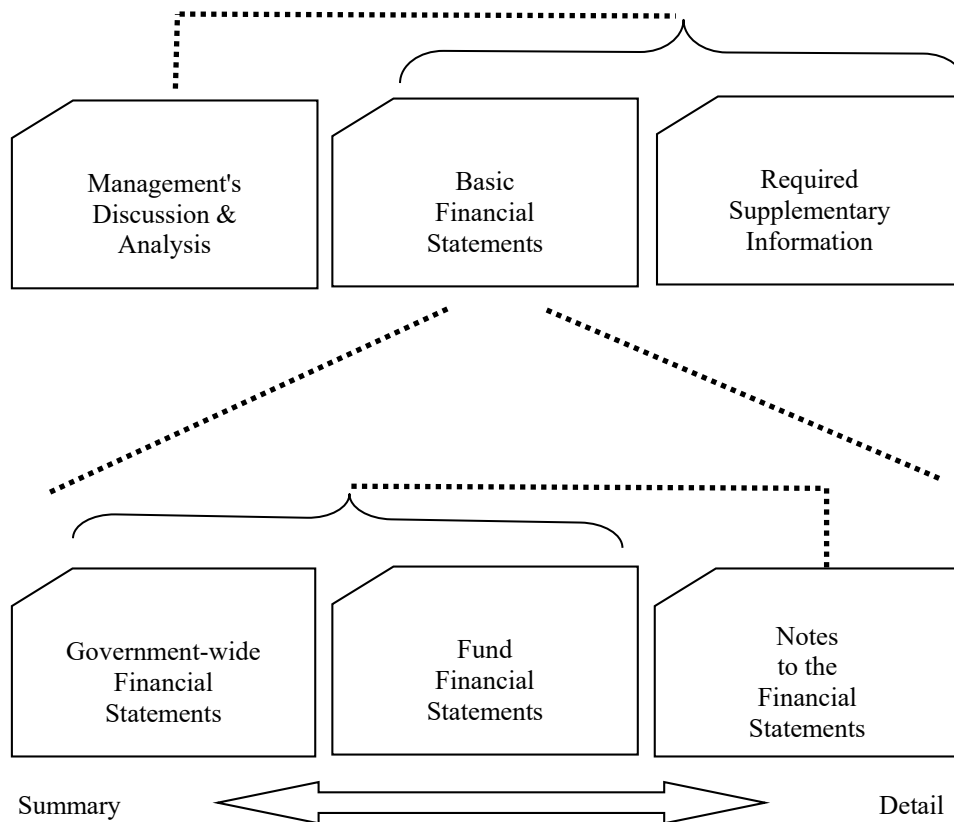
The format of this report allows the reader to examine combined financial statements to view the Agency as a whole (Agency-wide) as well as information on individual fund activities. This financial report consists of three parts: 1) Management Discussion & Analysis, 2) Basic Financial Statements, and 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.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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



CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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 2017. 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/Old Boise 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 2017 and fiscal year 2016 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 \$5,429,088 compared to fiscal year 2016. The increase is the result of continued increase of property tax increment and parking revenues. The long term debt increased in 2017 mainly due to the issuance of the Series 2017 A bond in the amount of \$13,000,000. The Agency refunded the 2010 B bond with the 2017 B bond and also redeemed the 2010 C bond of \$1,650,000.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

Table 1
Statement of Net Position
As of September 30, 2017 and 2016

	<u>2016</u>	<u>2017</u>	<u>Percent Change 2016-2017</u>
Current & Other Assets	\$ 50,877,527	\$ 65,673,842	29.1%
Capital Assets	24,619,146	26,090,765	6.0%
Total Assets	<u>75,496,673</u>	<u>91,764,607</u>	<u>21.5%</u>
Deferred Outflows of Resources	494,324	336,452	(31.9%)
Long-term Debt Outstanding	21,578,832	28,600,443	32.5%
Other Liabilities	2,304,877	3,264,541	41.6%
Total Liabilities	<u>23,883,709</u>	<u>31,864,984</u>	<u>33.4%</u>
Deferred Inflows of Resources	<u>14,311,086</u>	<u>17,010,785</u>	<u>33.4%</u>
Net Position			
Net Investment in			
Capital Assets	14,533,359	18,908,624	30.1%
Restricted & Unrestricted	23,262,843	24,316,666	4.5%
Total Net Position	<u>\$ 37,796,202</u>	<u>\$ 43,225,290</u>	<u>14.4%</u>

Approximately 44% 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, 2017. Prior year data is presented for comparison purposes.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

Table 2
Statement of Activities
For Years Ended September 30, 2017 and 2016

	<u>2016</u>	<u>2017</u>	<u>Percent Change 2016-2017</u>
Revenues			
Program Revenues			
Charges for Services	\$ 194,372	\$ 227,215	16.9%
Operating Grants & Contributions	1,652,113	1,599,082	(3.2%)
Parking	6,065,718	6,825,914	12.5%
Total Program Revenue	<u>7,912,203</u>	<u>8,652,211</u>	<u>9.4%</u>
General Revenue			
Property Tax Increment	13,337,201	15,092,756	13.2%
Unrestricted Investment Earnings	22,541	38,554	71.0%
Total Revenues	<u>21,271,945</u>	<u>23,783,521</u>	<u>11.8%</u>
Expenses			
Program Expenses			
Community Development	8,372,953	13,468,656	60.9%
Interest on Long-Term Debt	989,701	1,183,687	19.6%
Parking Facilities	3,312,031	3,702,090	11.8%
Total Program Expenses	<u>12,674,685</u>	<u>18,354,433</u>	<u>44.8%</u>
Increase in Net Position	8,597,260	5,429,088	
Net Position - Beginning	<u>29,198,942</u>	<u>37,796,202</u>	<u>29.4%</u>
Net Position - Ending	<u>\$ 37,796,202</u>	<u>\$ 43,225,290</u>	<u>14.4%</u>

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 public parking garages. *General Revenues* include earnings on investments. Overall, total Agency revenues increased \$2,511,576 compared with the prior year. Additionally, tax increment revenues increased \$1,755,555 compared to fiscal year 2016, 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 public parking system. Overall, total Agency expenses in fiscal year 2017 increased \$5,679,748. The change was primarily due to the major community development projects such as Grove Plaza renovation and Broad Street improvement. The change was also related to the increase in interest on long-term debt. In 2017, the Series 2010 B bond was refunded, the Series 2010 C bond was redeemed, and the Series 2017 A bond was issued. These debt activities resulted in one-time total redemption fee of \$135,303 and total issuance costs of \$136,759 in 2017.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

Budgetary Highlights

The fiscal year 2017 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 or for capital improvement projects that were added, deleted or modified during the fiscal year.

Capital Assets

Tables 3 and 4 present the Agency's Capital Assets. During fiscal year 2017, the Agency-owned The Grove Plaza's renovation was completed and a total of \$3,529,101 in renovation costs that was recorded as construction in progress in fiscal year 2016 is now transferred to Buildings, Improvements and Equipment, net.

Table 3
Capital Assets Net of Depreciation

	<u>2016</u>	<u>2017</u>	Total Dollar Change 2016-2017
Land	\$ 3,943,660	\$ 3,943,660	\$ -
Construction in Progress	3,639,979	193,259	(3,446,720)
Building, Improvements and Equipment, net	17,035,507	21,953,846	4,918,339
Total Capital Assets	<u>\$ 24,619,146</u>	<u>\$ 26,090,765</u>	<u>\$ 1,471,619</u>

Table 4
Major Capital Additions during Fiscal 2017

Beginning Balance	<u>\$ 24,619,146</u>
Capital Additions:	
Construction in Progress	133,513
Buildings, Improvement and Equipment	5,957,534
Total Capital Additions	<u>6,091,047</u>
Capital Deletions:	
Improvements other than Buildings	-
Equipment	(13,492)
Accumulated Depreciation for deletions	13,492
Total Capital Deletions	<u>-</u>
Current Year Transfers of	
Construction in Progress to Equipment	(3,580,233)
Current Year Depreciation	<u>(1,039,195)</u>
Ending Balance	<u>\$ 26,090,765</u>

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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. The Agency refinanced its 2010 B bond and redeem its 2010 C bond in 2017 and issued new 2017 A bond.

Table 5
Long-Term Debt

Activity	Type	Total Dollar Change		
		2016	2017	2016-2017
2010 B-1	Bond	\$ 5,585,000	\$ -	\$ (5,585,000)
2010 C	Note	1,650,000	-	(1,650,000)
2011 B	Note	9,025,000	8,070,000	(955,000)
2015	Note	4,500,000	2,250,000	(2,250,000)
2017 A	Bond	-	12,615,000	12,615,000
2017 B	Bond	-	5,040,000	5,040,000
Total		\$ 20,760,000	\$ 27,975,000	\$ 7,215,000

Economic Factors

In both real and relative terms it can be argued that Downtown Boise is still enjoying what history may one day regard as its most intensive and sustained era of growth and development. Construction projects both large and small and of multiple types commenced, continued and were completed throughout Fiscal Year 2017. The Agency is typically a key participant in those projects. The value of completed construction projects being added to the rolls with increasing property values resulted in a 13% overall increase in property tax increment revenue from FY 2016 to FY 2017.

As the Agency's Central urban renewal district nears its statutorily-defined end after a thirty year lifespan several transformative developments were completed and are now fully functioning. The trigger project was the multi-building City Center Plaza development. It brought along a subterranean multi-modal center (Valley Regional Transit's "Main Street Station") and the Greater Boise Auditorium District's long-sought expansion ("Boise Centre East") connected to the existing convention facility by elevated concourse via the interposed Century Link Arena / Grove Hotel complex. Those developments prompted the Agency to invest in a \$6 million renovation of its thirty-year-old The Grove Plaza, the City's premier community space.

The Central District is the Agency's first urban renewal district and revenue allocation area. Its thirty year lifespan technically ends on December 31, 2017 but the practical termination date is September 30, 2018, the end of the Agency's FY 2018. Calendar year property taxes are distributed in January and July of the following year so the 2017 property taxes generated prior to the Central District's sunset are still available for Agency investment in the Central District until the end of its Fiscal Year 2018.

**CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

With the imminent sunsetting and practical complete build-out of the Central District, the River-Myrtle / Old Boise District is now attracting most of the development activity. The desirability of its location – a short distance between the City center and Boise River – will continue to attract a variety of private development including housing. JUMP (Jack's Urban Meeting Place) and Simplot Corporate Headquarters are now complete and functioning. West across 11th Street the Pioneer Crossing development (formerly "Parcel B") consisting of a hotel, office building and parking garage – in which the Agency will purchase a 250 space (of 839 spaces) parking condo – is well underway. Phase 1 of The Afton condominium development at 620 S 9th Street that began in October 2015 is nearly complete. The property and the now-raised 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. Phase 2 (of 2) is already in the pipeline. The Agency invested over \$5 million in its collaboration with the City in and around the first LIV (Lasting, Innovative, Vibrant) District-designated area – Broad Street from 2nd Street to Capitol Boulevard. Substantial progress was made during FY 2017 on three private developments in and adjacent to the LIV District: the 163 unit The Fowler apartment building – in which the Agency will purchase an 89 (of 189) space parking condo – and two hotels – The Residence Inn by Marriott on the corner of Capitol Boulevard and Myrtle Street and the Inn at 500 directly across Myrtle from the Residence Inn. Further to the west at 13th and River streets Payette Brewing's completed renovation turned an existing building into a brewhouse and corporate offices. The Agency is putting the finishing touches on its long-in-development Pioneer Pathway, a bicycle / pedestrian corridor linking downtown to the Greenbelt that now happens to runs past Payette Brewing.

In the Westside District, Athlos Academies, a charter school service provider, completed its renovation and is now occupying the historic CC Anderson / Macy's department store building that sat empty at 10th and Idaho streets for several years. The 37 unit Watercooler Apartments development (with 7 live-work units) was completed in January 2017. A third new downtown hotel, Hyatt Place, opened in late FY 2017 at 11th and Bannock streets.

Development activity in the Agency's youngest district, the 30th Street District in the western Main Street and Fairview Avenue area is beginning to accelerate with two housing projects – including an affordable housing development – on their way toward construction. After a failed bond election in November 2016 intended to finance a new Boise campus on the long-vacant former Bob Rice Ford site at Main Street and Whitewater Park Boulevard, Nampa-based College of Western Idaho continues to study its options for what its next best move is there.

Addressing already strong demand and growing pressure for parking in and around downtown and throughout the Agency's four districts continues to be an Agency priority. The focus – including financial resource allocation – is necessarily shifting to mobility alternatives rather than relying exclusively on additional structured parking.

The Agency remains actively engaged with private developers and public agencies to make judicious use of its highly sought-after, catalytic, but limited resources. CCDC has a distinguished record of and will continue to play an understated yet vital role in the viability of many of the projects that have made this the city's premier era of growth and development.

Further Information Available

This financial report provides citizens, its governing board, appointing and confirming authorities, public and private partners, investors, creditors and legislators with an independent review of Agency finances. Contact Capital City Development Corporation at 121 N. 9th Street, Suite 501, Boise, ID 83702, 208-384-4264 (Voice), 208-384-4267 (Fax), www.ccdcboise.com with questions, comments or for additional information.

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 43,815,935
Receivables	
Accounts receivable	55,488
Interest receivable	2,935
Taxes receivable	16,909,012
Prepays and deposits	43,796
Restricted cash	2,334,161
Interest in partnership	130,000
Property held for resale or development	2,382,515
Capital assets	
Land, non-depreciable	3,943,660
Construction in progress, non-depreciable	193,259
Buildings, improvements, and equipment, net of accumulated depreciation	21,953,846
TOTAL ASSETS	91,764,607
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on debt refunding	107,859
Deferred outflows related to pensions	228,593
TOTAL DEFERRED OUTFLOWS OF RESOURCES	336,452
LIABILITIES	
Accounts payable	2,543,221
Accrued liabilities	108,732
Advanced revenues	83,497
Advanced lease payments	447,577
Interest payable	71,514
Refundable deposits	10,000
Long-term debt	
Current portion	5,590,000
Long-term	22,385,000
Net pension liabilities	625,443
TOTAL LIABILITIES	31,864,984
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property tax	16,909,012
Deferred inflows related to pensions	101,773
TOTAL DEFERRED INFLOWS OF RESOURCES	17,010,785
NET POSITION	
Net investment in capital assets	18,908,624
Restricted	23,503,060
Unrestricted	813,606
TOTAL NET POSITION	\$ 43,225,290

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					Governmental Activities
Community development	\$ 13,468,656	\$ 227,215	\$ 1,599,082	\$ -	\$(11,642,359)
Interest on long-term debt	1,183,687	-	-	-	(1,183,687)
Parking facilities	3,702,090	6,825,914	-	-	3,123,824
Total	\$ 18,354,433	\$ 7,053,129	\$ 1,599,082	\$ -	(9,702,222)
General revenues:					
Property tax increment					15,092,756
Unrestricted investment earnings					38,554
Total general revenues and transfers					15,131,310
Change in net position					5,429,088
Net position, beginning of year					37,796,202
Net position, end of year					\$ 43,225,290

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
ASSETS				
Cash and investments	\$ 1,000,000	\$ -	\$ 5,084,323	\$ 22,695,375
Accounts receivable	513	-	8,511	918
Interest receivable	2,935	-	-	-
Taxes receivable	-	-	4,937,022	8,338,777
Prepays	33,004	-	-	10,792
Restricted cash	-	-	191,065	231,239
Interest in partnership	-	-	-	130,000
Property held for resale or development	-	-	-	2,382,515
	<u>\$ 1,036,452</u>	<u>\$ -</u>	<u>\$ 10,220,921</u>	<u>\$ 33,789,616</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 81,110	\$ -	\$ 350,203	\$ 1,659,372
Accrued liabilities	108,732	-	-	-
Advanced revenues	-	-	-	-
Refundable deposits	-	-	-	10,000
Total liabilities	<u>189,842</u>	<u>-</u>	<u>350,203</u>	<u>1,669,372</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable- property tax	-	-	4,937,022	8,338,777
Total deferred inflows	<u>-</u>	<u>-</u>	<u>4,937,022</u>	<u>8,338,777</u>
FUND BALANCES				
Nonspendable	33,004	-	-	2,393,307
Restricted	-	-	4,933,696	21,388,160
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	813,606	-	-	-
Total fund balances	<u>846,610</u>	<u>-</u>	<u>4,933,696</u>	<u>23,781,467</u>
	<u>\$ 1,036,452</u>	<u>\$ -</u>	<u>\$ 10,220,921</u>	<u>\$ 33,789,616</u>

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

Westside District RA Fund	30th Street District RA Fund	Parking Fund	Total Governmental Funds
\$ 8,498,850	\$ 922,984	\$ 5,614,403	\$ 43,815,935
432	-	45,114	55,488
-	-	-	2,935
2,946,972	686,241	-	16,909,012
-	-	-	43,796
-	-	1,911,857	2,334,161
-	-	-	130,000
-	-	-	2,382,515
<u>\$ 11,446,254</u>	<u>\$ 1,609,225</u>	<u>\$ 7,571,374</u>	<u>\$ 65,673,842</u>
\$ 16,103	\$ -	\$ 436,433	\$ 2,543,221
-	-	-	108,732
-	-	83,497	83,497
-	-	-	10,000
<u>16,103</u>	<u>-</u>	<u>519,930</u>	<u>2,745,450</u>
<u>2,946,972</u>	<u>686,241</u>	<u>-</u>	<u>16,909,012</u>
<u>2,946,972</u>	<u>686,241</u>	<u>-</u>	<u>16,909,012</u>
-	-	-	2,426,311
8,483,179	905,957	1,411,853	37,122,845
-	-	500,000	500,000
-	17,027	5,139,591	5,156,618
-	-	-	813,606
<u>8,483,179</u>	<u>922,984</u>	<u>7,051,444</u>	<u>46,019,380</u>
<u>\$ 11,446,254</u>	<u>\$ 1,609,225</u>	<u>\$ 7,571,374</u>	<u>\$ 65,673,842</u>

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET
POSITION TO THE FUND BLANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2017

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

Total fund balance		\$46,019,380
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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	193,259	
Cost of buildings, improvements, equipment and artwork	36,836,897	
Accumulated depreciation	<u>(14,883,051)</u>	26,090,765

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.		(71,514)
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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	<u>1,294,343</u>	(447,577)

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	(625,443)	
Bonds payable - current	(5,590,000)	
Bonds payable - long-term	<u>(22,385,000)</u>	(28,600,443)

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET
POSITION TO THE FUND BLANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2017

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:		
Changes of assumptions	11,566	
Contributions made subsequent to measurement date	31,900	
Changes in proportionate share	98,483	
Differences between expected and actual experience	<u>86,644</u>	228,593
Deferred inflows of resources related to pensions:		
Net difference between projected and actual investment earnings on pension plan investments	(37,473)	
Changes in proportionate share	(7,953)	
Differences between expected and actual experience	<u>(56,347)</u>	(101,773)
Deferred charge on debt refunding		
Deferred economic loss on 2017 B Bonds	<u>107,859</u>	<u>107,859</u>
Net position for governmental activities		<u><u>\$43,225,290</u></u>

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
REVENUES				
Lease	\$ -	\$ 87,952	\$ 5,150	\$ -
Interest	12,087	-	4,757	11,135
Other	48,129	-	200,442	1,330,104
Parking	-	-	7,653	-
Revenue allocation funds	-	-	5,013,082	6,948,284
	<u>60,216</u>	<u>87,952</u>	<u>5,231,084</u>	<u>8,289,523</u>
EXPENDITURES				
Administrative expenses	2,145,727	-	-	-
Operating expenses	385,391	-	285,530	587,399
Capital outlay and related expenses	33,922	-	3,283,940	7,719,613
Debt service - principal	-	-	2,250,000	3,114,950
Debt service - interest	-	87,952	80,100	355,974
	<u>2,565,040</u>	<u>87,952</u>	<u>5,899,570</u>	<u>11,777,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,504,824)</u>	<u>-</u>	<u>(668,486)</u>	<u>(3,488,413)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	2,728,456	-	(686,321)	(3,759,957)
Bond Proceeds - new issue	-	-	-	13,000,000
Bond Proceeds - refunding	-	-	-	5,145,000
	<u>2,728,456</u>	<u>-</u>	<u>(686,321)</u>	<u>14,385,043</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,728,456</u>	<u>-</u>	<u>(686,321)</u>	<u>14,385,043</u>
NET CHANGE IN FUND BALANCES	223,632	-	(1,354,807)	10,896,630
FUND BALANCES, BEGINNING OF YEAR	<u>622,978</u>	<u>-</u>	<u>6,288,503</u>	<u>12,884,837</u>
FUND BALANCES, END OF YEAR	<u>\$ 846,610</u>	<u>\$ -</u>	<u>\$ 4,933,696</u>	<u>\$ 23,781,467</u>

Westside District RA Fund	30th District RA Fund	Parking Fund	Total Governmental Funds
\$ -	\$ -	\$ 126,460	\$ 219,562
6,191	511	3,873	38,554
5,147	-	15,260	1,599,082
-	-	6,680,754	6,688,407
<u>2,624,575</u>	<u>506,815</u>	<u>-</u>	<u>15,092,756</u>
<u>2,635,913</u>	<u>507,326</u>	<u>6,826,347</u>	<u>23,638,361</u>
-	-	-	2,145,727
51,446	9,143	2,601,185	3,920,094
1,131,355	4,300	404,062	12,577,192
-	-	5,565,050	10,930,000
-	-	671,699	1,195,725
<u>1,182,801</u>	<u>13,443</u>	<u>9,241,996</u>	<u>30,768,738</u>
<u>1,453,112</u>	<u>493,883</u>	<u>(2,415,649)</u>	<u>(7,130,377)</u>
(352,640)	(121,294)	2,191,756	-
-	-	-	13,000,000
-	-	-	5,145,000
<u>(352,640)</u>	<u>(121,294)</u>	<u>2,191,756</u>	<u>18,145,000</u>
1,100,472	372,589	(223,893)	11,014,623
<u>7,382,707</u>	<u>550,395</u>	<u>7,275,337</u>	<u>35,004,757</u>
<u>\$ 8,483,179</u>	<u>\$ 922,984</u>	<u>\$ 7,051,444</u>	<u>\$ 46,019,380</u>

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, 2017

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

Net change in fund balances - total governmental funds	\$ 11,014,623
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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	2,510,814	
Depreciation	<u>(1,039,195)</u>	1,471,619

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

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

Current year redemption fee	92,670	
Amortize deferred economic gain (loss) on refunded debt		
Current year loss - 2010 C Refunding	(50,413)	
Current year loss - 2017 B Refunding	<u>(26,783)</u>	15,474

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	10,930,000	
Proceeds from new debt	(13,000,000)	
Proceeds from refunding debt	(5,145,000)	
Interest expense	(3,436)	(7,218,436)

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, 2017

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.

Adjustments to pension contributions	135,129	
Pension expense related to net pension liability	(135,268)	<u>(139)</u>
Changes in net position of governmental activities		<u>\$ 5,429,088</u>

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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 (the City) 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 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 in conformity with generally accepted accounting principles and are not intended to present the financial position and results of operations of the City.

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 revenue allocation area, 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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.

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 Old Boise District Revenue Allocation Fund – The River Old Boise Myrtle District accounts for the revenues derived from the revenue allocation area within the River Myrtle Old Boise District and was established as a funding mechanism to provide public infrastructure improvements. The revenues are first pledged to repay the Series 2017 A Redevelopment Bond, the 2017 B Refunding Redevelopment Bond 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 public 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. Net parking revenues are otherwise unrestricted and are used for repayment of the Series 2011 B, 2015, 2017 A and 2017 B debt, 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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 for investment of idle funds is 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

At year end, the carrying amount of the Agency's deposits was \$43,097,472 and the bank balance was \$43,268,128. 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 \$50,500,000 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 \$5,013,082, \$6,948,284, \$2,624,575 and \$506,815 from Central District, River Myrtle/Old Boise 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, 2017.

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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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 Old/Boise District.

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.

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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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, 2017 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, 2017, \$5,139,592 and \$17,027 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 years 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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. The Agency is currently negotiating the sale of its ownership interest. Formal Board of Commissioners actions could occur in the first quarter of calendar year 2018.

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, 2017

Central District Revenue Allocation Fund	\$ 4,933,696
River Myrtle District Revenue Allocation Fund	21,388,160
Westside District Revenue Allocation Fund	8,483,179
30th Street District Revenue Allocation Fund	905,957
Parking Fund	1,411,853

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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	September 30, 2016	Additions	Deletions	September 30, 2017
Governmental Activities				
<i>Capital assets, not depreciated</i>				
Land	\$ 3,943,660	\$ -	\$ -	\$ 3,943,660
Construction in progress	3,639,979	133,513	(3,580,233)	193,259
	<u>7,583,639</u>	<u>133,513</u>	<u>(3,580,233)</u>	<u>4,136,919</u>
<i>Capital assets, depreciated</i>				
Buildings	27,110,936	-	-	27,110,936
Improvements other than buildings	3,559,103	5,847,573	-	9,406,676
Equipment	222,816	109,961	(13,492)	319,285
Total	<u>30,892,855</u>	<u>5,957,534</u>	<u>(13,492)</u>	<u>36,836,897</u>
<i>Less accumulated depreciation</i>				
Buildings	(12,080,402)	(565,705)	-	(12,646,107)
Improvements other than buildings	(1,613,320)	(441,463)	-	(2,054,783)
Equipment	(163,626)	(32,027)	13,492	(182,161)
Total	<u>(13,857,348)</u>	<u>(1,039,195)</u>	<u>13,492</u>	<u>(14,883,051)</u>
<i>Total depreciated capital assets, net</i>	<u>17,035,507</u>	<u>4,918,339</u>	<u>-</u>	<u>21,953,846</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 24,619,146</u>	<u>\$ 5,051,852</u>	<u>\$ (3,580,233)</u>	<u>\$ 26,090,765</u>

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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

Governmental Activities	
General Government	\$ 1,039,195

NOTE 6 – LONG-TERM DEBT

At September 30, 2017, long-term debt consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities					
2010 B-1	\$ 5,585,000	\$ -	\$ (5,585,000)	\$ -	\$ -
2010 C	1,650,000	-	(1,650,000)	-	-
2011 B	9,025,000	-	(955,000)	8,070,000	1,000,000
2015	4,500,000	-	(2,250,000)	2,250,000	2,250,000
2017 A	-	13,000,000	(385,000)	12,615,000	1,680,000
2017 B	-	5,145,000	(105,000)	5,040,000	660,000
	<u>\$ 20,760,000</u>	<u>\$ 18,145,000</u>	<u>\$ (10,930,000)</u>	<u>\$ 27,975,000</u>	<u>\$ 5,590,000</u>

The Series 2010 B-1 Bond was redeemed on June 8, 2017. The Series 2010 B-1 bond was refinanced through Zions Bank and the new bond is Series 2017 B. The Series 2017 B is tax exempt fixed rate bonds with a rate of 2.82% that mature on September 1, 2024.

The 2010 C Revenue Refunding Note was redeemed on June 8, 2017 with cash on hand.

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

The Redevelopment Bond, Series 2017 A (Series 2017 A Bond), was issued on June 8, 2017. The Series 2017 A bond of \$13,000,000 provides funds (i) for the improvements to Broad Street, Boise's first LIV district, (ii) for the purchase of 89 parking spaces in The Fowler Apartment building, to be named the 5th and Broad public parking garage, (iii) for the purchase of 250 parking spaces in the Pioneer Crossing parking garage to be named the 11th and Front public parking garage. All three projects are in the Agency's River Myrtle/Old Boise District.

The Series 2017 A Bond are tax exempt fixed rate bonds with a rate of 2.32% that mature on September 1, 2024.

There are certain restrictive covenants, coverage requirements and ratios associated with the Agency's bonds and notes. As of September 30, 2017 the Agency is compliance with these requirements.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

The annual requirements to retire the debt for the 2011 B notes, 2015 notes, 2017 A bond and 2017 B bond as of September 30, 2017 are shown below.

	Governmental Activities	
	Principal	Interest
2018	\$ 5,590,000	\$ 858,171
2019	3,445,000	713,033
2020	3,555,000	604,316
2021	3,670,000	491,731
2022	3,780,000	375,042
2023-2024	7,935,000	383,958
Total	<u>\$ 27,975,000</u>	<u>\$ 3,426,251</u>

NOTE 7 – PENSION PLAN

Plan Description

The Agency contributes to the Public Employee Retirement System of Idaho (PERSI or System) Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by the PERSI Retirement Board. The Base Plan covers substantially all employees of the State of Idaho and a variety of participating local and special district political subdivisions. As a special purpose unit of local government the Agency is an eligible public employer and Agency employees are eligible public employees. 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. That report may be obtained at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the PERSI Retirement 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, but not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

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

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

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) 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 statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The Agency's contributions were \$140,234 for the year ended September 30, 2017.

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

At September 30, 2017, the Agency reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, 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, 2017, the Agency's proportion was 0.0397908%.

For the year ended September 30, 2017, the Agency recognized pension expense of \$135,268. At September 30, 2017, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 86,644	\$ 56,347
Changes in assumptions or other inputs	11,566	-
Net difference between projected and actual earnings on pension plan investments	-	37,473
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	98,483	7,953
Agency's contributions subsequent to the measurement date	<u>31,900</u>	<u>-</u>
Total	<u>\$ 228,593</u>	<u>\$ 101,773</u>

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

An amount reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date totaling \$31,900 will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

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, 2016 the beginning of the measurement period ended June 30, 2017 and 2016 is 4.9 for the measurement period ended June 30, 2016.

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, 2017:	
2018		\$ (218)
2019		(92,980)
2020		(40,601)
2021		39,081
2022		(202)

Actuarial Assumptions

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

The total pension liability in the June 30, 2017 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 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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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, 2017.

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
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%

<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
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	<u>7.10%</u>

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows is 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)	<u>\$ 1,453,658</u>	<u>\$ 625,443</u>	<u>\$ (62,826)</u>

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 at www.persi.idaho.gov.

Payables to the Pension Plan

At September 30, 2017, the Agency reported payables to the defined benefit pension plan of \$2,678 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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 was 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 expired on November 30, 2016. The monthly rent was \$398. The lease qualified as a capital lease. The original amount and accumulated depreciation are as follows:

Copier capital lease agreement	\$ 13,492
Accumulated depreciation	<u>13,492</u>
	<u><u>\$ -</u></u>

Lease Other

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. In fiscal year 2017, the Agency made a total payment of \$218,827 for rent from May 2016 to September 2017. These payments and future payments of the rent for the parcels that Civic Partners defaulted on in 2016 allow the Agency retain full lessee authority concerning the units and parcels under the two ground lease. Total ground lease expense for the year ended September 30, 2017 was \$306,779.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

	<u>Master Ground</u>	<u>Office Facility</u>
2018	\$ 237,364	\$ 280,588
2019	244,888	158,804
2020	272,568	53,319
2021	276,972	-
2022	282,044	-
2023-2027	1,803,919	-
2028-2032	1,153,827	-
2033-2037	582,550	-
2038-2042	675,334	-
2043-2047	782,894	-
2048-2052	907,578	-
2053-2057	1,052,143	-
2058-2062	1,219,728	-
2063-2067	1,413,994	-
2068-2072	1,639,206	-
2073-2077	1,900,289	-
2078-2082	2,202,957	-
2083-2087	2,553,833	-
2088-2092	2,960,594	-
2093-2097	3,432,137	-
2098	375,910	-
	<u>\$ 25,970,729</u>	<u>\$ 492,711</u>
Total		

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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 an estimated value of \$61 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 2017, the third payment of \$1 million has been made. As of September 30, 2017, a total of \$3 million has been paid to the developer.

The Agency entered into an 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 complete. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. During fiscal year 2017, the second payment of \$151,170 has been made. As of September 30, 2017, a total of \$254,404 has been paid to the developer.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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 2017, the third payment of \$10,000 has been made. As of September 30, 2017, a total of \$30,000 has been paid to VRT.

The Agency entered into an 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 2017, a total of \$10,792 has been made. As of September 30, 2017, a total of \$720,361 has been paid to the developer. The City Center Plaza officially opened on October 20, 2016.

The Agency entered into an OPA and related agreements with Inn at 500 Capitol, LLC, the developer of the Inn at 500 Capitol Hotel – 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-Old Boise 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 hotel opened in February 2017. During fiscal year 2017, a payment of \$176,920 has been made for the capital improvement reimbursement (agency participation program Type 4 agreement). For the Type 2 agreement, payments are expected to be made over four years from fiscal year 2019 to 2022.

The Agency entered into a Memorandum of Understanding (MOU) and related agreements with the City of Boise for the non-profit Trailhead Entrepreneurial Resource Center. 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 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 2017, a total of \$175,184 has been made for rent and maintenances. As of September 30, 2017, a total of \$434,338 has been paid to landlord and other vendors since the MOU was executed.

The Agency entered into an OPA and related agreements with Athlos Academies, the new owner of the 918 W. Idaho Street property (formerly known as C.C. Anderson or Macy’s Building). Originally built in 1927 it has been vacant since 2010. Athlos Academies has renovated and upgraded the 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 completed in 2017 and the payment is expected to be made in winter of 2017. As of September 30, 2017, no payments have been made.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

The Agency entered into an OPA and related agreements with Pennbridge Bodo, LLC, the developer of the Residence Inn by Marriott – 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-Old Boise District. The project is estimated by the developer to have a total value of \$25 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 was completed in fall 2017. Payments are expected to be made over four years from fiscal year 2019 to 2022. As of September 30, 2017, no payments have been made.

The Agency entered into an OPA and related agreements with Boise Hotel Investors, LLC, the developer of the Hyatt Place – 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 completed in summer 2017. Payments are expected to be made over four years from fiscal year 2019 to 2022. As of September 30, 2017, no payments have been made.

The Agency entered into an 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 foot public park facing Idaho Street in the River Myrtle-Old Boise 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 started construction in the fall of 2017 and is expected to complete in 2019. As of September 30, 2017, no payments have been made.

The Agency entered into an 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-Old Boise 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 to be named the 5th and Broad public parking garage. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in December 2017. As of September 30, 2017, no payments have been made.

The Agency entered into an 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-Old Boise District. The project is estimated by the developer to have a total value of \$46 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 to be named the 11th and Front public parking garage. 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, 2017, no payments have been made.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

The Agency entered into an OPA and related agreements with JRS properties III, LP, the developer of JUMP building and JR Simplot Company Offices –a mixed-use development consisting of multiple buildings and facilities to be known as “Jack’s Urban Meeting Place” and the JR Simplot Corporate Headquarters in the River Myrtle-Old Boise 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 completed in 2017. Payments are expected to be made over four years from fiscal year 2018 to 2021. As of September 30, 2017, 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 2017, the tax increment guarantee and supplemental rent obligations in the amounts of \$32,829 and \$191,254 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 Series 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 of revenues for the deposits into the bond fund are revenue allocation from the River Myrtle-Old Boise District and net parking revenues from the parking system. On June 8, 2017, Series 2010 B bond was refunded with Series 2017 B bond. For the year ended September 30, 2017, the total debt service on these bonds was \$5,860,308.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

The Agency issued the Series 2010 C Revenue Refunding Note to refund the 2002 C bonds. Amounts in the Series 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-Old Boise District and net parking revenues from the parking system. On June 8, 2017, Series 2010 C note was redeemed with cash on hand. For the year ended September 30, 2017, the total debt service on this note was \$1,747,098.

The Agency issued the Series 2011 B Revenue Refunding Note to refund the 2002 B bonds. Amounts in the Series 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-Old Boise District and net 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, 2017, the total debt service on this note was \$1,383,688.

The Agency issued the Series 2015 Redevelopment Bond in fiscal year 2016. Amounts in the Series 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 net 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, 2017, the total debt service on this bond was \$2,330,100.

The Agency issued the Series 2017 A Redevelopment Bond in fiscal year 2017. Amounts in the Series 2017 A bond fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the bond fund each month. The source revenues for the deposited into the bond fund are revenue allocation from the River Myrtle-Old Boise District and net parking revenues from the parking system. The Series 2017 A bond matures in 2024. The bond fund is pledged until the bond matures. For the year ended September 30, 2017, the total debt service on this bond was \$454,537.

The Agency issued the Series 2017 B bond to refund the 2010 B bond. Amounts in the Series 2017 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-Old Boise District and net parking revenues from the parking system. For the year ended September 30, 2017, the total debt service on these bonds was \$138,451.

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. The first bond principal payment is scheduled to be made on December 15, 2017. As of September 30, 2017, the unpaid principal balance of the Bonds is \$23,085,000.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

NOTE 13 – DEBT REFUNDING

Occasionally, the Agency issues new long-term debt to extinguish the obligation of previously issued bonds in order to take advantage of lower interest rates.

On June 8, 2017, the Agency issued the Series 2017 B Refunding Bond of \$5,145,000 with an interest rate of 2.82%. The bond was issued to refund the 2010 B-1 bond and redeem the 2010 C bond with interest rates of 4.25% and 4.29%, respectively. The current refunding was undertaken to reduce the total debt service payment over the next seven years by \$823,651 and resulted in an economic gain of \$800,752.

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, 2017

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 12,087	\$ 12,087
Other	40,700	40,700	48,129	7,429
Total revenues	40,700	40,700	60,216	19,516
EXPENDITURES				
Operating and administrative expenses	2,836,097	2,756,750	2,531,118	225,632
Capital outlay and related expenses	25,000	40,000	33,922	6,078
Total expenditures	2,861,097	2,796,750	2,565,040	231,710
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,820,397)	(2,756,050)	(2,504,824)	251,226
OTHER FINANCING SOURCES (USES)				
Interfund transfers	2,836,597	3,256,050	2,728,456	(527,594)
NET CHANGE IN FUND BALANCES	16,200	500,000	223,632	(276,368)
FUND BALANCES, BEGINNING OF YEAR	622,978	622,978	622,978	-
FUND BALANCES, END OF YEAR	\$ 639,178	\$ 1,122,978	\$ 846,610	\$ (276,368)

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017

	Central District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Lease	\$ 3,000	\$ 3,000	\$ 5,150	\$ 2,150
Interest	-	-	4,757	4,757
Other	112,700	193,500	200,442	6,942
Parking revenues	10,000	8,000	7,653	(347)
Revenue allocation funds	4,700,000	5,000,000	5,013,082	13,082
Total revenues	4,825,700	5,204,500	5,231,084	26,584
EXPENDITURES				
Operating expenses	580,500	432,500	285,530	146,970
Capital outlay and related expenses	5,638,000	3,880,000	3,283,940	596,060
Debt service - principal	2,250,000	2,250,000	2,250,000	-
Debt service - interest & fees	80,100	80,100	80,100	-
Total expenditures	8,548,600	6,642,600	5,899,570	743,030
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,722,900)	(1,438,100)	(668,486)	769,614
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(607,441)	(826,735)	(686,321)	140,414
Net proceeds and payoffs, refunded debt	-	-	-	-
Total other financing sources	(607,441)	(826,735)	(686,321)	140,414
NET CHANGE IN FUND BALANCES	(4,330,341)	(2,264,835)	(1,354,807)	910,028
FUND BALANCES, BEGINNING OF YEAR	6,288,503	6,288,503	6,288,503	-
FUND BALANCES, END OF YEAR	\$ 1,958,162	\$ 4,023,668	\$ 4,933,696	\$ 910,028

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017

	River Myrtle District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 11,135	\$ 11,135
Other	436,700	1,483,500	1,330,104	(153,396)
Revenue allocation funds	6,650,000	6,850,000	6,948,284	98,284
Total revenues	7,086,700	8,333,500	8,289,523	(43,977)
EXPENDITURES				
Operating expenses	538,650	732,591	587,399	145,192
Capital outlay and related expenses	22,711,800	9,486,800	7,719,613	1,767,187
Debt service - principal	282,000	3,114,950	3,114,950	-
Debt service -interest	311,560	369,381	355,974	13,407
Total expenditures	23,844,010	13,703,722	11,777,936	1,925,786
EXCESS OF REVENUES OVER EXPENDITURES	(16,757,310)	(5,370,222)	(3,488,413)	1,881,809
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(883,551)	(3,913,975)	(3,759,957)	154,018
Gain on sale of poperties held for resale	184,000	-	-	-
Net proceeds and payoffs, refunded debt	13,000,000	18,145,000	18,145,000	-
Total other financing sources	12,300,449	14,231,025	14,385,043	154,018
NET CHANGE IN FUND BALANCES	(4,456,861)	8,860,803	10,896,630	2,035,827
FUND BALANCES, BEGINNING OF YEAR	12,884,837	12,884,837	12,884,837	-
FUND BALANCES, END OF YEAR	\$ 8,427,976	\$ 21,745,640	\$ 23,781,467	\$ 2,035,827

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017

	Westside District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 6,191	\$ 6,191
Other	5,000	5,000	5,147	147
Revenue allocation funds	2,500,000	2,600,000	2,624,575	24,575
Total revenues	2,505,000	2,605,000	2,635,913	30,913
EXPENDITURES				
Operating expenses	269,850	150,600	51,446	99,154
Capital outlay and related expenses	13,625,000	1,155,000	1,131,355	23,645
Total expenditures	13,894,850	1,305,600	1,182,801	122,799
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,389,850)	1,299,400	1,453,112	153,712
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(414,165)	(413,368)	(352,640)	60,728
Net of proceeds and payoffs, refunded debt	10,000,000	-	-	-
Total other financing sources (uses)	9,585,835	(413,368)	(352,640)	60,728
NET CHANGE IN FUND BALANCES	(1,804,015)	886,032	1,100,472	214,440
FUND BALANCES, BEGINNING OF YEAR	7,382,707	7,382,707	7,382,707	-
FUND BALANCES, END OF YEAR	\$ 5,578,692	\$ 8,268,739	\$ 8,483,179	\$ 214,440

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017

	30th Street District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 511	\$ 511
Revenue allocation funds	500,000	500,000	506,815	6,815
Total revenues	500,000	500,000	507,326	7,326
EXPENDITURES				
Operating expenses	62,200	32,000	9,143	22,857
Capital outlay and related expenses	390,000	5,000	4,300	700
Total expenditures	452,200	37,000	13,443	23,557
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	47,800	463,000	493,883	30,883
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(220,888)	(158,988)	(121,294)	37,694
NET CHANGE IN FUND BALANCES	(173,088)	304,012	372,589	68,577
FUND BALANCES, BEGINNING OF YEAR	550,395	550,395	550,395	-
FUND BALANCES, END OF YEAR	\$ 377,307	\$ 854,407	\$ 922,984	\$ 68,577

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017

	Parking Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Lease	\$ 70,000	\$ 70,000	\$ 126,460	\$ 56,460
Interest	-	-	3,873	3,873
Other	25,000	15,000	15,260	260
Parking revenues	6,009,908	6,649,182	6,680,754	31,572
Total revenues	6,104,908	6,734,182	6,826,347	92,165
EXPENDITURES				
Operating expenses	2,481,500	2,603,121	2,601,185	1,936
Capital outlay and related expenses	1,185,000	603,700	404,062	199,638
Debt service - principal	1,448,000	5,565,050	5,565,050	-
Debt service - interest and fees	625,276	671,700	671,699	1
Total expenditures	5,739,776	9,443,571	9,241,996	201,575
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	365,132	(2,709,389)	(2,415,649)	293,740
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(710,552)	2,057,015	2,191,756	134,741
NET CHANGE IN FUND BALANCES	(345,420)	(652,374)	(223,893)	428,481
FUND BALANCES, BEGINNING OF YEAR	7,275,337	7,275,337	7,275,337	-
FUND BALANCES, END OF YEAR	\$ 6,929,917	\$ 6,622,963	\$ 7,051,444	\$ 428,481

CAPITAL CITY DEVELOPMENT CORPORATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND SCHEDULE OF
EMPLOYER CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of net of the pension liability	0.0397908%	0.0403932%	0.0361820%
Employer's proportionate share of the net pension liability	\$ 625,443	\$ 818,832	\$ 476,459
Employer's covered-employee payroll	\$ 1,277,551	\$ 1,096,499	\$ 1,035,703
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.96%	74.68%	46.00%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%

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

Data reported is measured as of June 30, 2017 (measurement date).

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 140,234	\$ 135,975	\$ 124,326
Contributions in relation to the statutorily required contribution	\$ (140,418)	\$ (133,983)	\$ (123,145)
Contribution deficiency (excess)	\$ (184)	\$ 1,992	\$ 1,181
Employer's covered-employee payroll	\$ 1,222,892	\$ 1,202,851	\$ 1,096,499
Contributions as a percentage of covered-employee payroll	11.48%	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, 2017.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

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. Budget amendments, if any, require formal approval of the Agency’s Board of Commissioners.

NOTE 2 – AMENDED BUDGET

The fiscal year 2017 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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.



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, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Boise, Idaho

December 29, 2017