



Financial Statements
SEPTEMBER 30, 2019

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Financial Section

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Ignite cda
Coeur d'Alene, Idaho

Report on the Financial Statements

I 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, 2019, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted the 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2019, and the respective changes in financial position thereof for the year then ended in conformity 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 the management's discussion and analysis and the budgetary 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 2, 2020, on my consideration of ignite cda's internal control over financial reporting and on my test of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC
Liberty Lake, WA

January 2, 2020

Financial Section

Management's Discussion and Analysis

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

This section of ignite cda (Agency) fiscal year 2019 financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year that ended on September 30, 2019. 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 three 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.
 - Atlas District, formed in 2018, encompasses the geographic area between Seltice Way and the Spokane River, bounded on the east by the Riverstone development and bounded on the west by the US Bank Service Center.
- The Agency's total (Lake, River and Atlas Districts) net position as of September 30, 2019 was \$1,042,834.
- During fiscal year 2019, the Agency realized total general revenues of \$6,187,691, net special items of \$(8,742,363) and total net expenses of \$6,397,189 resulting in a decrease in net position of \$8,951,861.
- Lake District: in fiscal year 2018, the Agency, via a sealed bid auction process, accepted an offer on the sale of surplus property located at 301 E. Lakeside Avenue in the amount of \$710,000. Closing of the property sale transaction occurred in December 2018 (fiscal year 2019).
- Lake District: in fiscal year 2018, the Agency declared the property located at 311 E. Lakeside Avenue as surplus property and held a sealed bid auction for the sale of the property. The sealed bid process pertaining to the 311 E. Lakeside Avenue property resulted in a lawsuit involving the Agency and two bidders on the property; both bidders believed that they submitted the highest bid for the property via the sealed bid process. The lawsuit was settled in fiscal year 2019, and the 311 E. Lakeside Avenue property was sold for \$226,000.
- Lake District: in fiscal year 2019, the Agency gifted and transferred the following three property assets to the City of Coeur d'Alene debt free as part of the Downtown Parking Garage Initiative: 213 4th Street, 214 3rd Street, and 308 Coeur d'Alene Avenue.
- Lake District: in fiscal year 2019, the Agency issued a Request for Proposals (RFP) for redevelopment of the Agency's property assets located in the Midtown area of the Lake District (813 N. 4th – 823 N. 4th). Two proposals were submitted, and the Agency awarded the project to Midtown Ventures, LLC. In fiscal year 2019, the Agency entered into an Agreement to Negotiate Exclusively (ANE) with the Midtown Ventures, LLC development team that will result in a fair reuse appraisal process and development of a Disposition and Development Agreement (DDA) that will guide the redevelopment of the Agency's Midtown property assets. The plan is for the mix-use (retail/commercial/residential) project to begin construction in fiscal year 2020.
- Lake District: in fiscal year 2019, the Agency approved final funding in the amount of \$1,093,487 for the renovation of the Memorial Field Grandstand in partnership with the City of Coeur d'Alene and North Idaho College. Project completion is scheduled for the spring of 2020.

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

- Lake District: in fiscal year 2018, the City of Coeur d'Alene withdrew its overture to the Agency regarding a potential land exchange for Agency-owned property located on Young Avenue (south of city hall) for City-owned property located adjacent to Tilford Lane in the Riverstone area. The appraised value for the Agency's Young Avenue property is \$960,000. The property exchange discussion focused on the Agency being able to achieve an equitable net value return following the acquisition and development of the City's Riverstone property. Discussions regarding disposition of the Agency's Young Avenue property continued in fiscal year 2019, with the Agency gifting and transferring the Young Avenue property assets to the City for use as either public space or the new location for the Museum of North Idaho.
- Lake District: in fiscal year 2017, the Agency agreed to sell a 10-lot subdivision located on N. Park Drive in unison with the development of the Memorial Park element of the Four Corner Master Plan. The Agency sold 8 of the 10 N. Park Drive lots in fiscal year 2018 realizing net revenues of \$1,824,709. In fiscal year 2019, one additional lot was sold for \$227,500. The remaining lot on N. Park Drive is expected to close in fiscal year 2020.
- Lake District: in fiscal year 2017, the Agency agreed to build a downtown structured parking facility on the half block of property owned jointly by the City and the Agency bounded by 3rd Street, 4th Street and Coeur d'Alene Avenue. In October 2017, the Agency approved a construction contract for the parking garage structure in the amount of \$7.3 million. Construction of the parking facility was completed in fiscal year 2019 (October 2018) at a final cost of \$7.6 million.
- Lake District: in fiscal year 2017, the Agency entered into a \$10 million revenue allocation anticipation note with Washington Trust Bank, with a 5-year term at an interest rate of 2.2%. Proceeds from this note have been used in fiscal year 2019 to fund strategic projects located within the Lake District.
- Lake District: in fiscal year 2017, the Agency closed on the refinancing of the \$16.7 million 2011 revenue allocation anticipation note with Washington Trust Bank in the refinanced amount of \$8.7 million, with a 5-year term at an interest rate of 1.25%. Proceeds from this note were used in fiscal year 2019 to fund strategic projects located within the Lake District.
- Lake District: in fiscal year 2017, the Agency conditionally approved the "Coeurllaborate" mix-use (hospitality and commercial products) Improvement Reimbursement Agreement (IRA) in an amount not to exceed \$680,000. In fiscal year 2019, the Agency rescinded the conditional IRA.
- Lake District: in September of 2016, the Agency conditionally approved the Lake Apartments residential Improvement Reimbursement Agreement (IRA) in an amount not to exceed \$568,750. Construction of the Lake Apartments project commenced in fiscal year 2018 and was near completion at the end of fiscal year 2019. An executed IRA with the developer is anticipated to be completed in fiscal year 2020.
- 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 an economic driver for the community. Construction of this project was postponed to fiscal year 2018; the Agency's original funding commitment of \$2.5 million was reduced to \$2,344,850. The project was completed in fiscal year 2019.

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

- Lake District: in fiscal year 2017, the Agency entered discussions with the City of Coeur d'Alene regarding the City's acquisition of a 48-acre portion of the former Stimson Mill site property currently owned by a private individual. The 48-acre property is located outside of the Agency's Lake District. In fiscal year 2018 the City agreed to allow for the expansion of the Lake District's boundary. The City agreed to purchase the 48 acres in September 2017 for \$7.85 million and purchased the property in May 2018. In September of fiscal year 2018, the Agency approved the "Second Amendment to the River District Redevelopment Plan" which if approved by City Council, will expand the Lake District's footprint into the Atlas mill site property acquired by the City. In fiscal year 2019, the Coeur d'Alene City Council approved the expansion of the Lake District Boundary.
- River District: in fiscal year 2017, the Agency entered discussions with the City of Coeur d'Alene regarding the City's acquisition of a 48-acre portion of the former Atlas Mill site property currently owned by a private individual. The 48-acre property is located outside of the Agency's River District. In fiscal year 2018 the City agreed to allow for the expansion of the River District's boundary and the creation of a new urban renewal district named the Atlas District. The City agreed to purchase the 48 acres in September 2017 for \$7.85 million and purchased the property in May 2018. In September of fiscal year 2018, the Agency approved the "Second Amendment to the River District Redevelopment Plan" which if approved by City Council, would expand the River District's footprint into the Atlas Mill site property acquired by the City. In fiscal 2019, the Coeur d'Alene City Council approved the expansion of the River District boundary.
- River District: in fiscal year 2017, the Agency approved final funding of \$4.56 million for the construction of the City of Coeur d'Alene's Seltice Way roadway revitalization initiative. This construction initiative was substantially completed in fiscal year 2018 and completed in fiscal year 2019.
- River District: in fiscal year 2018, the Agency agreed to enter a \$7 million revenue allocation anticipation note with Washington Trust Bank, with a 10-year term at a fixed interest rate of 3.3%. Note documents were executed in fiscal year 2019. Proceeds from this note will be used in fiscal year 2020 to fund strategic projects located within the River District.
- Atlas District: in fiscal year 2017, the Agency entered discussions with the City of Coeur d'Alene regarding the City's acquisition of a 48-acre portion of the former Atlas Mill site property currently owned by a private individual. The 48-acre property is located outside of the Agency's River & Lake Districts. In fiscal year 2018 the City agreed to allow for the creation of a new 68.4-acre Atlas Urban Renewal District which will encompass an area including a portion of the City's purchased property (36.8 acres) and additional mill site property owned by a private individual (31.6 acres). The City agreed to purchase the 48 acres in September 2017 for \$7.85 million and purchased the property in May 2018. In September of fiscal year 2018, the Agency approved the "Atlas District Urban Renewal Plan" which if approved by City Council, would create the New Atlas District. In fiscal 2019, the Coeur d'Alene City Council approved the creation of the Atlas District.
- Atlas District: in fiscal year 2019, the Agency continued its engagement with the Welch-Comer Engineering firm and associated consulting partners regarding planning efforts for the Atlas District area.

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City of Coeur d'Alene's Urban Renewal Agency

Management's Discussion & Analysis
For the Year Ended September 30, 2019

- Proposed Health Corridor District: in fiscal year 2019, the Agency accepted the Health Corridor Eligibility Report authored by the Panhandle Area Council. Prior to Agency adoption, the Eligibility Report was accepted by the Coeur d'Alene City Council. The Agency was authorized by the Coeur d'Alene City Council to develop an Urban Renewal Plan for the proposed Health Corridor area which would include a Master Plan and Economic Feasibility Study. The Agency hired HDR Engineering, Inc. to develop the Master Plan and to perform the Economic Feasibility Study. The HDR planning documents were completed and delivered to the Agency in September 2019. Development of the Health Corridor Urban Renewal Plan for City Council review initiated in fiscal year 2019 and is scheduled to go before City Council in December 2019.

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 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 & Analysis
For the Year Ended September 30, 2019

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, 2019 net position was \$1,042,834. Table 1 presents a summary of the Agency's net position.

Table 1

Ignite cda's NET POSITION

	2019	2018
Current and other assets	\$ 8,681,597	\$ 11,643,052
Capital assets, net of accumulated depreciation	1,593,484	11,136,393
Total assets	10,275,081	22,779,445
Long-term liabilities outstanding	9,202,410	10,445,020
Other liabilities	29,837	2,339,730
Total liabilities	9,232,247	12,784,750
Net position - investment in capital assets, net of related debt	1,593,484	11,136,393
Net position - restricted	(550,650)	(1,141,698)
Total net position	\$ 1,042,834	\$ 9,994,695

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE (Concluded)

Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2019 and 2018.

Table 2

CHANGES IN NET POSITION

	2019	2018
Program revenues:		
Charges for services	\$ 21,099	\$ 63,292
General revenues:		
Tax increment revenue	6,124,301	5,879,728
Penalties and interest on past due property taxes	39,235	30,778
Interest and investment earnings	24,128	10,358
Miscellaneous income	27	150,037
Special items:		
Loss on land swap with City	-	(259,765)
Property donated to City	(9,531,205)	(1,039,229)
Gain on sale of assets	788,842	1,002,606
Total general revenues and special items	(2,554,672)	5,774,513
Expenses:		
General government	6,177,918	5,085,093
Property rentals	36,759	92,056
Interest on long-term debt - general	203,611	109,683
Total expenses	6,418,288	5,286,832
Change in net position	\$ (8,951,861)	\$ 550,973

Changes in Net Position

The Agency's total general revenues, net of special items resulted in a net \$(2,554,672), for the fiscal year 2019 represents a decrease over fiscal year 2018 revenues of \$8,329,185. The biggest contributor to the decrease in total general revenues and special items is the Agency's gifting of the downtown parking structure in the current year to the City of Coeur d'Alene.

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

Governmental Funds

The Agency completed fiscal year 2019 with a total governmental fund balance of \$8,334,178 which represents a \$693,223 decrease from the ending governmental fund balance for fiscal year 2018 primarily due to the River District's continued funding of the City of Coeur d'Alene's Seltice Way roadway revitalization initiative as well as funding of construction of the downtown parking garage in the Lake District.

Budgetary Highlights – Lake District

Actual revenues within the Lake District were comparable to budgeted amounts during the fiscal year. Total revenues realized were slightly above budgeted amounts due primarily to (1) the realization of past due property taxes, and (2) final determination of taxing entity levy rates. Actual expenses were below budget due primarily to lower actual spending associated with planned capital project expenditures.

Budgetary Highlights – River District

Actual revenues within the River District were comparable to budgeted amounts during the fiscal year. Total revenues realized were slightly above budgeted amounts due primarily to final determination of taxing entity levy rates. Actual expenses were below budget primarily due to the timing of expenditures related to the Seltice Way road improvement project.

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 2019, the Agency transferred \$94,574 of Lake District funds to the Commission; and transferred \$28,695 of River District funds to the Commission.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

In fiscal year 2019, the Agency divested the following real property assets:

- The following properties were transferred to the City of Coeur d'Alene relative to the newly constructed downtown parking garage: 213 4th Street, 214 3rd Street, 308 Coeur d'Alene Avenue.
- The following properties were transferred to the City of Coeur d'Alene relative to the Museum of North Idaho relocation initiative: 720 Young Avenue, 712 Young Avenue, Young Avenue Lots 7-12.
- 301 E. Lakeside Avenue (sale price: \$710,000)
- 311 E. Lakeside Avenue (sale price: \$226,000)
- N. Park Drive lot #3 (sale price: \$227,500) – the remaining N. Park Drive Lot #1 was still listed for sale in fiscal year 2019 at the listing price of \$234,000.

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

At the end of fiscal year 2019, the Agency's Lake District strategic property portfolio consisted of 9 properties. The Agency does not own any strategic properties in the River or Atlas Districts.

Long-term Debt: Lake District

- Strategic Property Portfolio: Real property assets in the Lake District strategic property portfolio were financed conventionally through local lending institutions. At the end of fiscal year 2019, all conventional debt obligations have been retired.
- Improvement Reimbursement Agreements (IRAs): The Agency has entered IRAs with the principals of the Ice Plant and 609 Sherman Avenue Lofts developments, and has granted conditional approval for The Lake Apartments and Coeurllaborate IRAs. 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 2016 conditionally approved Lake Apartments IRA principal reimbursement total is \$568,750. The 2016 conditionally approved Coeurllaborate IRA principal reimbursement total is \$680,000. 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.
- Disposition & Development Agreement (DDA): In December 2005, the Agency entered a DDA with the Coeur d'Alene Chamber of Commerce (i.e. Developer) re. 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 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 mixed-use development initiative
 - Circuit at Seltice detached housing initiative

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (Concluded)

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 2018 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. Homeowners, 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 2019, property values within the Agency's Districts increased reflecting a national trend. Private capital investment within the Districts continues to occur. During fiscal 2019, several projects were initiated within the Agency's districts signaling increased economic activity. Fiscal year 2020 will see additional construction projects initiated attesting to a strong regional real estate market.

Development for 2020 will occur in all three Agency districts: Lake, River, and Atlas. 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 mixed-use development also along the Spokane River. Development in the Lake District will involve new downtown commercial space, as well as new residential units. Anticipated development in the Atlas District involves both residential and commercial products.

Property tax receipts in fiscal 2019 for the Lake and River Districts were consistent with projections; the Atlas District did not receive any tax receipts in fiscal 2019. Projected fiscal 2020 property tax receipts for properties remaining post de-annexation for both the Lake and River Districts should be on par with those respective property receipts from fiscal 2019. Tax receipts for the Atlas District will be determined by actual development occurring within the District. The Agency expects the property tax source of revenue for all 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 2019 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 2020 economic forecast for the northern Idaho region is optimistic. Private equity continues to move off 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 districts. Wise planning and sound debt management, combined with effective public and private partnerships, will help to pave the way for continued value-adding growth within the area.

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

Management's Discussion & Analysis
For the Year Ended September 30, 2019

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. 1st – Suite 100
Coeur d'Alene, ID 83814
208-292-1630
www.ignitecda.org

Financial Section

Basic Financial Statements

ignite cda

STATEMENT OF NET POSITION
September 30, 2019

ASSETS

Cash and cash equivalents	\$ 7,733,983
Property taxes receivable	324,537
Other receivables	200
Restricted cash - bond reserve	622,877
Land	1,362,814
Capital assets, net of accumulated depreciation	230,670
Total assets	<u>10,275,081</u>

LIABILITIES

Accounts payable	25,346
Accrued payroll and taxes	3,796
Due to other governments	695
Long-term liabilities	
Due within one year	3,625,045
Due in more than one year	5,577,365
Total liabilities	<u>9,232,247</u>

NET POSITION

Net investment in capital assets	1,593,484
Restricted to Lake District	(3,999,914)
Restricted to River District	3,449,264
Total net position	<u>\$ 1,042,834</u>

The accompanying "Notes to Financial Statements"
are an integral part of these financial statements.

ignite cda

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

FUNCTIONS / PROGRAMS	Expenses	Charges for Services	Net Governmental Activities
PRIMARY GOVERNMENT:			
General government activities:			
Arts	\$ 123,269	\$ -	\$ (123,269)
Communications	2,146	-	(2,146)
Dues and subscriptions	10,800	-	(10,800)
Insurance	6,218	-	(6,218)
Miscellaneous	3,024	-	(3,024)
Office overhead	7,901	-	(7,901)
Partnership initiatives	43,750	-	(43,750)
Professional services	625,840	-	(625,840)
Project reimbursements	663,356	-	(663,356)
Public improvements	4,494,800	-	(4,494,800)
Travel and meetings	4,167	-	(4,167)
Wages, benefits, and payroll taxes	192,647	-	(192,647)
Total general government activities	<u>\$ 6,177,918</u>	<u>\$ -</u>	<u>\$ (6,177,918)</u>
Property rental activities:			
Rental income	-	21,099	21,099
Property management	29,246	-	(29,246)
Depreciation	7,513	-	(7,513)
Total property rental activities	<u>36,759</u>	<u>21,099</u>	<u>(15,660)</u>
Interest on long-term debt - general	<u>203,611</u>	<u>-</u>	<u>(203,611)</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 6,418,288</u></u>	<u><u>\$ 21,099</u></u>	<u><u>\$ (6,397,189)</u></u>
GENERAL REVENUES:			
Tax increment revenue			6,124,301
Penalties and interest on past due property taxes			39,235
Interest earnings			24,128
Miscellaneous income			27
SPECIAL ITEMS:			
Property donated to City			(9,531,205)
Gain on sale of assets			788,842
Total general revenues and special items			<u>(2,554,672)</u>
CHANGE IN NET POSITION			(8,951,861)
NET POSITION, beginning of year			<u>9,994,695</u>
NET POSITION, end of year			<u><u>\$ 1,042,834</u></u>

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

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**GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2019**

	<u>Lake District</u>	<u>River District</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,329,033	\$ 3,404,950	\$ 7,733,983
Property taxes receivable	223,082	101,455	324,537
Other receivables	-	200	200
Restricted cash - bond reserve	622,877	-	622,877
Total assets	<u>\$ 5,174,992</u>	<u>\$ 3,506,605</u>	<u>\$ 8,681,597</u>
LIABILITIES			
Accounts payable	\$ 25,346	\$ -	\$ 25,346
Accrued payroll and taxes	3,796	-	3,796
Due to other governments	354	341	695
Total liabilities	<u>29,496</u>	<u>341</u>	<u>29,837</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue- property taxes	217,791	99,791	317,582
Total deferred inflows of resources	<u>217,791</u>	<u>99,791</u>	<u>317,582</u>
FUND BALANCES			
Restricted	4,927,705	3,406,473	8,334,178
Total fund balances	<u>4,927,705</u>	<u>3,406,473</u>	<u>8,334,178</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,174,992</u>	<u>\$ 3,506,605</u>	<u>\$ 8,681,597</u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2019**

Total fund balances - Governmental Funds, September 30, 2019	\$ 8,334,178
Cost of land	1,362,814
Cost of capital assets at September 30, 2019	260,000
Less: Accumulated depreciation, September 30, 2019	(29,330)
Elimination of unavailable revenue- property taxes	317,582
Long-term debt balance - September 30, 2019	<u>(9,202,410)</u>
Net position, September 30, 2019	<u><u>\$ 1,042,834</u></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, 2019

	Lake District	River District	Total Governmental Funds
REVENUES			
Tax increment revenue	\$ 4,674,833	\$ 1,407,807	\$ 6,082,640
Rental income	21,099	-	21,099
Miscellaneous income	27	-	27
Penalties and interest on past due property taxes	28,922	10,313	39,235
Interest earnings	16,689	7,439	24,128
Total revenues	<u>4,741,570</u>	<u>1,425,559</u>	<u>6,167,129</u>
EXPENDITURES			
Current:			
Arts	94,574	28,695	123,269
Communications	1,073	1,073	2,146
Dues and subscriptions	5,400	5,400	10,800
Insurance	3,109	3,109	6,218
Miscellaneous	-	3,024	3,024
Office overhead	3,950	3,951	7,901
Partnership initiatives	43,750	-	43,750
Professional services	556,228	69,612	625,840
Project reimbursements	89,274	574,082	663,356
Property management	29,246	-	29,246
Public improvements	3,814,939	679,861	4,494,800
Travel and meetings	2,083	2,084	4,167
Wages, benefits and payroll taxes	96,323	96,324	192,647
Debt service:			
Interest	195,558	8,053	203,611
Principal payments	3,506,110	-	3,506,110
Capital outlay:			
General government	857,234	-	857,234
Total expenditures	<u>9,298,851</u>	<u>1,475,268</u>	<u>10,774,119</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER FINANCING SOURCES			
	<u>(4,557,281)</u>	<u>(49,709)</u>	<u>(4,606,990)</u>
OTHER FINANCING SOURCES			
Proceeds from sale of assets	1,650,267	-	1,650,267
Proceeds from debt financing	2,206,500	57,000	2,263,500
Total other financing sources	<u>3,856,767</u>	<u>57,000</u>	<u>3,913,767</u>
NET CHANGE IN FUND BALANCES	(700,514)	7,291	(693,223)
FUND BALANCES, beginning of year	<u>5,628,219</u>	<u>3,399,182</u>	<u>9,027,401</u>
FUND BALANCES, end of year	<u>\$ 4,927,705</u>	<u>\$ 3,406,473</u>	<u>\$ 8,334,178</u>

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

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**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, 2019**

Total net changes in fund balances for the year ended September 30, 2019	\$ (693,223)
Less: Depreciation expense for the year ended September 30, 2019	(7,513)
Add: Long-term debt payments considered as an expenditure	3,506,110
Less: Proceeds from debt financing	(2,263,500)
Add: Capital expenditures	857,234
Less: Proceeds from sale of assets	(1,650,267)
Add: Gain on sale of assets	788,842
Less: Property donated to City	(9,531,205)
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	<u>41,661</u>
Change in net position for the year ended September 30, 2019	<u><u>\$ (8,951,861)</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

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. 61. 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. That 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. 61 for having financial accountability for the Agency. Based on the above, the Agency is a 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (Concluded)

- *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 a 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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, expenses, 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.

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NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accrued 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, are 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

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 on deposit with banks, and investments with an original maturity of three months or less, at the time they are purchased by the Agency. Investments in U.S. Obligations are for the funding of capital projects and are readily convertible to cash.

F. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Agency maintains a capitalization threshold of \$5,000. Improvements and interest incurred during construction of capital assets are capitalized. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets useful life are not capitalized.

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 over the following estimated useful lives:

	<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, which will 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.

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NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fund Balance Classifications

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 as restricted, committed, assigned, or unassigned.

The Agency reports the following classifications as applicable:

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 the appropriate due process by the Board of Commissioners. Committed fund balances differ from restricted fund 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 secretary/treasurer, or (b) an appointed body (e.g., a budget or finance committee) or official to whom 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.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and 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 balance. Further, when the components of unrestricted fund balance can be used for the same purposes, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

K. Net Position Flow Assumption

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
3 and accompanying notes. Actual results could differ from those estimates.

M. Property Taxes

Since the Agency is not a taxing entity, property taxes collected on the Agency's behalf by Kootenai County for 2018 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 inflows of resources. In the government-wide financial statements, property taxes are recorded as revenue in the period levied in accordance with the accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Property Taxes (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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 type of item, which arises only under a modified-accrual basis of accounting, which qualifies for reporting in this category – unavailable tax increment 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 the amounts become available.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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 the 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 amended the Lake District and River District budgets for the fiscal year ending September 30, 2019.

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.

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3: CASH AND CASH EQUIVALENTS

General:

State statutes authorize the Agency's investments and deposits. The Agency is authorized to invest in demand deposits, savings accounts, 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, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the Agency's deposits and investments may not be returned to it. The Agency does not have a deposit 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 \$8,356,860 and the bank balance is \$8,357,635. At September 30, 2019, the Agency's bank balance was not exposed to custodial credit risk. Details are as follows:

Amounts insured by the FDIC and or collateralized with securities: \$8,357,635

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

NOTE 4: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,080,527	\$ -	\$ 717,713	\$ 1,362,814
Construction in progress	7,113,516	857,234	7,970,750	-
Total capital assets, not being depreciated	<u>9,194,043</u>	<u>857,234</u>	<u>8,688,463</u>	<u>1,362,814</u>
Capital assets, being depreciated:				
Buildings and sites	2,428,758	-	2,168,758	260,000
Total capital assets being depreciated	<u>2,428,758</u>	<u>-</u>	<u>2,168,758</u>	<u>260,000</u>
Less accumulated depreciation:				
Buildings and sites	486,408	7,513	464,591	29,330
Total accumulated depreciation	<u>486,408</u>	<u>7,513</u>	<u>464,591</u>	<u>29,330</u>
Total capital assets, being depreciated, net	<u>1,942,350</u>	<u>(7,513)</u>	<u>1,704,167</u>	<u>230,670</u>
Governmental activities capital assets, net	<u>\$ 11,136,393</u>	<u>\$ 849,721</u>	<u>\$ 10,392,630</u>	<u>\$ 1,593,484</u>

Depreciation expense of \$7,513 for the year ending September 30, 2019 was charged to the property rental function.

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 5: LONG-TERM DEBT

Bond Payable – Washington Trust (2016 Series):

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 agreed to reduce the required reserve amount for this debt obligation down to 10% of the principal balance. The new Series 2016 Note had a principal of \$8,763,375 with a 1.25% interest rate and a term ending in 2021. As of September 30, 2019, the remaining principal balance was \$3,594,077.

The annual requirements to retire the debt are as follows:

<u>Fiscal Year Ending</u> <u>September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	1.25%	\$ 1,774,601	\$ 39,804	\$ 1,814,405
2021	1.25%	<u>1,819,476</u>	<u>17,148</u>	<u>1,836,624</u>
		<u>\$ 3,594,077</u>	<u>\$ 56,952</u>	<u>\$ 3,651,029</u>

Bond Payable – Washington Trust (2017 Series):

On May 23, 2017, the Agency entered into a second Revenue Allocation Bond agreement with Washington Trust Bank (2017 Series). The Agency may borrow up to \$10,000,000. This financing is intended for projects within the Agency’s Lake District including, but not limited to, certain costs of (i) the downtown structured parking facility, (ii) the Memorial Park element of the Four Corners Master Plan, and (iii) other eligible capital expenditure projects within the Lake District. Maturity was set for August 1, 2022 and the interest rate was set at 2.2% per annum.

For the first three years of the Note, the District may draw on the available funds, not to exceed the \$10,000,000 original principal balance of the Note. Total draws on the Note were limited to the principal balance of \$6,000,000 until the District sold real property located within the Lake District’s boundaries in the aggregate amount of \$1,300,000, which occurred during fiscal year 2018.

The Agency is required to maintain an otherwise unrestricted Cash on Hand balance, as adjusted annually to an amount equal to 10% of the outstanding principal balance plus any unfunded balance of the note. Payments on the Note are due in semi-annual installments based on the aggregate principal amount drawn, plus accrued interest, pursuant to an amortization schedule, as detailed below. The Bond is secured by the District’s pledge of the tax increment revenue allocation proceeds of the Lake District, subject to prior liens as described in the Note Purchase and Security Agreement. As of September 30, 2019, the outstanding principal balance was \$5,551,333.

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 5: LONG-TERM DEBT (Concluded)

As of September 30, 2019, the annual requirements to retire the outstanding balance are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	1.25%	\$ 1,850,444	\$ 114,214	\$ 1,964,658
2021	1.25%	1,850,444	72,316	1,922,760
2022	1.25%	1,850,445	31,041	1,881,486
		<u>\$ 5,551,333</u>	<u>\$ 217,571</u>	<u>\$ 5,768,904</u>

Bond Payable – Washington Trust (2019 Series):

On January 11, 2019, the Agency entered into a third Revenue Allocation Bond agreement with Washington Trust Bank (2019 Series). The Agency may borrow up to \$7,000,000. This financing is intended to fund eligible strategic capital expenditure projects within the Agency’s River District. Maturity was set for August 1, 2028 and the interest rate was set at the fixed rate of 3.3% per annum.

Payments on the Note are due in semi-annual installments based on the aggregate principal amount drawn, plus accrued interest, pursuant to an amortization schedule. The first amortized payment is payable on the first February or August 1 following draws totaling \$1,000,000. As of September 30, 2019, the District has drawn a total of \$57,000 on the Note. Accordingly, a schedule of future payments for the Note has not been presented, as the amounts and timing of the District’s remaining draws are still unknown. The Bond is secured by the District’s pledge of the tax increment revenue allocation proceeds, subject to prior liens as described in the Note Purchase and Security Agreement.

The following is a summary of all debt activity for the fiscal year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Bond Payable - Washington Trust 2017	\$ 5,098,778	\$ 2,206,500	\$ (1,753,945)	\$ 5,551,333	\$ 1,850,444
Bond Payable - Washington Trust 2016	5,346,242	-	(1,752,165)	3,594,077	1,774,601
Bond Payable - Washington Trust 2019	-	57,000	-	57,000	-
	<u>\$ 10,445,020</u>	<u>\$ 2,263,500</u>	<u>\$ (3,506,110)</u>	<u>\$ 9,202,410</u>	<u>\$ 3,625,045</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 5.0% simple interest per annum. In March 2016, Mortgage Investment Trust Corporation acquired the note. The note is scheduled to be paid in semi-annual payments of 73% 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 August 1, 2028. The total interest on the note cannot exceed \$2,000,000. The current outstanding balance is \$5,529,956.

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NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 6: COMMITMENTS AND CONTINGENCIES (Continued)

On February 20, 2008, a limited Recourse Promissory Note was entered into with the Agency and the 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 semi-annual 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 August 1, 2022. The current outstanding balance is \$271,234.

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 semi-annual payments of 73% 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 August 1, 2022. The current outstanding balance is \$52,796.

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 semi-annual payments of 73% of the tax revenue allocation proceeds from the private development known as 609 Sherman Avenue Lofts Project. Payments will continue until paid in full or by August 1, 2022. The total interest on the note cannot exceed \$121,498. The current outstanding balance is \$296,582.

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 semi-annual payments of 73% 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 August 1, 2028. The total interest on the note cannot exceed \$97,800. The current outstanding balance is \$325,919.

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. The note is scheduled to be paid in semi-annual payments of 73% 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 August 1, 2028. 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 note is scheduled to be paid in semi-annual payments of 73% 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 August 1, 2028. The total interest on the note cannot exceed \$246,917. The current outstanding balance for the Riverstone West Phase 2 IRS is \$583,480.

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 semi-annual payments of 73% 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 August 1, 2028. The total interest on the note cannot exceed \$103,383. The current outstanding balance is \$309,135.

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NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 6: COMMITMENTS AND CONTINGENCIES (Concluded)

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 semi-annual payments of 73% 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 August 1, 2028. The total interest on the note cannot exceed \$84,000. The current outstanding balance is \$271,219.

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 apartments began in fiscal 2018.

NOTE 7: PUBLIC IMPROVEMENTS

During the year, the Agency funded the following public improvement projects:

Lake District:

- Four Corners master plan - \$1,199,573
- North Idaho Collaborative Education Building - \$2,344,850
- Atlas Waterfront Project - \$247,852
- Other - \$22,664

River District:

- Seltice Way - \$297,547
- Stimson Mill Site initiative - \$382,314

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 three separately legally distinct funds – the Lake District, the River District, and the Atlas 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.

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 10: SPECIAL ITEMS

During fiscal year ending September 30, 2019, the Agency had the following transactions within the Lake District which qualify as and are presented as special items in the accompanying statement of activities:

Donation of Downtown Parking Structure to City:

During fiscal year 2018, the Agency began construction of a downtown parking structure with the intent of gifting the structure to the City of Coeur d'Alene upon completion. Upon completion in fiscal 2019, the Agency transferred the asset, which included both the underlying land and costs of construction via quitclaim deed to the City. In accordance with generally accepted accounting principles, as applicable to local governments, the Agency has recorded the disposition of the carrying value of the land of \$9,051,318 as a donation (special item expense) in the accompanying statement of activities.

Donation of Young Avenue Properties to City:

During fiscal year 2019, the Agency gifted certain properties located on Young Avenue to the City of Coeur d'Alene for the purpose of relocating the Museum of North Idaho. Upon completion in accordance with generally accepted accounting principles, as applicable to local governments, the Agency has recorded the disposition of the carrying value of the properties of \$479,887 as a donation (special item expense) in the accompanying statement of activities.

Gain on sale of assets:

North Park Dr. Lots - During fiscal 2019, the Agency closed on the sale of 3 developed lots located on North Park Dr. for total net proceeds of \$675,001, resulting in a gain on sale of lots of \$418,674.

301 and 311 E. Lakeside Avenue - During fiscal 2019, the Agency closed on the sale of two properties located on E. Lakeside Avenue for total proceeds of \$936,000, resulting in a combined gain on sale of the properties of \$370,168.

Financial Section

Required Supplementary Information

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LAKE DISTRICT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2019

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	(1) Adjustments to Actual Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
REVENUES						
Tax increment revenue	\$ 5,163,377	\$ 4,661,915	\$ 4,674,833	\$ 27,963	\$ 4,702,796	\$ 40,881
Rental income	14,490	23,129	21,099	-	21,099	(2,030)
Miscellaneous income	-	-	27	-	27	27
Penalties and interest on past due property taxes	-	-	28,922	-	28,922	28,922
Interest earnings	4,860	13,678	16,689	-	16,689	3,011
Total revenues	<u>5,182,727</u>	<u>4,698,722</u>	<u>4,741,570</u>	<u>27,963</u>	<u>4,769,533</u>	<u>70,811</u>
EXPENDITURES						
Current:						
Art	103,268	93,238	94,574	(223)	94,351	1,113
Communications	1,000	1,100	1,073	-	1,073	(27)
Dues and subscriptions	5,163	5,163	5,400	-	5,400	237
Insurance	2,862	2,862	3,109	-	3,109	247
Miscellaneous	500	500	-	-	-	(500)
Office overhead	4,726	4,726	3,950	-	3,950	(776)
Partnership initiatives	43,750	43,750	43,750	-	43,750	-
Professional services	303,060	449,930	556,228	(15,856)	540,372	90,442
Project reimbursements	98,840	98,840	89,274	-	89,274	(9,566)
Property management	17,260	23,356	29,246	-	29,246	5,890
Public improvements	7,611,570	4,428,285	3,814,939	223,822	4,038,761	(389,524)
Travel and meetings	4,500	4,500	2,083	-	2,083	(2,417)
Wages, benefits and payroll taxes	99,900	99,900	96,323	-	96,323	(3,577)
Debt service:						
Interest	250,102	201,621	195,558	-	195,558	(6,063)
Principal payments	3,986,896	3,477,463	3,506,110	-	3,506,110	28,647
Capital outlay:						
General government	-	2,227,529	857,234	1,374,506	2,231,740	4,211
Special project reserve	500,000	200,000	-	-	-	(200,000)
Total expenditures	<u>13,033,397</u>	<u>11,362,763</u>	<u>9,298,851</u>	<u>1,582,249</u>	<u>10,881,100</u>	<u>(481,663)</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES						
BEFORE OTHER FINANCING SOURCES	(7,850,670)	(6,664,041)	(4,557,281)	(1,554,286)	(6,111,567)	552,474
OTHER FINANCING SOURCES						
Proceeds from sale of assets	2,004,020	1,810,974	1,650,267	-	1,650,267	(160,707)
Proceeds from debt financing	2,400,000	2,206,500	2,206,500	-	2,206,500	-
Total other financing sources	<u>4,404,020</u>	<u>4,017,474</u>	<u>3,856,767</u>	<u>-</u>	<u>3,856,767</u>	<u>(160,707)</u>
NET CHANGE IN FUND BALANCES	(3,446,650)	(2,646,567)	(700,514)	(1,554,286)	(2,254,800)	391,767
FUND BALANCE, beginning of year	5,628,219	5,628,219	5,628,219	317,481	5,395,427	4,129,113
FUND BALANCE, end of year	<u>\$ 2,181,569</u>	<u>\$ 2,981,652</u>	<u>\$ 4,927,705</u>	<u>\$ (1,236,805)</u>	<u>\$ 3,140,627</u>	<u>\$ 4,520,880</u>

(1) EXPLANATION OF ADJUSTMENTS TO ACTUAL AMOUNTS

	To convert to budgetary basis (cash basis)	To reclass to original budget category	Total
REVENUES			
Property taxes	\$ 27,963	\$ -	\$ 27,963
Total revenue adjustments	<u>27,963</u>	<u>-</u>	<u>27,963</u>
EXPENDITURES			
Arts	(223)	-	(223)
Professional services	(15,856)	-	(15,856)
Public improvements	223,822	-	223,822
Capital outlay	1,374,506	-	1,374,506
Total expenditures adjustments	<u>1,582,249</u>	<u>-</u>	<u>1,582,249</u>
NET CHANGE IN FUND BALANCES	(1,554,286)	-	(1,554,286)
FUND BALANCE, beginning of year	317,481	-	317,481
FUND BALANCE, end of year	<u>\$ (1,236,805)</u>	<u>\$ -</u>	<u>\$ (1,236,805)</u>

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

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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, 2019

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	(1) Adjustments to Actual Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
REVENUES						
Tax increment revenue	\$ 1,541,509	\$ 1,401,915	\$ 1,407,807	\$ 16,626	\$ 1,424,433	\$ 22,518
Penalties and interest on past due property taxes	-	-	10,313	-	10,313	10,313
Interest earnings	2,940	2,940	7,439	-	7,439	4,499
Total revenues	<u>1,544,449</u>	<u>1,404,855</u>	<u>1,425,559</u>	<u>16,626</u>	<u>1,442,185</u>	<u>37,330</u>
EXPENDITURES						
Current:						
Art	30,830	28,038	28,695	(235)	28,460	422
Communications	1,000	1,100	1,073	-	1,073	(27)
Dues and subscriptions	5,163	5,163	5,400	-	5,400	237
Insurance	2,862	2,862	3,109	-	3,109	247
Miscellaneous	1,000	3,100	3,024	-	3,024	(76)
Office overhead	4,726	4,726	3,951	-	3,951	(775)
Professional services	259,930	271,500	69,612	12,550	82,162	(189,338)
Project reimbursements	601,772	601,772	574,082	-	574,082	(27,690)
Public improvements	6,540,000	1,049,728	679,861	713,372	1,393,233	343,505
Travel and meetings	4,500	4,500	2,084	-	2,084	(2,416)
Wages, benefits and payroll taxes	99,900	99,900	96,324	-	96,324	(3,576)
Debt service:						
Interest	220,037	1,053	8,053	-	8,053	7,000
Principal payments	556,019	-	-	-	-	-
Special project reserve	1,000,000	200,000	-	-	-	(200,000)
Total expenditures	<u>9,327,739</u>	<u>2,273,442</u>	<u>1,475,268</u>	<u>725,687</u>	<u>2,200,955</u>	<u>(72,487)</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER FINANCING SOURCES	<u>(7,783,290)</u>	<u>(868,587)</u>	<u>(49,709)</u>	<u>(709,061)</u>	<u>(758,770)</u>	<u>109,817</u>
OTHER FINANCING SOURCES						
Proceeds from debt financing	6,540,000	57,000	57,000	-	57,000	-
Total other financing sources	<u>6,540,000</u>	<u>57,000</u>	<u>57,000</u>	<u>-</u>	<u>57,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1,243,290)</u>	<u>(811,587)</u>	<u>7,291</u>	<u>(709,061)</u>	<u>(701,770)</u>	<u>109,817</u>
FUND BALANCE, beginning of year	<u>3,399,182</u>	<u>3,399,182</u>	<u>3,399,182</u>	<u>697,979</u>	<u>4,015,358</u>	<u>3,245,200</u>
FUND BALANCE, end of year	<u>\$ 2,155,892</u>	<u>\$ 2,587,595</u>	<u>\$ 3,406,473</u>	<u>\$ (11,082)</u>	<u>\$ 3,313,588</u>	<u>\$ 3,355,017</u>

(1) EXPLANATION OF ADJUSTMENTS TO ACTUAL AMOUNTS

	To convert to budgetary basis (cash basis)	To reclass to original budget category	Total
REVENUES			
Property taxes	\$ 16,626	\$ -	\$ 16,626
Total revenue adjustments	<u>16,626</u>	<u>-</u>	<u>16,626</u>
EXPENDITURES			
Arts	(235)	-	(235)
Professional services	12,550	-	12,550
Public improvements	713,372	-	713,372
Total expenditures adjustments	<u>725,687</u>	<u>-</u>	<u>725,687</u>
NET CHANGE IN FUND BALANCES	<u>(709,061)</u>	<u>-</u>	<u>(709,061)</u>
FUND BALANCE, beginning of year	<u>697,979</u>	<u>-</u>	<u>697,979</u>
FUND BALANCE, end of year	<u>\$ (11,082)</u>	<u>\$ -</u>	<u>\$ (11,082)</u>

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

Financial Section

Report Required by the GAO



**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**

Independent Auditor's Report

To the Board of Commissioners
Ignite cda
Coeur d'Alene, Idaho

I 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 ignite cda, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise ignite cda's basic financial statements and have issued my report thereon dated January 2, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ignite cda's internal control. Accordingly, I 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.

My consideration of internal control 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 my audit I did not identify any deficiencies in internal control that I 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 of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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* (CONCLUDED)

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC
Liberty Lake, WA

January 2, 2020