

2016 ANNUAL REPORT EAGLE URBAN RENEWAL AGENCY

General Statement

Pursuant to Idaho Code Section 50-2006, the Eagle Urban Renewal Agency (“EURA” or “Agency”) is required to file with the local governing body, the City of Eagle, each year an annual report of its activities for the preceding calendar year. This report is to include a complete financial statement setting forth the assets, liabilities, income and operating expense at the end of the calendar year. The EURA budget for fiscal year 2016-2017 is attached hereto as Exhibit 1. The Eagle Urban Renewal Agency directed that an audit be conducted of the agency’s financial statements for fiscal year 2015-2016, which runs from October 1, 2015 through September 30, 2016. The Board reviewed and approved the audit. The audit was performed by Quest CPAs, P.C. It was a clean audit and the auditor found no irregularities in the financial statements. A copy of the approved audit is attached to this report as Exhibit 2. The Agency also directed that an annual year-end financial statement be generated for the calendar year 2016. This is not an audited statement, but rather is compiled from the bookkeeping records of the Agency. Copies of the calendar year-end statements are attached to this report as Exhibit 3.

The City of Eagle formally approved the Downtown and East Eagle Urban Renewal Plan (“Plan”) on December 11, 2007 via Eagle City Ordinance No. 592. The ordinance became effective on December 24, 2007. Since that approval, the EURA has commenced and worked on the implementation of the approved Plan.

Agency Board Members, Officers, Consultants and Support Staff

The Eagle City Council established in Resolution No. 669 that the Mayor and City Council members will comprise the Agency board members. For the first Board meeting in the month of January 2016, the Agency board members consisted of Jim Reynolds, Mark Butler, Mary McFarland, Jeff Kunz and Stan Ridgeway. The City Council elections in 2015 resulted in a new Mayor and City Council Members taking office in January of 2016. In February 2016, the new City Council members and Mayor were also recognized as new members of the Agency Board. The members of the EURA Board from throughout the remainder of 2016 were Jeff Kunz, Stan Ridgeway, Naomi Preston, Stan Bastian and Craig Soelberg. At the beginning of the year, the officers serving out the remainder of their terms were as follows: Jeff Kunz as Chairman, Jim Reynolds as Vice-Chairman, and Lindsey Pretty Weasel as Secretary/Treasurer and custodian of the records. At the Board meeting on February 2, 2016, officers were elected as follows: Jeff Kunz as Chairman, Naomi Preston as Vice-Chairman, and Lindsey Pretty Weasel as Secretary/Treasurer and custodian of the records.

Effective July 1, 2016 the Idaho Legislature enacted significant revisions to the Idaho Urban Renewal Laws in House Bill 606. These changes directed that members of the local governing body (City Council) may be members of the EURA board but cannot constitute a majority of the Board. The legislation required that the necessary changes to the Board in this regard must be made prior to July 1, 2017. Although changes in the Board makeup were discussed, the Board composition remained the same during 2016.

During 2016, Borton-Lahey Law Office served as general legal counsel to the EURA Board.

No bonds were issued in 2015.

The agency maintained its membership in the Redevelopment Association of Idaho.

The Eagle Urban Renewal Agency Working Group was neither active nor utilized during the year.

The agency continued its contractual relationship with its auditor, Quest CPAs.

Agency Activities

The following is a general summary of some of the major activities of the Agency during the year 2016.

The new EURA Board expressed a desire to conduct strategic planning to provide some high level direction to the agency and develop a potential prioritized list of projects to be the focus of the agency. The Board entered into a professional services agreement with AF Public Solutions to facilitate the strategic planning process. The City of Eagle requested that the EURA share in the cost of the economic study that was being performed by the City as part of their update of their Comprehensive Plan. The EURA Board felt there could be some mutual benefit to performing the economic study that may also assist the Agency in its strategic planning efforts and the implementation of results of that process. The Board agreed to partner with the City and fund an amount not to exceed thirty-three thousand dollars (\$33,000.00) as its portion of the economic study being overseen by the City.

The EURA Board began working with a citizens group that refers to itself as the Beautify Downtown Eagle Committee. Commissioner Preston notified the Board that she is a member of this committee and recused herself from discussions as a board member regarding the Committee. The Committee has previously undertaken beautification projects in downtown Eagle. The Committee presented a plan to beautify the downtown by installing historic looking signage identifying general business districts and flower planters. The Committee wanted the EURA and the City to participate in bringing these types of amenities to the downtown. The Agency agreed with the City to enter into an agreement where the EURA and the City would equally share the costs of phase one of the Beautify Downtown Eagle proposal. The City and

the EURA each agreed to pay up to \$13,555.00 toward the project with the City taking the lead on contracting and implementation of the project.

The EURA considered potential expansion of the EURA revenue allocation area boundaries before the new legislation took effect. The area being considered included the old Monroc, Inc or Idaho Concrete property, the northern portions of N. Olde Park Place and N. 1st Street and a portion of the right of way owned by ITD on the north side of Highway 44. The Board evaluated the potential need for expansion and the cost of conducting the necessary studies and ultimately the Board decided not to pursue expansion of its boundaries prior to the new legislation taking effect.

The Board sent letters to the City requesting that it consider modifying the composition of the EURA Board to include either a five-member board with two members of the city council or a seven-member board with three members of the city council. The majority of the Board felt that a five-member board with 2 council members was the preferred option with an opportunity to expand to a seven-member board with 3 council members if there was enough public interest. One board member preferred the seven-member board.

The EURA entered into a Memorandum of Agreement with the City of Eagle, the Eagle Fire Protection District and certain private landowners (Eagle 26, LLC and Pacific West Communities, Inc) for the equal sharing of the engineering costs associated with the design of a right-in right-out access generally located on the north side of Highway 44 halfway between N. Eagle Road and Edgewood Lane and a collector connecting the right-in right-out access to the Plaza Drive extension. The agreement did not cover future development or construction of the improvements but was only for the engineering design work. Any such development could be addressed pursuant to a separate agreement. The parties felt the ultimate construction of the project would provide benefit to all involved including potentially avoiding the need to construct another fire station. The engineering and design of the improvements would facilitate and reduce the costs to construct the improvements at some point in the future. The designs are also needed to obtain an access permit from the Idaho Transportation Department ("ITD"). The EURA Board issued a Request for Proposals ("RFP") for engineering services to perform the engineering work on the right-in right-out and connection to the Plaza Drive extension. The agency received two responses – one from The Land Group and one from RiveRidge Engineering. A subcommittee comprised of representatives from those participating in the MOA reviewed and scored the proposals. The subcommittee advised that the two proposals were very close but recommended the EURA enter into an agreement with RiveRidge Engineering. The Board reviewed the proposals and accepted the recommendation of the subcommittee. The Board executed a professional services agreement with RiveRidge Engineering. The engineering firm commenced the work but had to put its work on hold until further issues were resolved regarding the property. The EURA Board extended the timelines in the professional services agreement to accommodate the additional time needed to resolve the issues and resume the work. The Board is still awaiting resolution of those issues so the engineer can continue his work.

After lengthy discussions and negotiations, the Agency executed an Owner Participation Agreement (“OPA”) with the entities affiliated with The Pacific Companies for reimbursement of certain public improvements to be constructed by The Pacific Companies as part of its development projects known as the East End Marketplace, Edgewood Crossing and Eagle Lakes. However, the funds for reimbursement of the costs of these public improvements will come only from 75% of the net tax increment revenues generated by the new development projects on those specific properties, with the EURA retaining the remaining 25% of the net tax increment revenues. The Pacific Companies and their affiliated entities bear all of the risks that the applicable portion of the net tax increment revenues generated from their projects will be sufficient to reimburse them for the cost of the reimbursable public improvements.

Pacific West Communities, Inc., Oro Valley, LLC and TPC Brooklyn Park Investors, LLC requested an amendment to their Owner Participation Agreement with the EURA. The group desired to include approximately \$702,000.00 of recreational facilities in the Eagle Lakes portion of their development be included for reimbursement. The Board was concerned about ultimate ownership of the facilities and the cost of on-going maintenance. The Board decided to await further input and approvals from the City. The Board did not take any action to amend the OPA in 2016.

Caleb Roope is also involved in the Eagle 26, LLC property and reviewed their plans for residential development in this project. They have just begun the land use planning process and hoped to approach the Board regarding an owner participation agreement pertaining to the project. The board suggested that they discuss matters further once the project has been presented to the City and received approvals. The developer advised the Board that they must wait to submit a development application with the City until the Plaza Drive extension is put out for bid and in process with ACHD or ACHD will not fund the project.

The Board received an update from the new owners of Rembrandts and his plans for the building.

The Board entered into an MOU with the City of Eagle to provide planning services on an as needed basis for a fee which includes the City’s base rate plus a 30% markup for overhead.

In 2014, the Board entered into a lease of the Tri-City Meats property to enable the Agency to pursue a contract for the demolition and removal of the old dilapidated buildings and trees and to utilize the property for a parking lot. In 2015, the Board continued to work with the owners of the Tri-City Meats property toward these goals. In 2016 the Board continued to maintain the property as a parking area and allow it to be used for parking during specified hours. The Board placed railroad ties on the property to help better define and restrict the parking on the site. The property continues to be poised for private development. The Board discussed plans for removing their signs and railroad ties from the property prior to the lease expiring on January 31, 2017.

In April, the Board conducted a strategic planning and training session facilitated by Ashley Squyres of AF Public Solutions and agency attorney Todd Lakey. Attorney Lakey reviewed the responsibilities and authority of the Commissioners of the Urban Renewal Agency. Ms. Squyres worked with the Board to conduct a SWOT analysis, review of the issues facing the agency and potential strategies to address them, identification of resources and community partners, development of potential project categories and the list of potential projects to be prepared for public comment. The Board also reviewed and discussed its public involvement efforts. The Board desired to have their public outreach efforts be combined with the City's outreach efforts as part of their economic study. Chairman Kunz presented the preliminary SWOT analysis at a monthly meeting of the city's comprehensive plan steering committee and sought their input. The preliminary SWOT analysis will be presented at the open house for the economic study. The public will have an opportunity to provide input.

In 2016 the Board continued to consider ways to facilitate the development of the Tri-City Meats property and the old Chevron Gas Station property. The Board invited Randy Hetrick and the Smiths to a Board meeting to discuss their respective plans for development of their properties. The Board requested that the Smiths meet with Chairman Kunz, Commissioner Bastian and Attorney Lakey and discuss how they could mutually work together to promote development of the property and review mutually acceptable potential amendments to the settlement agreement between the agency and the Smiths. The Board initially approved an extension of the Settlement Agreement timeline to December 31, 2016 for the Smiths to develop or sell their property. The Board later rescinded that action and agreed to pay the Smiths the remaining half of the settlement amount (\$33,750.00) without further conditions being required. The Settlement Agreement has now expired.

The Board received a request for financial assistance on the Aspen Village Project to provide funding for streetlights and sidewalks. The board denied the request because it felt the proposal did not involve removal of blight and did not meet the goals and policies of their Urban Renewal Plan.

The Board approved a formal records retention policy in Resolution 16-009 and designated the attorney and the secretary treasurer as records custodians.

The Board conducted its public hearing on the proposed FY 2015-2016 budget. The Board published its budget and decided to also publish an executive summary providing additional detail to those members of the public that were interested.

The Board continued to emphasize the construction of public infrastructure and improvements within the district during 2016. The Board understands it has the ability to consider the possibility of issuing bonds for projects in the district boundaries, but did not do so during 2016.

Assets/Revenues

The only current source of revenues for the EURA is revenue allocation funds (tax increment revenues) generated within the revenue allocation area. For 2016, the Agency received gross revenue allocation funds of \$300,240.78 and its net revenue allocation funds totaled \$188,419.27. The Agency's total assets as of 2016 calendar year end amounted to \$391,042.42. The distribution to the West Ada School District for calendar year 2016 totaled \$83,537.10.

Expenditures

The agency will continue to look for opportunities to leverage its funding sources and work with developers, property owners and public entities to locate and consider redevelopment opportunities and assist with funding projects that positively impact the urban renewal area in accordance with the EURA Plan.

Operating Expenses

The attached financial statements show the agency's expenses. The EURA, as required by Idaho Code, approved its FY 2016-2017 budget. A copy of the published budget is attached to this annual report as Exhibit 1.

Assets

The EURA's assets are comprised solely of cash accounts and property taxes receivable. The major portion of Agency's property tax revenues are received twice per year typically at the end of January and the end of July. Smaller amounts of delinquent taxes are received during the course of the year. The Agency does not own any real property. The Agency has pre-paid rents applicable to the Tri-City Meats property which has used as a parking area. The lease on the property and the pre-paid rents expire January 31, 2017.

Liabilities and Debt

The EURA's liabilities generally consist only of current accounts payable and deferred revenues. The EURA has not yet issued any bonds.

The Agency executed an OPA with the entities affiliated with The Pacific Companies for reimbursement of certain public improvements to be constructed by The Pacific Companies as

part of its development projects. However, reimbursement will come only from 75% of the net tax increment revenues generated by the new development projects on those specific properties, with the EURA retaining the remaining 25% of the net tax increment revenues. The Pacific Companies and their affiliated entities bear all the risks that the applicable portion of the net tax increment revenues generated from their projects will be sufficient to reimburse them.

The Agency has an Owner Participation Agreement with Rockbound Properties, LLC for reimbursement of certain public improvements in an amount not to exceed \$98,105.00, should the company complete the improvements and the improvements are acceptable to the EURA.

Significant Changes in EURA's Financial Position

The Agency has and continues to operate in a pay-as-you-go environment, committing only those funds to projects that can be funded out of current funds or projected tax increment revenues in a given fiscal year, along with any accrued account balance from previous years.



Jeff Kurz

Chairman, Eagle Urban Renewal Agency
February 7, 2017

Exhibit 1**EAGLE URBAN RENEWAL AGENCY****BUDGET**

	<u>FY2015</u> <u>Actual</u>	<u>FY2016</u> <u>Budget-</u> <u>Original</u>	<u>FY2016</u> <u>Actual</u> <u>to Date</u>	<u>Proposed</u> <u>FY 2017</u> <u>Budget</u>
REVENUES				
Property Taxes	\$216,553	\$217,800	\$208,754	\$501,584
TOTAL REVENUES	\$216,553	\$217,800	\$208,754	\$501,584
EXPENDITURES				
General	\$147,734	\$30,000	\$42,115	\$50,000
Debt	\$0	\$0	\$0	\$0
Projects/Reserves	\$67,018	\$327,800	\$21,114	\$504,118
West Ada School District	\$64,568	\$60,000	\$58,061	\$147,466
TOTAL EXPENDITURES	\$279,320	\$417,800	\$121,290	\$701,584
NET CHANGE	(\$62,767)	(\$200,000)	\$87,465	(\$200,000)
CARRY FORWARD - Beginning	\$355,591	\$200,000	\$292,824	\$200,000
CARRY FORWARD - Ending	\$292,824	\$0	\$380,289	\$0

Exhibit 2

EAGLE URBAN RENEWAL AGENCY

FISCAL YEAR 2015-16 FINANCIAL STATEMENTS (AUDITED)

EAGLE URBAN RENEWAL AGENCY

FINANCIAL STATEMENTS

Year Ended September 30, 2016

EAGLE URBAN RENEWAL AGENCY
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FINANCIAL SECTION

Audits
Taxes
Special Services



11501 Highway 95
Payette, Idaho 83661
www.qcpas.com
info@qcpas.com
P: 208-642-1417
F: 208-642-1582

Independent Auditor's Report

Board of Commissioners
Eagle Urban Renewal Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Eagle Urban Renewal Agency (the Agency), a component unit of the City of Eagle, Idaho, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of September 30, 2016, 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 budgetary comparison information listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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.

Management has not included the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not 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, and historical context. Our opinion on the basic financial statements is not affected by not including this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That 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.

Quest CPAs, P.C.

Payette, Idaho
November 30, 2016

BASIC FINANCIAL STATEMENTS

EAGLE URBAN RENEWAL AGENCY

Statement of Net Position

September 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$412,571
Taxes Receivable	8,285
Prepaid Rent	9,450
Total Current Assets	<u>430,306</u>
Total Assets	<u><u>\$430,306</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$4,267
Due to West Ada School District	2,436
Total Current Liabilities	<u>6,703</u>
Total Liabilities	<u>6,703</u>
Net Position	
Unrestricted	<u>423,603</u>
Total Net Position	<u>423,603</u>
Total Liabilities and Net Position	<u><u>\$430,306</u></u>

See Accompanying Notes

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EAGLE URBAN RENEWAL AGENCY
Statement of Activities
Year Ended September 30, 2016

Program Revenues					Net (Expense) Revenue And Changes in Net Position
Functions/Programs	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Current Expenditures					
Administration & Contracts	\$55,219				(\$55,219)
Projects	31,160				(31,160)
West Ada School District	81,906				(81,906)
Total	<u>\$168,285</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(168,285)</u>
General Revenues					
Property Taxes					297,677
Total					<u>297,677</u>
Change in Net Position					129,392
Net Position - Beginning					194,211
Net Position - Ending					<u>\$423,603</u>

See Accompanying Notes

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EAGLE URBAN RENEWAL AGENCY
 Balance Sheet - Governmental Funds
 September 30, 2016

Page 1 of 2

	<u>General Fund</u>
Assets	
Cash	\$412,571
Taxes Receivable	8,285
Prepaid Rents	9,450
Total Assets	<u>\$430,306</u>
Liabilities	
Accounts Payable	\$4,267
Due to West Ada School District	2,436
Total Liabilities	<u>6,703</u>
Deferred Inflows of Resources	
Unavailable Tax Revenues	0
Total Deferred Inflows of Resources	<u>0</u>
Fund Balances	
Nonspendable	9,450
Assigned - Projects	33,750
Unassigned	380,403
Total Fund Balances	<u>423,603</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$430,306</u>

See Accompanying Notes

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EAGLE URBAN RENEWAL AGENCY
Balance Sheet - Governmental Funds
September 30, 2016

Page 2 of 2

Reconciliation of Total Governmental Fund Balances to Net
Position of Governmental Activities

Total Governmental Fund Balances	\$423,603
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Amounts reported for governmental activities in the statement of net
position are different because:

There were no differences at September 30, 2016.	0
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Net Position of Governmental Activities	<u>\$423,603</u>
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See Accompanying Notes

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EAGLE URBAN RENEWAL AGENCY Page 1 of 2
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Year Ended September 30, 2016

	<u>General Fund</u>
Revenues	
Property Taxes	\$299,064
Total Revenues	<u>299,064</u>
Expenditures	
Current Expenditures	
Administration & Contracts	55,219
Projects	31,160
West Ada School District	81,906
Total Expenditures	<u>168,285</u>
Net Change in Fund Balances	130,779
Fund Balances - Beginning	292,824
Fund Balances - Ending	<u><u>\$423,603</u></u>

See Accompanying Notes

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EAGLE URBAN RENEWAL AGENCY Page 2 of 2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2016

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Net Change in Fund Balances - Total Governmental Funds	\$130,779
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Amounts reported for governmental activities in the statement of
activities are different because:

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.	(1,387)
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Change in Net Position of Governmental Activities	<u>\$129,392</u>
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See Accompanying Notes

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EAGLE URBAN RENEWAL AGENCY
Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Eagle Urban Renewal Agency (the Agency) provides urban renewal services as authorized by Idaho Code. The Agency's board of commissioners is appointed by the mayor and confirmed by the city council of the City of Eagle, Idaho (the City). A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is the potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. As such, the Agency is defined as a component unit of the City of Eagle, Idaho.

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to urban renewal agencies. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Agency are discussed below.

Basic Financial Statements - Government-Wide Statements – The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the Agency's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the Agency's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

As the Agency has only one function (providing urban renewal services) which is reported in one fund, all expenses are considered direct and, accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the Agency are reported in individual funds in the fund financial statements. Each fund is accounted

EAGLE URBAN RENEWAL AGENCY
Notes to Financial Statements

for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the Agency include:

General Fund – The general fund is the Agency's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Due to West Ada School District – Per Resolution 08-36, a portion of the taxes that the Agency collects are pass-through funds which the Agency remits to West Ada School District.

Accordingly, a portion of the taxes receivable listed on the statement of net position and balance sheet – governmental funds at year end is due to West Ada School District.

EAGLE URBAN RENEWAL AGENCY
Notes to Financial Statements

Deferred Outflows/Inflows of Resources – The Agency's financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the Agency first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the Agency first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The Agency receives a portion of the property taxes generated by the taxing entities within the Agency's taxing district. The taxes are collected by the respective county and then remitted back to the Agency. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk – The Agency maintains its cash at insured financial institutions. Balances generally do not exceed federally insured limits.

Risk Management – The Agency is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

EAGLE URBAN RENEWAL AGENCY
Notes to Financial Statements

Subsequent Events – Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

B. CASH

Cash consists of the following at year end:

Cash - Deposits	\$412,571
Total	<u>\$412,571</u>

Deposits – At year end, the carrying amounts of the Agency's deposits were \$412,571 and the bank balances were \$413,361. Of the bank balances, \$250,000 was insured and the balance was uninsured and uncollateralized.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The Agency's investment policy complies with state statutes.

C. OPERATING LEASE

The Agency has an operating lease for use of certain property. The lease's term is from February 1, 2015 through January 31, 2017. Monthly lease payments are determined using the following method. Monthly rent for the lease is prepaid by the Agency paying certain demolition and removal costs related to the leased property. Then the total amount of such demolition and removal costs is divided over the lease term and applied to each month of the lease to determine the monthly lease payment. As such, total monthly lease payments for the year amounted to \$28,350 and are included in the projects expenditure/expense line on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE URBAN RENEWAL AGENCY
Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2016

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$217,800	\$217,800	\$299,064	\$81,264
Total Revenues	<u>217,800</u>	<u>217,800</u>	<u>299,064</u>	<u>81,264</u>
Expenditures				
Current Expenditures				
Administration & Contracts	30,000	30,000	55,219	(25,219)
Projects	327,800	327,800	31,160	296,640
West Ada School District	60,000	60,000	81,906	(21,906)
Total Expenditures	<u>417,800</u>	<u>417,800</u>	<u>168,285</u>	<u>249,515 *</u>
Net Change in Fund Balances	(200,000)	(200,000)	130,779	330,779
Fund Balances - Beginning	200,000	200,000	292,824	92,824
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$423,603</u>	<u>\$423,603</u>

**Total expenditures (over) under appropriations.*

See Auditor's Report

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OTHER REPORTS

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11501 Highway 95
Payette, Idaho 83661
www.qcpas.com
info@qcpas.com
P: 208-642-1417
F: 208-642-1582

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*

Board of Commissioners
Eagle Urban Renewal Agency

We have audited, in accordance with the 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 the Eagle Urban Renewal Agency (the Agency), a component unit of the City of Eagle, Idaho, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 30, 2016.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or compliance. This 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. Accordingly, this communication is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
November 30, 2016

Exhibit 3

**EAGLE URBAN RENEWAL AGENCY
CALENDAR YEAR-END STATEMENTS**

Eagle Urban Renewal Agency

PROFIT AND LOSS

January - December 2016

	TOTAL
INCOME	
Eagle Urban Renewal	300,240.78
Total Income	\$300,240.78
GROSS PROFIT	\$300,240.78
EXPENSES	
Contract Labor	2,036.90
Dues & Subscriptions	2,439.98
Insurance - Liability	1,622.93
Legal & Professional Fees	6,145.65
Accountant	85.79
Consultant	2,000.00
Legal Fees	35,962.46
Other Professional Fees	373.70
Total Legal & Professional Fees	44,567.60
Meals and Entertainment	104.89
Office Expenses	216.31
Project Reimbursements	59,332.90
Repair & Maintenance	1,500.00
Total Expenses	\$111,821.51
NET OPERATING INCOME	\$188,419.27
NET INCOME	\$188,419.27

Eagle Urban Renewal Agency

BALANCE SHEET

As of December 31, 2016

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking x7606	353,242.42
Total Bank Accounts	\$353,242.42
Other Current Assets	
Taxes Receivable	0.00
Total Other Current Assets	\$0.00
Total Current Assets	\$353,242.42
Other Assets	
Prepaid Rent	37,800.00
Total Other Assets	\$37,800.00
TOTAL ASSETS	\$391,042.42
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Deferred Revenues	0.00
Loan Payable - City of Eagle	0.00
School District Payable	-83,537.10
Year End Accounts Payable	0.00
Total Other Current Liabilities	\$ -83,537.10
Total Current Liabilities	\$ -83,537.10
Total Liabilities	\$ -83,537.10
Equity	
Retained Earnings	530,682.65
Net Income	-56,103.13
Total Equity	\$474,579.52
TOTAL LIABILITIES AND EQUITY	\$391,042.42