



FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**ignite cda**  
**September 30, 2016**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
ignite cda  
Coeur d'Alene, ID 83814

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund, of ignite cda, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise ignite cda's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

ignite cda's 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 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 ignite cda, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information 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 our report dated December 22, 2016, on our consideration of ignite cda's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 ignite cda's internal control over financial reporting and compliance.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Company, P.A.

December 22, 2016

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ignite cda**  
**City of Coeur d'Alene's Urban Renewal Agency**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

This section of the ignite cda (Agency) fiscal year 2016 financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year that ended on September 30, 2016. Please read it in conjunction with the Agency's financial statements which follow this section. Note: the Agency is not a taxing entity and thus does not levy any form of taxes.

**FINANCIAL HIGHLIGHTS**

- The Agency administers two redevelopment districts within the city of Coeur d'Alene's area of impact:
  - Lake District, formed in 1997, encompasses sections of downtown, midtown and Northwest Boulevard.
  - River District, formed in 2003, encompasses the geographic area between Interstate 90 and the Spokane River, east of Huetter Avenue and west of Northwest Boulevard.
- The Agency's total (Lake and River Districts) net position as of September 30, 2016 were \$7,815,968.
- During fiscal year 2016, the Agency realized total general revenues of \$6,602,934 and total net expenses of \$(3,124,747) resulting in a net position change of \$3,654,558.
- Lake District: in fiscal year 2016, the Agency supported the City of Coeur d'Alene's de-annexation initiative wherein certain property parcels were removed from the Lake District with an estimated value of \$24,077,194 (per Panhandle Area Council financial analysis), thus decreasing the Lake District's projected annual increment cash revenues beginning in the year 2017 by an estimated \$337,093. The Agency is confident that this de-annexation initiative will not prevent the Agency from servicing existing debt obligations, and will not prevent the Agency from completing its long-term strategic initiatives within the district.
  - Washington Trust Bank, as required by the Lake District Note (Series 2011), provided consent for the Lake District de-annexation initiative.
- Lake District: in fiscal year 2016, the Agency refunded (i.e. refinanced) the Washington Trust Bank Lake District Note at a new principal amount of \$8,763,374.68, reducing the interest rate from 3.26% to 1.25% effective September 14, 2016, and reducing the Note reserve account amount from \$1,300,000 to \$876,337.
- Lake District: in fiscal year 2016, the Agency conditionally approved The Lake Apartments Improvement Reimbursement Agreement (IRA) in an amount not to exceed \$568,750. Construction of The Lake Apartments is scheduled to begin in 2017.
- Lake District: in fiscal year 2016, the Agency approved the demolition of the buildings located on the following Agency owned properties: 515 W. Garden Avenue, 720 Young Avenue, and 712 Young Avenue. The Agency plans to utilize these land assets for redevelopment projects.
- Lake District: in fiscal year 2016, the Agency approved \$1.6 million in construction funding for the Mullan Road element of the City of Coeur d'Alene Four Corner Master Plan.
- Lake District: in fiscal year 2016, the Agency approved \$2.5 million of construction funding for the Collaborative Education Facility to be built on the North Idaho College Campus. This facility will be a joint use facility for North Idaho College, University of Idaho, Lewis Clark State College, Boise State University, and Idaho State University. The facility will serve as an entry point for all students entering these institutions, and will be another asset helping to make the Higher Education Campus and economic driver for the community.

**ignite cda**  
**City of Coeur d'Alene's Urban Renewal Agency**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

- River District: in fiscal year 2016, the Agency supported the City of Coeur d'Alene's de-annexation initiative wherein certain property parcels were removed from the River District with an estimated value of \$86,688,437 (per Panhandle Area Council financial analysis), thus decreasing the River District's projected annual increment cash revenues beginning in the year 2017 by an estimated \$1,003,337. The Agency is confident that this de-annexation initiative will not prevent the Agency from servicing existing debt obligations, and will not prevent the Agency from completing its long-term strategic initiatives within the district.
- River District: in fiscal year 2016, the Agency approved \$3.5 million of construction funding for the City of Coeur d'Alene Seltice Way roadway revitalization initiative. This construction funding is in addition to the Agency's previously approved \$250,000 engineering design funding for the Seltice Way roadway revitalization initiative.
- River District: in fiscal year 2016, the Agency formally approved the \$280,000 Riverstone West Apartments III Improvement Reimbursement Agreement (IRA).
- River District: in fiscal year 2016, the Agency formally approved the \$344,610 Circuit @ Seltice Improvement Reimbursement Agreement (IRA).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include three kinds of statements that present different views of the Agency:

1. Government-wide financial statements provide information about the Agency's overall financial status.
2. Fund financial statements focus on individual parts of the Agency activities, reporting the Agency's operations in more detail than the government-wide statements.
3. Notes to financial statements provide detailed background information to the relevant financials.

The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

Government-Wide Statements

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net position and how they have changed. Net position, i.e. the difference between the Agency's assets and liabilities, is one way to measure the Agency's financial health, or position.

- Over time, increases or decreases in the Agency's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Agency, consideration of additional non-financial factors such as changes in the property tax base and potential new developments should be considered.
- Governmental activities: Most of the Agency's urban redevelopment activities are included herein. In addition, the administration function of the Agency is reported here.

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**City of Coeur d'Alene's Urban Renewal Agency**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's governmental funds - not the Agency as a whole. This accounting device is used by the Agency to keep track of specific sources of funding and spending for particular purposes.

Governmental funds focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or in the subsequent pages, that explains the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE**

**Net Position**

The Agency's September 30, 2016 net asset value was \$7,815,968. Table 1 presents a summary of the Agency's net assets.

**Table 1**  
**Ignite cda's NET POSITION**

	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 12,190,461	\$ 10,792,439
Capital assets, net of accumulated depreciation	5,066,731	5,119,640
Total assets	\$ 17,257,192	\$ 15,912,079
Long-term liabilities outstanding	\$ 9,402,842	\$ 11,734,827
Other liabilities	38,382	15,842
Total liabilities	9,441,224	11,750,669
Invested in capital assets, net of related debt	4,427,264	3,766,548
Restricted	3,388,704	394,862
Total net position	\$ 7,815,968	\$ 4,161,410

**ignite cda**  
**City of Coeur d'Alene's Urban Renewal Agency**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE (Continued)**

**Changes in Net Position**

Table 2 shows the changes in net assets for fiscal year 2016 and 2015.

**Table 2**  
**CHANGES IN NET POSITION**

	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for services (rental income)	\$ 176,371	\$ 145,064
General Revenues:		
Tax increment revenue	6,549,584	6,397,526
Penalties and interest	43,667	55,602
Interest and investment earnings	9,683	8,174
Gain on sale of capital assets	-	30,666
Total general revenues	<u>6,602,934</u>	<u>6,491,968</u>
Expenses:		
General government	2,655,527	1,855,568
Property rentals	126,006	133,020
Interest on long-term debt - general	343,214	339,995
Total expenses	<u>3,124,747</u>	<u>2,328,583</u>
Change in net position	<u>\$ 3,654,558</u>	<u>\$ 4,308,449</u>

**Changes in Net Position**

The Agency's total revenue, which is the total of program and general revenues, of \$6,779,305 for the fiscal year 2016 represents a slight increase over fiscal year 2015 revenues. Agency fiscal year 2016 general revenue is categorized into various revenue sources, with property taxes (i.e. tax increment revenue) representing the largest share of total revenue.

**FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

**Governmental Funds**

The Agency completed fiscal year 2016 with a total governmental fund balance of \$11,778,316 which represents a slight increase from the ending governmental fund balance for fiscal year 2015.

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**City of Coeur d'Alene's Urban Renewal Agency**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

**Budgetary Highlights – Lake District**

There are no significant reporting issues regarding actual revenues and expenses relative to budget projections. Total revenues realized were slightly above budget projections due primarily to (1) the realization of past due property taxes, and (2) final determination of taxing entity levy rates. Actual operation expenses were below budget.

**Budgetary Highlights – River District**

There are no significant reporting issues regarding actual revenues and expenses relative to budget projections. Total revenues realized were slightly below budget projections. Actual expenses were below budget due primarily to lower actual spending associated with planned expenditures.

**Budgetary Highlights – Public Art**

As part of its commitment to public art in Coeur d'Alene, the Agency has historically transferred a percentage of its District tax increment revenues to the Coeur d'Alene Public Arts Commission (the Commission). The Commission is the entity empowered by the Mayor/Council to invest public dollars in value adding public art projects for the City. Any Agency District funds transferred to the Commission must be used for public art projects within the District where the funds originate. For fiscal year 2016, the Agency transferred \$88,509 of Lake District funds to the Commission; and transferred \$44,100 of River District funds to the Commission.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

In fiscal year 2016, the Agency did not acquire any real property assets. The Agency's Lake District strategic property portfolio currently consists of twenty three properties. The Agency does not own any strategic properties in the River District.

**Long-term Debt: Lake District**

- **Strategic Property Portfolio**: Real property assets in the Lake District strategic property portfolio are financed conventionally through local lending institutions. At the end of fiscal year 2016, two of the Agency's twenty three Lake District strategic property debt obligations have yet to be retired.
- **Improvement Reimbursement Agreements (IRAs)**: The Agency has entered into IRAs with the principals of the Ice Plant and 609 Sherman Avenue Lofts developments, and has granted conditional approval for The Lake Apartments IRA. Each IRA is financed through site-specific, tax increment fund revenues that will be generated by each respective project. The Ice Plant IRA (initiated December of 2008) principal reimbursement total is \$329,150. The 609 Sherman Avenue Lofts IRA (initiated July of 2011) principal reimbursement total is \$404,993. The Lake Apartments IRA (conditionally approved in 2016) principal reimbursement total is \$568,750. The IRA debt obligation amounts are not included in the long-term debt values found within this audit report because the outstanding debt amounts are offset by corresponding receivable amounts. In other words, the receivable and debt amounts cancel each other out for reporting purposes. Please refer to Note 6 for more discussion.

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**City of Coeur d'Alene's Urban Renewal Agency**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

- Disposition & Development Agreement (DDA): In December, 2005, the Agency entered into a DDA with the Coeur d'Alene Chamber of Commerce (i.e. Developer) for the construction of the new downtown Chamber of Commerce building. A portion of the DDA includes Agency reimbursement to the Developer for Agency approved project-related public improvements. Reimbursements to the Developer per the DDA are generated through site-specific, tax increment fund revenues that will be generated by the project. The Coeur d'Alene Chamber of Commerce DDA principal reimbursement total is \$300,000. The DDA debt obligation amounts are not included in the long-term debt values found within this audit report because the outstanding debt amounts are offset by corresponding receivable amounts. In other words, the receivable and debt amounts cancel each other out for reporting purposes. Please refer to Note 6 for more discussion.

Long-term Debt: River District

- Owner Participation Agreements (OPAs): The Agency has entered into an OPA with the principals of the Riverstone West Phase 1 mixed use development. The OPA is financed through site-specific, tax increment fund revenues that will be generated by the project. The Riverstone West Phase 1 OPA (established in 2007) principal reimbursement total is \$6,682,237. The OPA debt obligation amount is not included in the long-term debt values found within this audit report because the outstanding debt amount is offset by a corresponding receivable amount. In other words, the receivable and debt amounts cancel each other out for reporting purposes. Please refer to Note 6 for more discussion.
- Improvement Reimbursement Agreements (IRAs): The Agency has approved the following IRAs:
  - Mill River Seniors affordable housing initiative
  - Riverstone West Family Apartments affordable housing initiative
  - Riverstone West Apartments III affordable housing initiative
  - Riverstone West Phase 2 roadway initiative
  - Circuit at Seltice detached housing initiative

The IRAs are financed through site-specific, tax increment fund revenues that will be generated by the specific projects. The Mill River Seniors IRA principal reimbursement total is \$326,000. The Riverstone West Family Apartments IRA principal reimbursement total is \$395,000. The Riverstone West Family Apartments III IRA principal reimbursement total is \$280,000. The Riverstone West Phase 2 IRA principal reimbursement total is \$823,058. The Circuit at Seltice IRA principal reimbursement total is \$344,610. The IRA debt obligation amounts are not included in the long-term debt values found within the audit report because the outstanding debt amounts will be offset by corresponding receivable amounts. In other words, the receivable and debt amounts will cancel each other out for reporting purposes.

**ECONOMIC OUTLOOK AND FISCAL YEAR 2017 IMPACT**

The Coeur d'Alene area, as in past years, continues to be the recipient of a redeployment of capital from other parts of the country. Home owners, investors and developers recognize the value of migrating their wealth to Coeur d'Alene. The area's competitive land prices and quality of life and place attributes are key contributors to this trend.

In fiscal 2016, property values within the Agency's Districts increased reflecting a national trend. Private capital investment within the Districts continues to occur. During fiscal 2016, several projects were initiated within the Agency's Districts signaling increased economic activity. Fiscal year 2017 will see additional construction projects initiated attesting to a recovering regional real estate market.

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**City of Coeur d'Alene's Urban Renewal Agency**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

Development for 2017 will occur in both the Lake and River Districts. Development in the River District will be driven by the continued build out of the Mill River mixed use development along the Spokane River, and by the phased completion of the Riverstone West project, a continuation of the original Riverstone mix-use development also along the Spokane River. Development in the Lake District will involve new downtown commercial space, as well as new residential units.

Property tax receipts in fiscal 2016 for both Districts were consistent with projections. Projected fiscal year 2017 property tax receipts for properties remaining post de-annexation for both the Lake & River Districts should be on par with those respective property receipts from fiscal 2016. The Agency expects the property tax source of revenue for both Districts to continue to increase over the long-term, primarily driven by the build out of the waterfront developments along the Spokane River.

Both national and state of Idaho economic trends through fiscal 2016 appear promising. Kootenai County economic trends continue to lag national trends somewhat, with both residential and commercial development showing increased activity. The region continues to benefit economically from the arrival of the affluent urban dweller demographic that has spurred development of residential product, both within the downtown urban area and along the waterfront. The region is also following a national trend of increased rental apartment unit development. The 2017 economic forecast for the northern Idaho region is optimistic. Private equity continues to move off of the sidelines. Relocations (people, businesses) and property investment into the area will stimulate the local economy.

In summary, given the subsidence of past market volatility, the Agency is very optimistic about the future growth and redevelopment opportunities within the Agency's Lake and River Districts. Wise planning and sound debt management, combined with effective public/private partnerships, will help to pave the way for continued value-adding growth within the area.

**CONTACTING THE AGENCY'S MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for monies received. If you have any questions about this report, please contact:

Tony Berns  
Ignite cda Executive Director  
105 N. 1<sup>st</sup> – Suite 100  
Coeur d'Alene, ID 83814  
208-292-1630  
[www.ignitecda.org](http://www.ignitecda.org)

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

**ignite cda**

**STATEMENT OF NET POSITION**  
**September 30, 2016**

**ASSETS**

Cash and cash equivalents	\$ 10,519,811
Property taxes receivable	355,981
Tenant deposits receivable	8,060
Restricted cash - bond reserve	1,306,609
Land	3,599,863
Capital assets, net	1,466,868
Total assets	<u>17,257,192</u>

**LIABILITIES**

Accounts payable	25,500
Accrued payroll and taxes	3,892
Due to other governments	330
Tenant deposits	8,660
Long-term liabilities:	
Due within one year	1,708,690
Due in more than one year	7,694,152
Total liabilities	<u>9,441,224</u>

**NET POSITION**

Net investment in capital assets	4,427,264
Restricted to Lake District	(3,135,879)
Restricted to River District	6,524,583
Total net position	<u>\$ 7,815,968</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

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STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016

FUNCTIONS / PROGRAMS	Expenses	Charges for Services	Net Governmental Activities
<b>PRIMARY GOVERNMENT:</b>			
General government activities:			
Arts	\$ 132,609	\$ -	\$ (132,609)
Communications	4,608	-	(4,608)
Dues and subscriptions	6,880	-	(6,880)
Insurance	5,363	-	(5,363)
Miscellaneous	423	-	(423)
Office overhead	8,913	-	(8,913)
Partnership initiatives	1,671,642	-	(1,671,642)
Professional services	198,589	-	(198,589)
Project reimbursements	443,958	-	(443,958)
Public improvements	345	-	(345)
Travel and meetings	4,934	-	(4,934)
Wages, benefits and payroll taxes	177,263	-	(177,263)
Total general government activities	2,655,527	-	(2,655,527)
Property rental activities:			
Rental income	-	176,371	176,371
Property management	56,327	-	(56,327)
Depreciation	52,909	-	(52,909)
Interest on long term debt	16,770	-	(16,770)
Total property rental activities	126,006	176,371	50,365
Interest on long term debt - general	343,214	-	(343,214)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,124,747</b>	<b>\$ 176,371</b>	<b>\$ (2,948,376)</b>
<b>GENERAL REVENUES:</b>			
Tax increment revenue			6,549,584
Penalties and interest			43,667
Interest earnings			9,683
Total general revenues			6,602,934
<b>CHANGE IN NET POSITION</b>			3,654,558
<b>NET POSITION, beginning of year</b>			4,161,410
<b>NET POSITION, end of year</b>			<b>\$ 7,815,968</b>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

ignite cda

GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2016

	<u>Lake District</u>	<u>River District</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,059,762	\$ 6,460,049	\$ 10,519,811
Property taxes receivable	265,855	90,126	355,981
Tenant deposits receivable	8,060	-	8,060
Restricted cash - bond reserve	1,306,609	-	1,306,609
Total assets	<u>\$ 5,640,286</u>	<u>\$ 6,550,175</u>	<u>\$ 12,190,461</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 25,500	\$ 25,500
Accrued payroll and taxes	3,892	-	3,892
Due to other governments	238	92	330
Tenant deposits	8,660	-	8,660
Total liabilities	<u>12,790</u>	<u>25,592</u>	<u>38,382</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	279,940	93,823	373,763
Total deferred inflows of resources	<u>279,940</u>	<u>93,823</u>	<u>373,763</u>
<b>FUND BALANCE</b>			
Restricted	5,347,556	6,430,760	11,778,316
Total fund balance	<u>5,347,556</u>	<u>6,430,760</u>	<u>11,778,316</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,640,286</u>	<u>\$ 6,550,175</u>	<u>\$ 12,190,461</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

**ignite cda**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2016**

Total fund balance at September 30, 2016 - Governmental Funds		\$ 11,778,316
Cost of capital assets at September 30, 2016	\$ 5,699,728	
Less: Accumulated depreciation as of September 30, 2016:		
Buildings and sites	<u>(632,997)</u>	5,066,731
Elimination of deferred revenue		373,763
Long-term liabilities at September 30, 2016:		
Long-term debt		<u>(9,402,842)</u>
Net position at September 30, 2016		<u>\$ 7,815,968</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

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**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2016**

	<u>Lake District</u>	<u>River District</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Tax increment revenue	\$ 4,372,398	\$ 2,195,963	\$ 6,568,361
Rental income	176,371	-	176,371
Penalties and interest	38,405	5,262	43,667
Interest earnings	5,124	4,559	9,683
Total revenues	<u>4,592,298</u>	<u>2,205,784</u>	<u>6,798,082</u>
<b>EXPENDITURES</b>			
Current:			
Arts	88,509	44,100	132,609
Communications	2,304	2,304	4,608
Dues and subscriptions	3,440	3,440	6,880
Insurance	2,681	2,682	5,363
Miscellaneous	-	423	423
Office overhead	4,456	4,457	8,913
Partnership initiatives	1,671,642	-	1,671,642
Professional services	95,571	103,018	198,589
Project reimbursements	75,338	368,620	443,958
Property management	56,327	-	56,327
Public improvements	345	-	345
Travel and meetings	2,467	2,467	4,934
Wages, benefits and payroll taxes	88,631	88,632	177,263
Debt service:			
Interest	359,984	-	359,984
Principal payments	2,331,985	-	2,331,985
Total expenditures	<u>4,783,680</u>	<u>620,143</u>	<u>5,403,823</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES</b>	<u>(191,382)</u>	<u>1,585,641</u>	<u>1,394,259</u>
<b>NET CHANGE IN FUND BALANCES</b>	(191,382)	1,585,641	1,394,259
<b>FUND BALANCES, beginning of year</b>	<u>5,538,938</u>	<u>4,845,119</u>	<u>10,384,057</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 5,347,556</u>	<u>\$ 6,430,760</u>	<u>\$ 11,778,316</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

**ignite cda**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016**

Total net changes in fund balances for year ended September 30, 2016	\$ 1,394,259
Less: Depreciation expense for the year ended September 30, 2016	(52,909)
Add: Debt principal retirement considered as an expenditure	2,331,985
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	<u>(18,777)</u>
Change in net position for year ended September 30, 2016	<u>\$ 3,654,558</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

## ignite cda

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

ignite cda (the "Agency") is an urban renewal agency created by and existing under the Idaho Urban Renewal Law of 1965, as amended, and is an independent public body.

The accompanying financial statements include all aspects controlled by the Board of Commissioners of the Agency. The Agency is included in the City of Coeur d'Alene, Idaho's, financial reporting based on certain criteria in GASB Statement No. 14. These statements present only the governmental activities of the Agency and are not intended to present the financial position and results of operations of the City of Coeur d'Alene, Idaho, (the "City") in conformity with generally accepted accounting principles (GAAP).

Under the Idaho Code, in December 1997, the Coeur d'Alene City Council passed an ordinance that created the Coeur d'Alene Urban Renewal Agency, a legally separate entity from the City. The Agency was established to promote urban development and improvement in deteriorated areas within the Agency's boundaries. The Agency adopted the doing business as (dba) name Lake City Development Corporation in fiscal year 2001; the Agency adopted a new dba name ignite cda in fiscal year 2015. The Agency is governed by a maximum board of nine Commissioners, appointed by the City Council. The City Council has the ability to appoint and dismiss the board members of the Agency. These powers of the City meet the criteria set forth in GASB No. 14 for having financial accountability for the Agency. Based on the above, the Agency is discretely presented in the City of Coeur d'Alene's financial statements as a component unit.

Under the Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the proceeds of tax increment financing (or revenue allocation in Idaho) and are not a debt of the City of Coeur d'Alene. The City Council is not responsible for approving the Agency's budget or funding any annual deficits. The Agency controls its disbursements independent of the City Council.

The accounting methods and procedures adopted by the Agency conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Agency's basic financial statements.

The accompanying financial statements of the Agency have been prepared in accordance with GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the Agency's accounting policies are described below:

##### B. Fund Accounting

The Agency uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Agency functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Fund Accounting (Concluded)**

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Agency has two governmental funds, both of which are special revenue funds.

- *Lake District* – This fund is used to account for all financial resources of the Lake District. The Lake District is a separate and legally distinct district under the umbrella of the Agency. This district will expire on December 31, 2021, and the net assets will be distributed according to current Idaho Statute.
- *River District* – This fund is used to account for all financial resources of the River District. The River District is a separate and legally distinct district under the umbrella of the Agency. This district will expire on December 31, 2027, and the net assets will be distributed according to current Idaho Statute.

**C. Basis of Presentation**

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Agency as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Agency has activities that are considered to be governmental as opposed to business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Agency, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Agency.

Fund Financial Statements – Fund financial statements report detailed information about the Agency. The focus of governmental fund statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basis of Presentation (Concluded)**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, available means expected to be received within 60 days of the fiscal year end.

Non-exchange transactions, in which the Agency receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, grants, and rentals.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Basis of Accounting (Concluded)**

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations, which are recognized when paid.

**E. Cash and Cash Equivalents**

In the general fund, cash received by the Agency is pooled for investment purposes and is presented as "Cash and cash equivalents" on the financial statements. For presentation in the financial statements, cash and cash equivalents include cash on hand, amounts due from banks, and investments with an original maturity of three months or less at the time they are purchased by the Agency. Investments with an initial maturity of more than three months are reported as cash equivalents. Investments in U.S. Obligations are for the funding of capital projects and are readily convertible to cash.

**F. Capital Assets**

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Agency maintains a capitalization threshold of \$5,000. The Agency does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and sites	40 years

**G. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases, to be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Balance

The Agency has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Agency to classify and report amounts in the appropriate fund balance classifications. The Agency's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of non-spendable, restricted, committed, assigned, or unassigned.

The Agency reports the following classifications:

Non-spendable Fund Balance — Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form—such as inventory or prepaid insurance; or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity.

Restricted Fund Balance — Restricted fund balances are restricted when 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. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the Agency can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance — Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Commissioners. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board of Commissioners. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance — Assigned fund balances are amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Director of Finance; or (b) an appointed body (e.g., a budget or finance committee) or official to which the Commissioners have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed; and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Agency itself.

Unassigned Fund Balance — Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(Continued)

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Net Position**

Net position represents the difference between assets / deferred outflows of resources, and liabilities / deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

**J. Fund Balance Flow Assumptions**

Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balances. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**K. Net Position Flow Assumptions**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

**L. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**M. Property Taxes and Deferred Tax Revenues**

Since the Agency is not a taxing entity, property taxes collected on the Agency's behalf by Kootenai County for 2015 are recorded as receivables. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent that they are collected within 60 days of year end, in accordance with the modified accrual basis of accounting. Receivables collectible after the 60 day date are reflected in the fund financial statements as deferred revenues. In the government-wide financial statements property taxes are recorded as revenue in the period levied, in accordance with the accrual basis of accounting.

(Continued)

## ignite cda

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

##### M. Property Taxes and Deferred Tax Revenues (Concluded)

The Agency receives a portion of the property taxes generated by the taxing entities within Kootenai County. These property taxes are collected on behalf of the Agency by Kootenai County each December on the assessed value within the Agency's districts listed as of the previous December tax rolls. Assessed values are an approximation of market value. Assessed values are established by the County Assessor. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied.

##### N. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position / balance sheet 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 that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position / balance sheet 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category - *unavailable revenue*. This item is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data – Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for each fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in either fund.

This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

Reported budgeted amounts are as originally adopted or as amended by the Board. Professional management cannot legally amend appropriations within the budget without first seeking Board approval once the budget has been approved. The Board properly approved the original budget, and there was no amendment to the budget for the fiscal year ending September 30, 2016.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

(Continued)

**ignite cda**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3: CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a written policy for custodial credit risk, but has charged management with ensuring the Agency's exposure to custodial credit risk is minimal. The carrying amount of the Agency's deposits is \$11,826,420 and the bank balance is \$11,827,072. As of September 30, 2016, the Agency's bank balance was not exposed to custodial credit risk. Details are as follows:

Amount insured by FDIC and or collateralized with securities: \$11,827,072

The Agency maintains cash deposits with several local banks in order to mitigate the financial impact of potential bank failure.

State statutes authorize the Agency's investments. The Agency is authorized to invest in U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, and government pool and money market funds consisting of any of these securities

**NOTE 4: CAPITAL ASSETS**

Following is a recap of capital assets for the fiscal year ended September 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,599,863	\$ -	\$ -	\$ 3,599,863
Total capital assets not being depreciated	<u>3,599,863</u>	<u>-</u>	<u>-</u>	<u>3,599,863</u>
Capital assets being depreciated:				
Buildings and sites	2,099,865	-	-	2,099,865
Total capital assets being depreciated	<u>2,099,865</u>	<u>-</u>	<u>-</u>	<u>2,099,865</u>
Less accumulated depreciation for:				
Buildings and sites	580,088	52,909	-	632,997
Total accumulated depreciation	<u>580,088</u>	<u>52,909</u>	<u>-</u>	<u>632,997</u>
Total capital assets being depreciated, net	<u>1,519,777</u>	<u>(52,909)</u>	<u>-</u>	<u>1,466,868</u>
Governmental activities capital assets, net	<u>\$ 5,119,640</u>	<u>\$ (52,909)</u>	<u>\$ -</u>	<u>\$ 5,066,731</u>

During the fiscal year, \$52,909 in depreciation expense was charged to the property rental function.

(Continued)

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**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 5: LONG-TERM DEBT**

Library Site:

On April 23, 2001, the Agency entered into an agreement with the Coeur d' Alene Public Library Foundation, Inc. regarding property purchased by the Foundation from Ed D. and Susan T. Jameson and Ray C. and Doris M. Mobberley, for the purpose of constructing a new library facility. The Library Foundation made a down payment of \$250,000 and entered into two separate promissory notes with the Jamesons and the Mobberleys in the amounts of \$346,500 and \$553,500, respectively, as consideration for the property.

On March 31, 2003, the Agency refinanced these notes payable through Washington Trust Bank. The principal amount refinanced was \$910,719. Repayment terms were monthly payments due the first of each month, bearing interest at the rate of 4.15%. A balloon payment in the amount of \$754,863 was due April 1, 2008.

On April 1, 2008, in lieu of remitting the balloon payment due, the Agency refinanced the balance through Washington Trust Bank. The total amount refinanced was \$752,047. Repayment terms are monthly payments due the first of each month, bearing interest at the rate of 4.00%. A balloon payment in the amount of \$555,676 is due April 1, 2013.

On April 1, 2013, in lieu of remitting the balloon payment due, the Agency refinanced the balance through Washington Trust Bank. The total amount refinanced was \$555,676. Repayment terms are monthly payments due the first of each month, bearing interest at the rate of 2.65%. The annual requirement to retire the debt is as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2017	2.65%	\$ 53,627	\$ 9,496	\$ 63,123
2018	2.65%	323,895	3,528	327,423
		\$ 377,522	\$ 13,024	\$ 390,546

301 E. Lakeside Avenue:

On April 21, 2006, the Agency entered into a contract to purchase property at 301 E. Lakeside Ave. The total purchase price was \$625,000, of which \$62,500 was paid at closing. Repayment terms are: 60 monthly payments of \$3,277, including interest at 4.88%; 59 monthly payments of \$3,277, including interest at 1.74%; and a final payment on May 5, 2016. The debt was retired in the current fiscal year.

712 E. Young Avenue:

On October 14, 2005, the Agency entered into a contract to purchase property at 712 E. Young Ave. The total purchase price was \$415,000, of which \$62,250 was paid at closing. Repayment terms are: 60 monthly payments of \$1,981, including interest at 4.55%; 59 monthly payments of \$1,984, including interest at 1.64%; and a final payment on October 10, 2015. The debt was retired in the current fiscal year.

(Continued)

**ignite cda**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 5: LONG-TERM DEBT (CONTINUED)**

839 N. 3rd Street & 845 N. 4th Street:

On June 16, 2008, the Agency purchased property at 839 N. 3rd Street, and at 845 N. 4th Street using 100% loan financing for \$360,783. Repayment terms are monthly payments due the 16th of each month bearing interest at the rate of 4.50% for the first five years and 4.64% for the second five years of the loan. A balloon payment in the amount of \$263,112 is due June 16, 2018. The annual requirements to retire the debt are as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2017	4.64%	\$ 11,539	\$ 13,001	\$ 24,540
2018	4.64%	250,406	12,706	263,112
		<u>\$ 261,945</u>	<u>\$ 25,707</u>	<u>\$ 287,652</u>

Bond Payable – Washington Trust:

On August 25, 2011, the Agency received a Revenue Allocation Bond. The Agency was approved to borrow up to \$16,700,000. This financing is being used on Lake District Redevelopment Projects. Maturity was set for August 1, 2021 and the interest rate was set at 3.26% per annum for the first five years. Bond security is provided in the form of a subordinate interest in Lake District Revenue.

The Agency refunded the note during the 2016 fiscal year and closed on November 2016. The bank has agreed to reduce the required reserve amount for this debt obligation down to 10% of the principal balance. The new Series 2016 Note has a principal of \$8,763,375 with a 1.25% interest rate and a term ending in 2021.

The annual requirements to retire the debt are as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2017	1.25%	\$ 1,708,690	\$ 105,714	\$ 1,814,404
2018	1.25%	1,730,414	83,990	1,814,404
2019	1.25%	1,752,414	61,990	1,814,404
2020	1.25%	1,774,601	39,804	1,814,405
2021	1.25%	1,797,256	17,148	1,814,404
		<u>\$ 8,763,375</u>	<u>\$ 308,646</u>	<u>\$ 9,072,021</u>

(Continued)

**ignite cda**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 5: LONG-TERM DEBT (CONCLUDED)**

The following is a summary of debt activity for the year ended September 30, 2016:

	Beginning Balance	Principal Additions	Principal Payments	Ending Balance	Due in One Year
Library Site	\$ 429,727	\$ -	\$ 52,205	\$ 377,522	\$ 53,627
301 E. Lakeside Ave	413,408	-	413,408	-	-
712 E. Young Ave	219,056	-	219,056	-	-
839 N. 3rd St. & 845 N. 4th St.	292,611	-	30,666	261,945	11,539
Bond Payable - Washington Trust	10,380,025	-	1,616,650	8,763,375	1,708,690
	<u>\$ 11,734,827</u>	<u>\$ -</u>	<u>\$ 2,331,985</u>	<u>\$ 9,402,842</u>	<u>\$ 1,773,856</u>

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

On June 21, 2007, a certificate of completion was issued concerning the improvements made to the development known as Riverstone West Phase I. At that time, a limited Recourse Promissory Note was entered into with the Agency and Riverstone West, LLC in the amount of \$6,682,237 at 5.00% simple interest per annum. The note is scheduled to be paid in semi-annual payments of 75% of the tax revenue allocation proceeds from the private development known as Riverstone West Phase I. Payments will continue until paid in full or by December 31, 2027. The total interest on the note cannot exceed \$2,000,000. The current outstanding balance is \$6,560,657.

On February 20, 2008, a limited Recourse Promissory Note was entered into with the Agency and Coeur d'Alene Area Chamber of Commerce in the amount of \$300,000 at 0.00% simple interest per annum. The note is scheduled to be paid in semiannual payments of 100% of the tax revenue allocation proceeds from the private development known as the Coeur d'Alene Chamber Building. Payments will continue until paid in full or by December 31, 2021. The current outstanding balance is \$277,932.

In December 2008, a limited Recourse Promissory Note was entered into with the Agency and Ice Plant Development, Inc. in the amount of \$329,150 at 5.00% simple interest per annum. The note is scheduled to be paid in semiannual payments of 75% of the tax revenue allocation proceeds from the private development known as the Ice Plant Town Home Project. Payments will continue until paid in full or by December 31, 2021. The current outstanding balance is \$208,148.

In July 2011, a limited Recourse Promissory Note was entered into with the Agency and Ledger and Patano, LLC in the amount of \$404,993 at 5.00% simple interest per annum. During the year assignment of payments rights was made from Patano LLC to Gringo Properties, LLC. The note is scheduled to be paid in semiannual payments of 75% of the tax revenue allocation proceeds from the private development known as the 609 Sherman Avenue Lofts Project. Payments will continue until paid in full or by December 31, 2021. The total interest on the note cannot exceed \$121,498. The current outstanding balance is \$375,298.

(Continued)

## ignite cda

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2016

#### NOTE 6: COMMITMENTS AND CONTINGENCIES (CONCLUDED)

In May of 2013, a limited Recourse Promissory Note was entered into between the Agency and Mill River Seniors in the amount of \$326,000 at 3.75% simple interest per annum. The note is scheduled to be paid in semiannual payments of 75% of the tax revenue allocation proceeds from the private development known as Mill River Seniors affordable housing. Payments will continue until paid in full or by February 2024. The total interest on the note cannot exceed \$97,800. The current outstanding balance is \$326,000.

In May of 2013, a limited Recourse Promissory Note was entered into between the Agency and the principals of Riverstone West Apartments in the amount of \$395,000 at 3.75% simple interest per annum. March 2016 Mortgage Investment Trust Corporation, acquired the note. The note is scheduled to be paid in semiannual payments of 75% of the tax revenue allocation proceeds from the private development known as Riverstone West Family Apartments. Payments will continue until paid in full or by February 2024. The total interest on the note cannot exceed \$118,500. The current outstanding balance is \$395,000.

In October of 2012, a limited Recourse Promissory Note was entered into between the Agency and the principals of the Riverstone West Phase 2 in the amount of \$823,058 at 4.25% simple interest per annum. The notes is scheduled to be paid in semiannual payments of 75% of the tax revenue allocation proceeds from the private development known as Riverstone West Phase 2. Payments will continue until paid in full or by 2027. The total interest on the note cannot exceed \$246,917. The current outstanding balance for the Riverstone West Phase 2 IRA is \$782,334.

In December of 2015, a limited Recourse Promissory Note was entered into between the Agency and the principals of Active West, LLC in the amount of \$344,610 at 2.5% simple interest per annum. The note is scheduled to be paid in semiannual payments of 75% of the tax revenue allocation proceeds from the private development known as Circuit at Seltice Project. Payments will continue until paid in full or by December 2027. The total interest on the note cannot exceed \$103,383. The current outstanding balance is \$344,610.

In December of 2015, a limited Recourse Promissory Note was entered into between the Agency and the principals of Riverstone West Apartments III, LLC in the amount of \$280,000 at 2.5% simple interest per annum. The note is scheduled to be paid in semiannual payments of 75% of the tax revenue allocation proceeds from the private development known as Riverstone West Apartments III Project. Payments will continue until paid in full or by December 2027. The total interest on the note cannot exceed \$84,000. The current outstanding balance is \$273,031.

#### NOTE 7: PARTNERSHIP INITIATIVES

During the year the Agency provided partnership funding to the City of Coeur d'Alene in the amount of \$1,600,000 for the Mullan Road element of the Four Corner master plan located within the ignite cda Lake District. The funding was primarily spent on:

- Mullan Road reconstruction and realignment
- Creation of the Memorial Plaza area next to Memorial Field
- Creation of new surface parking capacity along Northwest Boulevard near Memorial Field

(Continued)

## ignite cda

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2016

#### **NOTE 8: RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Agency contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

An outside insurance company protects professional liability with a \$2,000,000 liability and a \$3,000,000 umbrella. Errors and omissions liability has a \$2,000,000 liability with \$2,000,000 in the aggregate annually per insured. Additionally, crime, boiler and machinery insurance is maintained. Automobile liability has a \$2,000,000 single limit of liability.

#### **NOTE 9: FUND BALANCE / NET ASSET CLASSIFICATIONS**

The Agency operates two separate legally distinct funds – the Lake District and the River District. Revenues earned in each district can only be legally expended within the geographic boundary defined by each district. Because of this restriction, the Agency reports both fund balance and net position according to the amount legally restricted to expenditures within each district.

#### **NOTE 10: SUBSEQUENT EVENTS**

On November 18, 2015, ignite cda approved partnership funding to the City of Coeur d'Alene in the amount of \$3,500,000 for reconstruction of the portion of Seltice Way located within the ignite cda River District. The ignite cda partnership funding will be spent primarily on reconstruction of the portion of Seltice Way beginning near the Prairie Trail underpass by Riverstone extending west to the City of Huetter. This funding commitment will occur in fiscal year 2017.

(Concluded)

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

ignite cda

LAKE DISTRICT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016

	*		(1)	Actual Amounts	
	Budget Final	Actual Amounts	Adjustment to Actual Amounts	Budgetary Basis	Variance With Final Budget
<b>REVENUES</b>					
Tax increment revenue	\$ 4,295,911	\$ 4,372,398	\$ 19,982	\$ 4,392,380	\$ 96,469
Rental income	124,695	176,371	-	176,371	51,676
Penalties and interest	-	38,405	-	38,405	38,405
Interest earnings	3,960	5,124	-	5,124	1,164
Total revenues	<u>4,424,566</u>	<u>4,592,298</u>	<u>19,982</u>	<u>4,612,280</u>	<u>187,714</u>
<b>EXPENDITURES</b>					
Current:					
Arts	85,918	88,509	217	88,726	(2,808)
Communications	20,000	2,304	-	2,304	17,696
Dues and subscriptions	4,855	3,440	-	3,440	1,415
Insurance	2,699	2,681	-	2,681	18
Miscellaneous	500	-	-	-	500
Office overhead	4,770	4,456	-	4,456	314
Partnership initiative	1,722,500	1,671,642	-	1,671,642	50,858
Professional services	140,880	95,571	-	95,571	45,309
Project reimbursements	78,871	75,338	-	75,338	3,533
Property management	95,522	56,327	-	56,327	39,195
Public improvements	37,500	345	-	345	37,155
Travel and meetings	5,800	2,467	-	2,467	3,333
Wages, benefits and payroll taxes	100,173	88,631	(38)	88,593	11,580
Debt service:					
Interest	353,657	359,984	-	359,984	(6,327)
Principal payments	2,480,680	2,331,985	-	2,331,985	148,695
Special project reserve	500,000	-	-	-	500,000
Total expenditures	<u>5,634,325</u>	<u>4,783,680</u>	<u>179</u>	<u>4,783,859</u>	<u>850,466</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES BEFORE OTHER FINANCING SOURCES</b>					
	<u>(1,209,759)</u>	<u>(191,382)</u>	<u>19,803</u>	<u>(171,579)</u>	<u>1,038,180</u>
<b>NET CHANGE IN FUND BALANCES</b>					
	<u>(1,209,759)</u>	<u>(191,382)</u>	<u>19,803</u>	<u>(171,579)</u>	<u>1,038,180</u>
<b>FUND BALANCES, beginning of year</b>					
	<u>1,942,401</u>	<u>5,538,938</u>	<u>(1,262,386)</u>	<u>4,114,412</u>	<u>2,172,011</u>
<b>FUND BALANCES, end of year</b>					
	<u>\$ 732,642</u>	<u>\$ 5,347,556</u>	<u>\$ (1,242,583)</u>	<u>\$ 3,942,833</u>	<u>\$ 3,210,191</u>

(1) EXPLANATION OF ADJUSTMENTS TO ACTUAL AMOUNTS

	To convert to budgetary basis (cash basis)
<b>REVENUES</b>	
Property taxes	<u>\$ 19,982</u>
Total revenue adjustments	<u>19,982</u>
<b>EXPENDITURES</b>	
Arts	217
Wages and benefits	<u>(38)</u>
Total expenditure adjustments	<u>179</u>
<b>NET CHANGE IN FUND BALANCES</b>	19,803
<b>FUND BALANCES, beginning of year</b>	<u>(1,262,386)</u>
<b>FUND BALANCES, end of year</b>	<u>\$ (1,242,583)</u>

\* Budget was not amended

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RIVER DISTRICT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016

	*Budget Original/Final	Actual Amounts	(1) Adjustment to Actual Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
<b>REVENUES</b>					
Tax increment revenue	\$ 2,284,457	\$ 2,195,963	\$ 3,755	\$ 2,199,718	\$ (84,739)
Penalties and interest	-	5,262	-	5,262	5,262
Interest earnings	4,980	4,559	-	4,559	(421)
Total revenues	<u>2,289,437</u>	<u>2,205,784</u>	<u>3,755</u>	<u>2,209,539</u>	<u>(79,898)</u>
<b>EXPENDITURES</b>					
Current:					
Arts	45,689	44,100	6	44,106	1,583
Communications	20,000	2,304	-	2,304	17,696
Dues and subscriptions	4,855	3,440	-	3,440	1,415
Insurance	2,699	2,682	-	2,682	17
Miscellaneous	500	423	-	423	77
Office overhead	4,770	4,457	-	4,457	313
Partnership initiative	191,000	-	-	-	191,000
Professional services	322,680	103,018	(25,500)	77,518	245,162
Project reimbursements	367,373	368,620	-	368,620	(1,247)
Property management	1,000	-	-	-	1,000
Travel and meetings	5,800	2,467	-	2,467	3,333
Wages, benefits and payroll taxes	100,173	88,632	-	88,632	11,541
Special project reserve	350,000	-	-	-	350,000
Total expenditures	<u>1,416,539</u>	<u>620,143</u>	<u>(25,494)</u>	<u>594,649</u>	<u>821,890</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES</b>	<u>872,898</u>	<u>1,585,641</u>	<u>29,249</u>	<u>1,614,890</u>	<u>741,992</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>872,898</u>	<u>1,585,641</u>	<u>29,249</u>	<u>1,614,890</u>	<u>741,992</u>
<b>FUND BALANCES, beginning of year</b>	<u>4,165,260</u>	<u>4,845,119</u>	<u>(9,719)</u>	<u>4,835,400</u>	<u>670,140</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 5,038,158</u>	<u>\$ 6,430,760</u>	<u>\$ 19,530</u>	<u>\$ 6,450,290</u>	<u>\$ 1,412,132</u>

(1) EXPLANATION OF ADJUSTMENTS TO ACTUAL AMOUNTS

	To convert to basis (cash basis)
<b>REVENUES</b>	
Property taxes	\$ 3,755
Total revenue adjustments	<u>3,755</u>
<b>EXPENDITURES</b>	
Arts	6
Professional services	(25,500)
Total expenditure adjustments	<u>(25,494)</u>
<b>NET CHANGE IN FUND BALANCES</b>	29,249
<b>FUND BALANCES, beginning of year</b>	(9,719)
<b>FUND BALANCES, end of year</b>	<u>\$ 19,530</u>

\* The budget was not amended.

REPORT REQUIRED BY THE GAO

**REPORT ON INTERNAL CONTROLS 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  
ignite cda  
Coeur d'Alene, ID 83816

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 ignite cda as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise ignite cda's basic financial statements, and have issued our report thereon dated December 22, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered ignite cda'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 ignite cda's internal control. Accordingly, we do not express an opinion on the effectiveness of ignite cda'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 over financial reporting 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 ignite cda'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*.

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

**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.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Company, P.A.

December 22, 2016