



Financial Statements
September 30, 2018

**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	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Reconciliation of Net Position in the Statement of Net Position to the Fund Balance in the Balance Sheet	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	41
Schedule of Employer's Share of Net Pension Liability	47
Schedule of Employer Contributions	47
Notes to Required Supplementary Information	48
 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>	 49



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, 2018 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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 19, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in dark ink and is positioned above the typed name and date.

Boise, Idaho
December 19, 2018

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

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, 2018. 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 2018 by \$50,509,084. Of this total, \$26,833,654 is invested in capital assets (net of debt).
- At fiscal year close, the Agency's governmental funds reported a combined ending fund balance of \$42,545,876, of which \$41,425,432 is nonspendable, restricted, committed or assigned.
- During fiscal year 2018 the Agency's expenses were \$19,648,000 compared to the \$18,354,433 reported in 2017. The change was primarily due to the increase in community development expenses related to the Central District Closeout Improvement Project.
- Total revenues increased by \$3,148,273. The majority of the increase was a result of increased property tax increment revenue.
- Interest and fees expense on long-term debt in governmental activities decreased by \$221,750 compared with fiscal year 2017. 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. In fiscal year 2018, no refunding or early redemption occurred.
- The Agency's key revenues are parking revenues and revenue allocation district revenues (tax increment revenue). Parking revenues increased \$1,011,938 primarily due to: 1) increased parking activity and 2) parking rate changes effective February 1, 2018. Revenue allocation increased about 19.22% or \$2,901,404 in fiscal year 2018 as compared to the prior year due to the increased property valuations and new construction in Agency urban renewal districts.

Government-Wide Financial Statements

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

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

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

The Statement of Activities provides information showing changes made to the Agency's net position during fiscal year 2018. 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 2018 and fiscal year 2017 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 \$7,283,794 compared to fiscal year 2017. The increase is the result of continued increases of property tax increment and parking revenues.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Table 1
Statement of Net Position
As of September 30, 2018 and 2017

	<u>2017</u>	<u>2018</u>	<u>Percent Change 2017-2018</u>
Current & Other Assets	\$ 65,673,842	\$ 59,085,670	(10.0%)
Capital Assets	26,090,765	31,132,031	19.3%
Total Assets	<u>91,764,607</u>	<u>90,217,701</u>	<u>(1.7%)</u>
Deferred Outflows of Resources	336,452	293,796	(12.7%)
Long-term Debt Outstanding	28,600,443	22,983,223	(19.6%)
Other Liabilities	3,264,541	2,879,800	(11.8%)
Total Liabilities	<u>31,864,984</u>	<u>25,863,023</u>	<u>(18.8%)</u>
Deferred Inflows of Resources	17,010,785	14,139,390	(16.9%)
Net Position			
Net Investment in			
Capital Assets	18,908,624	26,833,654	41.9%
Restricted & Unrestricted	24,316,666	23,675,430	(2.6%)
Total Net Position	<u>\$ 43,225,290</u>	<u>\$ 50,509,084</u>	<u>16.9%</u>

Approximately 53% of the Agency's net position is invested in Capital Assets (i.e. land, buildings, equipment, parking facilities, and other, net of long term liabilities) with the remaining balance of net position to provide for ongoing obligations and subsequent year activities.

Table 2 provides a summary of the Agency's operations for the fiscal year ended September 30, 2018.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Table 2
Statement of Activities
For Years Ended September 30, 2018 and 2017

	<u>2017</u>	<u>2018</u>	<u>Percent Change 2017-2018</u>
Revenues			
Program Revenues			
Charges for Services	\$ 227,215	\$ 373,095	64.2%
Operating Grants & Contributions	1,599,082	655,117	(59.0%)
Parking	6,825,914	7,837,852	14.8%
Total Program Revenue	<u>8,652,211</u>	<u>8,866,064</u>	<u>2.5%</u>
General Revenue			
Property Tax Increment	15,092,756	17,994,160	19.2%
Unrestricted Investment Earnings	38,554	71,570	85.6%
Total Revenues	<u>23,783,521</u>	<u>26,931,794</u>	<u>13.2%</u>
Expenses			
Program Expenses			
Community Development	13,468,656	14,974,021	11.2%
Interest on Long-Term Debt	1,183,687	961,936	-18.7%
Parking Facilities	3,702,090	3,712,043	0.3%
Total Program Expenses	<u>18,354,433</u>	<u>19,648,000</u>	<u>7.0%</u>
Increase in Net Position	5,429,088	7,283,794	
Net Position - Beginning	<u>37,796,202</u>	<u>43,225,290</u>	<u>14.4%</u>
Net Position - Ending	<u><u>\$ 43,225,290</u></u>	<u><u>\$ 50,509,084</u></u>	<u><u>16.9%</u></u>

Revenues: *Charges for Services* include lease revenues from the Ada County Courthouse Corridor Project. *Operating Grants & Contributions* include various reimbursements. *Parking* include proceeds generated from operating the public parking garages. *General Revenues* include earnings on investments. Overall, total Agency revenues increased \$3,148,273 compared with the prior year. Additionally, tax increment revenues increased \$2,901,404 compared to fiscal year 2017, 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 2018 increased \$1,293,567. The change was primarily due to the major community development projects such as Central District Closeout Improvement Project.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Budgetary Highlights

The fiscal year 2018 budget was amended once during the year. The budget was decreased for amounts related to the timing of capital improvement projects that were continued into the next fiscal year.

Capital Assets

Tables 3 and 4 present the Agency's Capital Assets (See Note 5 – Capital Assets). During fiscal year 2018, the Agency acquired 250 parking spaces in the privately constructed and newly completed parking garage at 11th & Front Street for a total of \$5,247,050. The Agency also had \$651,780 in 8th Street Improvement and \$295,568 in new garage signage.

Table 3
Capital Assets Net of Depreciation

	<u>2017</u>	<u>2018</u>	Total Dollar Change 2017-2018
Land	\$ 3,943,660	\$ 3,943,660	\$ -
Construction in Progress	193,259	203,337	10,078
Building, Improvements and Equipment, net	21,953,846	26,985,034	5,031,188
Total Capital Assets	<u>\$ 26,090,765</u>	<u>\$ 31,132,031</u>	<u>\$ 5,041,266</u>

Table 4
Major Capital Additions during Fiscal 2018

Beginning Balance	<u>\$ 26,090,765</u>
Capital Additions:	
Construction in Progress	203,337
Buildings, Improvement and Equipment	6,368,139
Total Capital Additions	<u>6,571,476</u>
Capital Deletions:	
Improvements other than Buildings	(82,030)
Accumulated Depreciation for deletions	82,030
Total Capital Deletions	<u>-</u>
Current Year Transfers of	
Construction in Progress to Equipment	(193,259)
Current Year Depreciation	<u>(1,336,951)</u>
Ending Balance	<u>\$ 31,132,031</u>

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Debt Amortization

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

Table 5
Long-Term Debt

Activity	Type	2017	2018	Total Dollar Change 2017-2018
2011 B	Note	\$ 8,070,000	\$ 7,070,000	\$ (1,000,000)
2015	Note	2,250,000	-	(2,250,000)
2017 A	Bond	12,615,000	10,935,000	(1,680,000)
2017 B	Bond	5,040,000	4,380,000	(660,000)
Total		\$ 27,975,000	\$ 22,385,000	\$ (5,590,000)

Economic Factors

Consistent with the national and regional economies, the past year saw a continuation of the already inordinately long - by historical standards - growth cycle that is driving exceptionally high levels and all types of investment and construction in Boise and the Treasure Valley. Evidence is perhaps most apparent in the rapid and ongoing, year-over-year changes taking place in downtown Boise, home of the Agency's four current urban renewal districts.

Unique and notable for the Agency was the expiration of the 30-year term of the Agency's (and the state's) first urban renewal district and revenue allocation area, the Central District. While technically December 31, 2017, the practical termination date of the district comprised of 10 blocks in the heart of downtown Boise was 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. 2017 property taxes generated prior to the Central District's sunset were still available for Agency investment in the Central District until the end of its Fiscal Year 2018. As directed by the Board of Commissioners, the Central District's Termination budget was designed to invest as much available district revenue as possible into final district improvements. As statutorily required, any Central District tax increment revenue remaining at the end of FY 2018 must be returned to the Ada County Treasurer who will then redistribute it to the seven affected taxing districts (Ada County, Boise City, Boise School District, Ada County Highway District, College of Western Idaho, Emergency Medical Services District, Mosquito Abatement District) pro rata based on FY 2017 levies. The Supplemental Termination Budget adopted by the Board of Commissioners at its August 13, 2018 meeting estimated an ending balance of \$5,330 from Central District's \$10.1 million FY 2018 budget. The Agency delivered that amount to the Ada County Treasurer on September 29, 2018. All work on Central District projects ceased on or before September 30, 2018. The final Central District balance was determined once FY 2018 is formally closed. The final Central District balance was determined to be \$661,379. The Agency delivered that amount to Ada County who will again redistribute it among the seven taxing districts on a pro rata basis.

CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

CCDC-owned assets in the Central District (two segments of 8th Street, from Bannock to Idaho and Idaho to Main streets, and The Grove Plaza) were transferred by the Agency to the City of Boise. These transfers were intended to be completed prior to September 30, 2018. Final action by the Boise City Council did not occur until October 9, 2018, with the transfer finalized in fiscal year 2019. The Agency will retain ownership of its four parking garages located in the Central District. Those garages will continue to be operated as part of the Agency's now seven garage, 2,796 space, downtown public parking system.

Over the past 30 years the Central District generated \$61 million in tax increment revenue and the increment value of taxable property within the district increased 1,300% (\$22.6 million to \$323.3 million). The seven affected taxing districts will share approximately \$3.0 million of former tax increment revenue that will be distributed to the taxing districts beginning in fiscal year 2019. CCDC is proud of its key role in the complete transformation of Boise's urban core into an exceptionally modern, welcoming, attractive, functional, business and people friendly magnet for commerce and events.

The River-Myrtle / Old Boise (RMOB) and Westside districts will sunset at the end of fiscal years 2025 and 2026, respectively. The final phase of an urban renewal district's term is theoretically when the accumulated previous investment attains critical mass that ignites a surge of activity and investment that continues to increase through the end of the district. That ignition is evident in RMOB and is beginning to show in Westside. Catalysts include Boise's continued recognition as desirable a place as anywhere in the country and the resulting influx of in-migration of people and money, the fortuitous timing of a continued hot real estate market and proximity / adjacency to the transformed urban center. These two districts are expanding the size what is recognized as downtown Boise – which was previously delineated by the 10-block Central District – and are bringing desirable elements such as housing and a broader mix of commercial activity.

The single largest construction type that has come online in the past two years is hotels. In the River-Myrtle / Old Boise District the 112- room Inn at 500 and the 186-room Residence Inn by Marriott are operating across the street from each other at Capitol Boulevard and Myrtle Street. A 136-room Hilton Garden Inn is under construction as part of the Pioneer Crossing development at 11th and Front streets. Construction will begin soon on a planned 130-room hotel and parking garage at 6th and Front streets. The 146-room Hyatt Place hotel is complete and operating in the Westside District.

The Agency purchased two properties in the Westside District with an eye towards a parking / mixed use development, ideally in collaboration with neighborhood businesses. The 1010 Jefferson property, an active, multi-tenant office building, will continue as-is with CCDC becoming the landlord. As leases expire in the much older 421 North 10th Street property, the former Idaho Sporting Goods building, no new tenants will be recruited to occupy the space. Westside is gaining momentum with an office tower and public park within the realm of short-term possibility.

Two major developments underway in the 30th Street District will result in a noticeable reduction of vacant land in the western Main Street and Fairview Avenue area. New Path Community Housing will provide 40 permanent supportive housing units. Adare Manor will provide 134 units of mixed income housing from market rate to affordable with some retail space. The city is working with a developer on a new \$40-\$50 million sports park associated with a large-scale, \$60 million or more, mixed use development. A site in the River-Myrtle / Old Boise District, at Shoreline Drive and Americana Boulevard, was originally considered but the location has shifted to under-developed parcels in 30th Street District at where Main Street and Fairview Avenue intersect Whitewater Park Boulevard. The Agency expects to play at least two roles in this complicated project: capital stack contributor and conduit financier.

Over the past year the Agency moved aggressively to create two new urban renewal districts and study two more. The new, twenty-year, Shoreline and Gateway East districts are on track to be adopted by the Boise City Council for

**CAPITAL CITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

effective dates of December 2018 based on formal action by the Board of Commissioners. The Shoreline District extends roughly from Capitol Boulevard west to the I-84 Connector, bounded by River Street on the north and encompasses select areas on the south side of the Boise River along Ann Morrison including the Lusk Street area. The Lusk Street area has seen substantial recent construction and private redevelopment activity that has provided several new, large apartment buildings for BSU students and smaller craft-type food and beverage establishments (the taxable value of that recent construction will be base rather than increment value). The Agency's first industrial-focused, non-urban district, Gateway East, is generally bounded by I-84 and Micron on the east and the airport on the west. The abundant, multi-modal transportation options available there and the planned URD infrastructure improvements are expected to attract developers experienced in large-scale projects to ultimately produce a transportation and manufacturing hub. Two other districts, on the Bench roughly from Vista Avenue on the east to Orchard Street on the west with an Overland Road focus, and State Street from 27th Street west to Horseshoe Bend Road, are actively being studied with formal adoption expected within the next two years.

The Agency originally intended to add two new structured parking facilities to its parking assets in FY 2018 but ended up with one, a 250-space parking condominium (the 11th & Front Parking Garage) in the 839-space Pioneer Crossing development. That garage was completed and those spaces were activated in March. The second planned parking acquisition was the 89-space 5th & Broad Street parking condominium in 159 unit The Fowler apartment building development (189 total parking spaces). As that project neared completion in February, the developer signaled a desire to retain all parking rather than sell the 89 spaces to CCDC. The Board of Commissioners acceded to the request. Providing convenient and affordable structured parking in the urban core is an important part of what CCDC can do to promote the city's success and is thus an Agency priority. A corresponding priority that is receiving increased Agency financial resources is providing mobility alternatives. The Agency is actively partnering with the city and university on various incentives including a shuttle to lessen the number of single occupancy vehicles downtown.

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 indispensable 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
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 35,321,785
Receivables	
Accounts receivable	356,697
Interest receivable	5,668
Taxes receivable	14,021,830
Prepays and deposits	51,905
Restricted cash	2,143,905
Property held for resale or development	7,183,880
Capital assets	
Land, non-depreciable	3,943,660
Construction in progress, non-depreciable	203,337
Buildings, improvements, and equipment, net of accumulated depreciation	<u>26,985,034</u>
TOTAL ASSETS	<u>90,217,701</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on debt refunding	81,623
Deferred outflows related to pensions	<u>212,173</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>293,796</u>
LIABILITIES	
Accounts payable	2,265,049
Accrued liabilities	135,504
Advanced revenues	105,885
Advanced lease payments	302,417
Interest payable	59,419
Refundable deposits	11,526
Long-term debt	
Current portion	3,445,000
Long-term	18,940,000
Net pension liabilities	<u>598,223</u>
TOTAL LIABILITIES	<u>25,863,023</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property tax	14,021,830
Deferred inflows related to pensions	<u>117,560</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,139,390</u>
NET POSITION	
Net investment in capital assets	26,833,654
Restricted	22,554,986
Unrestricted	<u>1,120,444</u>
TOTAL NET POSITION	<u>\$ 50,509,084</u>

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

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	\$ 14,974,021	\$ 373,095	\$ 655,117	\$ -	\$(13,945,809)
Interest on long-term debt	961,936	-	-	-	(961,936)
Parking facilities	3,712,043	7,837,852	-	-	4,125,809
Total	<u>\$ 19,648,000</u>	<u>\$ 8,210,947</u>	<u>\$ 655,117</u>	<u>\$ -</u>	(10,781,936)
General revenues:					
Property tax increment					17,994,160
Unrestricted investment earnings					<u>71,570</u>
Total general revenues and transfers					<u>18,065,730</u>
Change in net position					7,283,794
Net position, Beginning of Year					<u>43,225,290</u>
Net position, End of Year					<u>\$ 50,509,084</u>

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
ASSETS				
Cash and investments	\$ 1,200,000	\$ -	\$ 2,424,883	\$ 20,026,540
Accounts receivable	143,278	-	5,887	79,378
Interest receivable	5,668	-	-	-
Taxes receivable	-	-	-	9,772,692
Prepays	15,189	-	-	10,791
Restricted cash	-	-	-	231,725
Property held for resale or development	-	-	-	54,490
	<u>\$ 1,364,135</u>	<u>\$ -</u>	<u>\$ 2,430,770</u>	<u>\$ 30,175,616</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 102,385	\$ -	\$ 1,769,391	\$ 25,767
Accrued liabilities	126,117	-	-	-
Advanced revenues	-	-	-	-
Refundable deposits	-	-	-	-
Total liabilities	<u>228,502</u>	<u>-</u>	<u>1,769,391</u>	<u>25,767</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable- property tax	-	-	-	9,772,692
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,772,692</u>
FUND BALANCES				
Nonspendable	15,189	-	-	65,281
Restricted	-	-	661,379	20,311,876
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,120,444	-	-	-
Total fund balances	<u>1,135,633</u>	<u>-</u>	<u>661,379</u>	<u>20,377,157</u>
	<u>\$ 1,364,135</u>	<u>\$ -</u>	<u>\$ 2,430,770</u>	<u>\$ 30,175,616</u>

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

Westside District RA Fund	30th Street District RA Fund	Parking Fund	Total Governmental Funds
\$ 2,979,898	\$ 1,372,875	\$ 7,317,589	\$ 35,321,785
53,229	-	74,925	356,697
-	-	-	5,668
3,609,444	639,694	-	14,021,830
-	-	25,925	51,905
-	-	1,912,180	2,143,905
<u>7,129,390</u>	<u>-</u>	<u>-</u>	<u>7,183,880</u>
<u>\$ 13,771,961</u>	<u>\$ 2,012,569</u>	<u>\$ 9,330,619</u>	<u>\$ 59,085,670</u>
\$ 11,626	\$ -	\$ 355,880	\$ 2,265,049
9,387	-	-	135,504
4,408	-	101,477	105,885
<u>11,526</u>	<u>-</u>	<u>-</u>	<u>11,526</u>
<u>36,947</u>	<u>-</u>	<u>457,357</u>	<u>2,517,964</u>
<u>3,609,444</u>	<u>639,694</u>	<u>-</u>	<u>14,021,830</u>
<u>3,609,444</u>	<u>639,694</u>	<u>-</u>	<u>14,021,830</u>
7,129,390	-	-	7,209,860
2,996,180	1,372,875	1,412,170	26,754,480
-	-	500,000	500,000
-	-	6,961,092	6,961,092
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,120,444</u>
<u>10,125,570</u>	<u>1,372,875</u>	<u>8,873,262</u>	<u>42,545,876</u>
<u>\$ 13,771,961</u>	<u>\$ 2,012,569</u>	<u>\$ 9,330,619</u>	<u>\$ 59,085,670</u>

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET
POSITION TO THE FUND BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2018

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

Total fund balance		\$42,545,876
--------------------	--	--------------

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	203,337	
Cost of buildings, improvements, equipment and artwork	43,123,006	
Accumulated depreciation	<u>(16,137,972)</u>	31,132,031

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.		(59,419)
--	--	----------

Proceeds from the theater 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

Theater validation proceeds	(1,741,920)	
Revenue amortized to date	<u>1,439,503</u>	(302,417)

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	(598,223)	
Bonds payable - current	(3,445,000)	
Bonds payable - long-term	<u>(18,940,000)</u>	(22,983,223)

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	38,926	
Contributions made subsequent to measurement date	35,885	
Changes in proportionate share	71,694	
Differences between expected and actual experience	<u>65,668</u>	212,173

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – RECONCILIATION OF NET POSITION IN THE STATEMENT OF NET
POSITION TO THE FUND BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2018

Deferred inflows of resources related to pensions:		
Net difference between projected and actual investment earnings on pension plan investments	(66,466)	
Changes in proportionate share	(5,914)	
Differences between expected and actual experience	<u>(45,180)</u>	(117,560)
Deferred charge on debt refunding		
Deferred economic loss on 2017 B Bonds	<u>81,623</u>	<u>81,623</u>
Net position for governmental activities		<u><u>\$ 50,509,084</u></u>

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
REVENUES				
Lease	\$ -	\$ 89,658	\$ 5,650	\$ -
Interest	21,066	-	6,734	26,626
Other	178,484	-	40,719	433,933
Parking	-	-	5,645	-
Revenue allocation funds	-	-	5,084,714	8,969,799
	<u>199,550</u>	<u>89,658</u>	<u>5,143,462</u>	<u>9,430,358</u>
Total revenues				
EXPENDITURES				
Administrative expenses	2,393,716	-	-	-
Operating expenses	932,684	-	337,926	475,237
Capital outlay and related expenses	41,827	-	6,075,409	3,013,955
Debt service - principal	-	-	2,250,000	2,340,000
Debt service - interest	-	89,658	40,050	434,763
	<u>3,368,227</u>	<u>89,658</u>	<u>8,703,385</u>	<u>6,263,955</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,168,677)</u>	<u>-</u>	<u>(3,559,923)</u>	<u>3,166,403</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	3,457,700	-	(712,394)	(5,772,202)
Gain (loss) on sale of properties held for resale	-	-	-	(798,511)
	<u>3,457,700</u>	<u>-</u>	<u>(712,394)</u>	<u>(6,570,713)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	289,023	-	(4,272,317)	(3,404,310)
FUND BALANCES, BEGINNING OF YEAR	<u>846,610</u>	<u>-</u>	<u>4,933,696</u>	<u>23,781,467</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,135,633</u>	<u>\$ -</u>	<u>\$ 661,379</u>	<u>\$ 20,377,157</u>

Westside District RA Fund	30th District RA Fund	Parking Fund	Total Governmental Funds
\$ 194,273	\$ -	\$ 83,515	\$ 373,096
6,513	1,536	9,095	71,570
523	-	1,458	655,117
17,370	-	7,669,677	7,692,692
<u>3,250,613</u>	<u>689,034</u>	<u>-</u>	<u>17,994,160</u>
<u>3,469,292</u>	<u>690,570</u>	<u>7,763,745</u>	<u>26,786,635</u>
-	-	-	2,393,716
93,577	1,233	2,518,903	4,359,560
1,094,818	9,960	5,934,587	16,170,556
-	-	1,000,000	5,590,000
<u>-</u>	<u>-</u>	<u>383,325</u>	<u>947,796</u>
<u>1,188,395</u>	<u>11,193</u>	<u>9,836,815</u>	<u>29,461,628</u>
<u>2,280,897</u>	<u>679,377</u>	<u>(2,073,070)</u>	<u>(2,674,993)</u>
(638,506)	(229,486)	3,894,888	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(798,511)</u>
<u>(638,506)</u>	<u>(229,486)</u>	<u>3,894,888</u>	<u>(798,511)</u>
1,642,391	449,891	1,821,818	(3,473,504)
<u>8,483,179</u>	<u>922,984</u>	<u>7,051,444</u>	<u>46,019,380</u>
<u>\$ 10,125,570</u>	<u>\$ 1,372,875</u>	<u>\$ 8,873,262</u>	<u>\$ 42,545,876</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, 2018

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

Net change in fund balances - total governmental funds		\$ (3,473,504)
--	--	----------------

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	6,378,217	
Depreciation	<u>(1,336,951)</u>	5,041,266

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

Amortize deferred economic gain (loss) on refunded debt		
Current year loss - 2017 B Refunding	<u>(26,236)</u>	(26,236)

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

Payment of long-term debt	5,590,000	
Interest expense	12,096	5,602,096

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 contribution	151,695	
Pension expense related to net pension liability	(156,683)	<u>(4,988)</u>

Changes in net position of governmental activities		<u><u>\$ 7,283,794</u></u>
--	--	----------------------------

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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 had four urban renewal districts in fiscal year 2018: 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 terminated at the end of 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 – 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, 2018

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 and the 250 parking spaces acquired at the 11th & Front garage in fiscal year 2018. The six structure public parking facilities are: 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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

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

Cash and Investments

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

Investments

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

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Credit Risk

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

At year end, the carrying amount of the Agency's deposits was \$34,365,738 and the bank balance was \$34,668,704. 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 \$50,000,000 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 \$5,084,714, \$8,969,799, \$3,250,613 and \$689,034 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, 2018.

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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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

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

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

Property Held for Resale or Development

Property held for resale or development includes several properties in the River Myrtle/Old Boise District and Westside 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. 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

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

contractually required to be maintained intact, or are in a nonspendable form such as inventories, prepaid accounts, and assets held for resale.

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

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

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, 2018 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, 2018, \$6,961,092 was assigned in the Parking fund for parking reinvestment projects and commitments budgeted in fiscal year 2018.

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, 2018

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 relinquished and transferred the interest of special membership interest in River Plaza LLC on September 7, 2018 for an amount of \$30,000. A loss of \$100,000 has been recorded in fiscal 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, 2018

Central District Revenue Allocation Fund	\$ 661,379
River Myrtle District Revenue Allocation Fund	20,311,876
Westside District Revenue Allocation Fund	2,996,180
30th Street District Revenue Allocation Fund	1,372,875
Parking Fund	1,412,170

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, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	September 30, 2017	Additions	Deletions	September 30, 2018
Governmental Activities				
<i>Capital assets, not depreciated</i>				
Land	\$ 3,943,660	\$ -	\$ -	\$ 3,943,660
Construction in progress	193,259	203,337	(193,259)	203,337
	<u>4,136,919</u>	<u>203,337</u>	<u>(193,259)</u>	<u>4,146,997</u>
<i>Capital assets, depreciated</i>				
Buildings	27,110,936	5,247,050	-	32,357,986
Improvements other than buildings	9,406,676	1,030,796	(82,030)	10,355,442
Equipment	319,285	90,293	-	409,578
Total	<u>36,836,897</u>	<u>6,368,139</u>	<u>(82,030)</u>	<u>43,123,006</u>
<i>Less accumulated depreciation</i>				
Buildings	(12,646,107)	(614,289)	-	(13,260,396)
Improvements other than buildings	(2,054,783)	(670,847)	82,030	(2,643,600)
Equipment	(182,161)	(51,815)	-	(233,976)
Total	<u>(14,883,051)</u>	<u>(1,336,951)</u>	<u>82,030</u>	<u>(16,137,972)</u>
<i>Total depreciated capital assets, net</i>	<u>21,953,846</u>	<u>5,031,188</u>	<u>-</u>	<u>26,985,034</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 26,090,765</u>	<u>\$ 5,234,525</u>	<u>\$ (193,259)</u>	<u>\$ 31,132,031</u>

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

Governmental Activities	
General Government	\$ 1,336,951

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 6 – LONG-TERM DEBT

At September 30, 2018, long-term debt consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
2011 B	\$ 8,070,000	\$ -	\$ (1,000,000)	\$ 7,070,000	\$ 1,045,000
2015	2,250,000	-	(2,250,000)	-	-
2017 A	12,615,000	-	(1,680,000)	10,935,000	1,720,000
2017 B	5,040,000	-	(660,000)	4,380,000	680,000
	<u>\$ 27,975,000</u>	<u>\$ -</u>	<u>\$ (5,590,000)</u>	<u>\$ 22,385,000</u>	<u>\$ 3,445,000</u>

The Series 2017 B Bond are tax exempt fixed rate bonds with a rate of 2.82% that mature on September 1, 2024.

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

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

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, 2018 the Agency is in compliance with these requirements.

The annual requirements to retire the debt for the 2011 B notes, 2017 A bond and 2017 B bond as of September 30, 2018 are shown below.

	Governmental Activities	
	Principal	Interest
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	3,905,000	254,486
2024	4,030,000	129,472
Total	<u>\$ 22,385,000</u>	<u>\$ 2,568,080</u>

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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.

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, 2018 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 \$153,809 for the year ended September 30, 2018.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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

At September 30, 2018, the Agency reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, 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, 2018, the Agency's proportion was 0.040557%.

For the year ended September 30, 2018, the Agency recognized pension expense of \$156,683. At September 30, 2018, 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	\$ 65,668	\$ 45,180
Changes in assumptions or other inputs	38,926	-
Net difference between projected and actual earnings on pension plan investments	-	66,466
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	71,694	5,914
Agency's contributions subsequent to the measurement date	<u>35,885</u>	<u>-</u>
 Total	 <u>\$ 212,173</u>	 <u>\$ 117,560</u>

An amount reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date totaling \$35,885 will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

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, 2017 the beginning of the measurement period ended June 30, 2018 is 4.8 years.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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, 2018	
2019	\$ 85,339
2020	32,149
2021	(48,364)
2022	(10,397)

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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 percent
Salary inflation	3.75 percent
Investment rate of return	7.05 percent, net of pension plan investment expenses
Cost of living (COLA) 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, 2018 is based on the results of an actuarial valuation date of June 30, 2018.

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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	<u>1% Decrease (6.05%)</u>	<u>Current Discount Rate (7.05%)</u>	<u>1% Increase (8.05%)</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$ 1,497,487</u>	<u>\$ 598,223</u>	<u>\$ (146,405)</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, 2018, the Agency reported payables to the defined benefit pension plan of \$3,003 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.

Defined Contribution – PERSI Choice 401(k)

Employees of the Agency participating in the PERSI Base Plan may enroll in the PERSI Choice 401(k) defined contribution retirement savings plan available to active members. Participation is voluntary. The PERSI Choice 401(k) is intended to be a governmental plan within the meaning of Code Section 414 (d) and within the meaning of section 3(32) of the Employee Retirement Income Security Act (ERISA) and as such, is exempt from provisions of Title I ERISA. The Agency will match participants' contributions in the PERSI Choice 401(k) up to 4% of base annual salary. A participant shall be 100% vested in their individual account at all times. The authority of the benefit and contribution terms are established and amended by the PERSI Board. The Agency recognized \$36,907 contributions to the PERSI Choice 401(k) as benefits expense during the year ended September 30, 2018. The Agency recognized \$0 for the employer's liability outstanding for contributions for the period ended September 30, 2018.

NOTE 8 – LEASES

Advance Lease Payments

In 2008, the Agency entered into an agreement with Bodo Development, LLC to provide theater 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, 2018

Lease Expense

The Agency is a party to the following operating leases:

The Agency renewed the lease for its office space on October 1, 2018. The lease term expires on September 30, 2021. Monthly rent is \$13,272 for the first year, \$13,621 for the second year and \$13,970 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.

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 2018, the Agency made a total payment of \$147,706 for rent. These payments and future payments of the rent for the parcels that Civic Partners defaulted on in 2016 allow the Agency to retain full lessee authority concerning the units and parcels under the two ground lease. Total ground lease expense for the year ended September 30, 2018 was \$237,364.

	<u>Master Ground</u>	<u>Office Facility</u>
2019	\$ 244,888	\$ 318,062
2020	272,568	216,768
2021	276,972	167,640
2022	282,044	-
2023	295,672	-
2024-2028	1,945,792	-
2029-2033	826,006	-
2034-2038	600,027	-
2039-2043	695,594	-
2044-2048	806,382	-
2049-2053	934,805	-
2054-2058	1,083,710	-
2059-2063	1,256,317	-
2064-2068	1,456,413	-
2069-2073	1,688,382	-
2074-2078	1,957,299	-
2079-2083	2,269,046	-
2084-2088	2,630,447	-
2089-2093	3,049,413	-
2094-2098	3,161,588	-
	<u>\$ 25,733,365</u>	<u>\$ 702,470</u>
Total		

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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 2018, the fourth and final payment of \$764,345 has been made. As of September 30, 2018, a total of \$3,764,345 has been paid to the developer.

The Agency entered into an OPA and related agreements with Owyhee Place, LLC. The now completed project was 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 2018, the third payment of \$172,633 has been made. As of September 30, 2018, a total of \$427,037 has been paid to the developer.

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. 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, the first payment of \$228,962 was made during fiscal year 2018.

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 2018, a total of \$176,136 has been made for rent and maintenances. As of September 30, 2018, a total of \$610,474 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 had 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 improvements. The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project completed in 2017. As of September 30, 2018, a total of \$750,000 has been made.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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. 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, 2018, 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. 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, 2018, 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, 2018, 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), 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. The Agency’s financial participation is an anticipated amount not to exceed \$3,145,000 for public improvements (\$555,000) 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 completed in December 2017. As of September 30, 2018, a total of \$555,000 has been made for the public improvements reimbursement. On March 12, 2018, the Agency’s Board of Commissioners voted to terminate the purchase agreement for the one floor of parking.

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 839-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 parking garage was completed in 2018. As of September 30, 2018, a total of \$5,247,050 has been made.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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). 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 2018. Payments are expected to be made over four years from fiscal year 2020 to 2023. As of September 30, 2018, no payments have been made.

The Agency entered into a Type 4 Capital Improvements Reimbursement Agreement with Northwest Integrity Housing Co., an Idaho nonprofit corporation (NIHC) and a Type 2 General Assistance Participation Agreement with Adare Manor, LLC, an Idaho Limited Liability Company. NIHC is Managing Member for the Adare Manor Apartments, a mixed-use project including retail space along Fairview and 25th Street and 134 units affordable housing in the 30th Street District. The project is estimated by the developer to have a total value of \$20.5 million upon completion. The Agency’s financial participation is an anticipated amount not to exceed \$730,000 for public improvements (\$480,000) over the course of four years after the project is complete and for undergrounding utilities improvement (\$250,000). The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to complete in 2019. As of September 30, 2018, no payments have been made.

The Agency entered into a Type 3 Transformative Assistance Agreement and a parking permits purchase agreement with Front Street Investors, LLC, the developer of 6th and Front project, a mixed-use development consisting of a 7-story hotel with 138 rooms and a parking garage with 540 parking spaces in the River Myrtle/Old Boise District. The project is estimated by the developer to have a total value of \$43 million upon completion. The Agency’s financial participation is an anticipated amount not to exceed \$3,998,439 for public improvements over the course of four years after the project is complete and purchase of 200 monthly parking permits for seven years to be re-sold to the public (\$2,520,000). The OPA sets out conditions the developer must meet to become eligible for Agency financial participation. The project is expected to be complete in 2020. As of September 30, 2018, no payments have been made.

The Agency entered into a Type 4 Capital Improvements Reimbursement Agreement with Boise School District, the owner of Whittier Elementary Project in the 30th Street District. The Agency’s financial participation is an anticipated amount not to exceed \$540,000 of public improvements after the project is complete. The OPA sets out conditions of performance the developer must meet to become eligible for Agency financial participation. The project is expected to complete in 2019. As of September 30, 2018, 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.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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 2018, the tax increment guarantee and supplemental rent obligations in the amounts of \$39,577 and \$154,998 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 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, 2018, the total debt service on this note was \$1,383,325.

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 matured in 2018. The bond fund is pledged until the bond matures. For the year ended September 30, 2018, the total debt service on this bond was \$2,290,050.

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, 2018, the total debt service on this bond was \$1,972,643.

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, 2018, the total debt service on these bonds was \$802,120.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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 was scheduled to be made on December 15, 2017. As of September 30, 2018, the unpaid principal balance of the Bonds is \$22,350,000.

NOTE 13 – SUBSEQUENT EVENTS

The Agency’s first urban renewal district and revenue allocation area, the Central District, has terminated (sunset) on September 30, 2018 after 30-year term.

As statutorily required, any Central District tax increment revenue remaining at the end of fiscal year 2018 must be returned to the Ada County Treasurer who will then redistribute it to the seven affected taxing districts (Ada County, Boise City, Boise School District, Ada County Highway District, College of Western Idaho, Emergency Medical Services District, Mosquito Abatement District) pro rata based on their fiscal year 2017 levies. The final Central District fund balance was determined to be \$661,379. The Agency will deliver that amount to Ada County who will again redistribute it among the seven taxing districts pro rata.

The Agency-owned assets in the Central District, two segments of 8th Street, from Bannock to Idaho and Idaho to Main streets, and The Grove Plaza, were conveyed (transferred, not sold) to the City of Boise. These non-monetary conveyances were intended to be completed prior to September 30, 2018. Final action by the Boise City Council did not occur until October 9, 2018.

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, 2018

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 21,066	\$ 21,066
Other	754,000	262,000	178,484	(83,516)
Total revenues	754,000	262,000	199,550	(62,450)
EXPENDITURES				
Operating and administrative expenses	3,987,190	3,575,446	3,326,400	249,046
Capital outlay and related expenses	172,000	90,000	41,827	48,173
Total expenditures	4,159,190	3,665,446	3,368,227	297,219
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,405,190)	(3,403,446)	(3,168,677)	234,769
OTHER FINANCING SOURCES (USES)				
Interfund transfers	3,405,190	3,803,446	3,457,700	(345,746)
NET CHANGE IN FUND BALANCES	-	400,000	289,023	(110,977)
FUND BALANCES, BEGINNING OF YEAR	846,610	846,610	846,610	-
FUND BALANCES, END OF YEAR	\$ 846,610	\$ 1,246,610	\$ 1,135,633	\$ (110,977)

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018

	Central District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Lease	\$ 3,000	\$ 2,750	\$ 5,650	\$ 2,900
Interest	-	-	6,734	6,734
Other	46,500	37,500	40,719	3,219
Parking revenues	8,000	6,000	5,645	(355)
Revenue allocation funds	5,200,000	5,081,263	5,084,714	3,451
Total revenues	5,257,500	5,127,513	5,143,462	15,949
EXPENDITURES				
Operating expenses	370,500	425,244	337,926	87,318
Capital outlay and related expenses	5,866,800	6,595,697	6,075,409	520,288
Debt service - principal	2,250,000	2,250,000	2,250,000	-
Debt service - interest & fees	40,050	40,050	40,050	-
Total expenditures	8,527,350	9,310,991	8,703,385	607,606
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,269,850)	(4,183,478)	(3,559,923)	623,555
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(729,782)	(744,889)	(712,394)	32,495
Net proceeds and payoffs, refunded debt	-	-	-	-
Total other financing sources	(729,782)	(744,889)	(712,394)	32,495
NET CHANGE IN FUND BALANCES	(3,999,632)	(4,928,367)	(4,272,317)	656,050
FUND BALANCES, BEGINNING OF YEAR	4,933,696	4,933,696	4,933,696	-
FUND BALANCES, END OF YEAR	\$ 934,064	\$ 5,329	\$ 661,379	\$ 656,050

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018

	River Myrtle District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 26,626	\$ 26,626
Other	534,000	350,000	433,933	83,933
Revenue allocation funds	8,739,200	8,761,200	8,969,799	208,599
Total revenues	9,273,200	9,111,200	9,430,358	319,158
EXPENDITURES				
Operating expenses	7,232,206	726,110	475,237	250,873
Capital outlay and related expenses	19,789,200	8,034,161	3,013,955	5,020,206
Debt service - principal	2,657,000	2,657,000	2,340,000	317,000
Debt service -interest	434,796	434,796	434,763	33
Total expenditures	30,113,202	11,852,067	6,263,955	5,588,112
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,840,002)	(2,740,867)	3,166,403	5,907,270
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(961,895)	(614,110)	(5,772,202)	(5,158,092)
Gain on sale of properties held for resale	184,000	(874,600)	(798,511)	76,089
Total other financing sources (uses)	(777,895)	(1,488,710)	(6,570,713)	(5,082,003)
NET CHANGE IN FUND BALANCES	(21,617,897)	(4,229,577)	(3,404,310)	825,267
FUND BALANCES, BEGINNING OF YEAR	23,781,467	23,781,467	23,781,467	-
FUND BALANCES, END OF YEAR	\$ 2,163,570	\$ 19,551,890	\$ 20,377,157	\$ 825,267

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018

	Westside District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Lease	\$ -	\$ 180,000	\$ 194,273	\$ 14,273
Interest	-	-	6,513	6,513
Other	5,000	5,000	523	(4,477)
Parking revenues	-	10,000	17,370	7,370
Revenue allocation funds	3,000,000	3,000,000	3,250,613	250,613
Total revenues	3,005,000	3,195,000	3,469,292	274,292
EXPENDITURES				
Operating expenses	204,000	261,500	93,577	167,923
Capital outlay and related expenses	21,979,900	8,465,340	1,094,818	7,370,522
Total expenditures	22,183,900	8,726,840	1,188,395	7,538,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,178,900)	(5,531,840)	2,280,897	7,812,737
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(536,922)	(707,645)	(638,506)	69,139
Net of proceeds and payoffs, refunded debt	14,600,000	-	-	-
Total other financing sources (uses)	14,063,078	(707,645)	(638,506)	69,139
NET CHANGE IN FUND BALANCES	(5,115,822)	(6,239,485)	1,642,391	7,881,876
FUND BALANCES, BEGINNING OF YEAR	8,483,179	8,483,179	8,483,179	-
FUND BALANCES, END OF YEAR	\$ 3,367,357	\$ 2,243,694	\$ 10,125,570	\$ 7,881,876

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018

	30th Street District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 1,536	\$ 1,536
Revenue allocation funds	670,000	670,000	689,034	19,034
Total revenues	670,000	670,000	690,570	20,570
EXPENDITURES				
Operating expenses	55,000	52,000	1,233	50,767
Capital outlay and related expenses	1,046,200	15,000	9,960	5,040
Total expenditures	1,101,200	67,000	11,193	55,807
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(431,200)	603,000	679,377	76,377
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(199,031)	(260,711)	(229,486)	31,225
NET CHANGE IN FUND BALANCES	(630,231)	342,289	449,891	107,602
FUND BALANCES, BEGINNING OF YEAR	922,984	922,984	922,984	-
FUND BALANCES, END OF YEAR	\$ 292,753	\$ 1,265,273	\$ 1,372,875	\$ 107,602

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018

	Parking Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Lease	\$ 70,000	\$ 70,000	\$ 83,515	\$ 13,515
Interest	-	-	9,095	9,095
Other	15,000	15,000	1,458	(13,542)
Parking revenues	8,010,078	7,696,164	7,669,677	(26,487)
Total revenues	8,095,078	7,781,164	7,763,745	(17,419)
EXPENDITURES				
Operating expenses	2,774,879	2,752,166	2,518,903	233,263
Capital outlay and related expenses	2,290,500	1,191,200	5,934,587	(4,743,387)
Debt service - principal	955,000	1,000,000	1,000,000	-
Debt service - interest and fees	428,688	383,325	383,325	-
Total expenditures	6,449,067	5,326,691	9,836,815	(4,510,124)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,646,011	2,454,473	(2,073,070)	(4,527,543)
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(950,469)	(1,476,090)	3,894,888	5,370,978
NET CHANGE IN FUND BALANCES	695,542	978,383	1,821,818	843,435
FUND BALANCES, BEGINNING OF YEAR	7,051,444	7,051,444	7,051,444	-
FUND BALANCES, END OF YEAR	\$ 7,746,986	\$ 8,029,827	\$ 8,873,262	\$ 843,435

CAPITAL CITY DEVELOPMENT CORPORATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of net of the pension liability	0.0405570%	0.0397908%	0.0403932%	0.0361820%
Employer's proportionate share of the net pension liability	\$ 598,223	\$ 625,443	\$ 818,832	\$ 476,459
Employer's covered payroll	\$ 1,309,034	\$ 1,277,551	\$ 1,194,427	\$ 1,035,703
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	45.70%	48.96%	68.55%	46.00%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	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, 2018 (measurement date).

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 153,809	\$ 140,234	\$ 135,975	\$ 124,326
Contributions in relation to the statutorily required contribution	\$ (152,231)	\$ (140,418)	\$ (133,983)	\$ (123,145)
Contribution deficiency (excess)	\$ 1,578	\$ (184)	\$ 1,992	\$ 1,181
Employer's covered payroll	\$ 1,346,870	\$ 1,222,892	\$ 1,202,851	\$ 1,096,499
Contributions as a percentage of covered payroll	11.30%	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, 2018.

CAPITAL CITY DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

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 2018 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 percent
Salary inflation	3.75 percent
Investment rate of return	7.05 percent, net of pension plan investment expenses
Cost of living (COLA) 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, 2018 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, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

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

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

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

Boise, Idaho

December 19, 2018