

POST FALLS URBAN RENEWAL AGENCY

FINANCIAL AUDIT REPORTS AND STATEMENTS

FOR THE YEAR ENDED
September 30, 2013

Prepared by

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Post Falls, ID

POST FALLS URBAN RENEWAL AGENCY

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Post Falls Urban Renewal Agency
Post Falls, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Post Falls Urban Renewal Agency, a component unit of the City of Post Falls, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amount 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 of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Post Falls Urban Renewal Agency, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2013, on our consideration of the Post Falls Urban Renewal Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Post Falls Urban Renewal Agency's internal control over financial reporting and compliance.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho
November 25, 2013

Post Falls Urban Renewal Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2013

This section of the Post Falls Urban Renewal Agency's FY 2013 financial report offers readers an overview and analysis of the Agency's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total fund balance for the Agency was \$6,487,528
- The Agency's total net position was \$6,797,316

OVERVIEW OF FINANCIAL STATEMENTS

This annual report has four parts: management's discussion and analysis; government-wide financial statements; fund financial statements; notes and required supplemental information.

Government - Wide Financial Statements

The Agency's required format of government-wide financial statements provides the reader with a broad overview of the Post Falls Urban Renewal Agency's finances, using accounting methods similar to those used by private-sector businesses.

The Statement of Net Position presents all of the Agency's assets and liabilities, with the difference between the two reported as net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., property tax increment payments to be received in future periods).

The Post Falls Urban Renewal Agency's net position totals \$6,797,316 at September 30, 2013. The increase in the Agency's net position is due primarily to property tax revenues exceeding proponent payments \$1,621,604.

Post Falls Urban Renewal Agency's main assets include (95.4%) cash, short-term investments in the State Investment Pool and Certificates of Deposit.

STATEMENT OF NET POSITION September 30, 2013

	<u>2012</u>	<u>2013</u>
ASSETS		
Cash	\$ 3,907,020	\$ 5,965,480
Investments	739,871	739,137
Interest Receivable	2,695	3,591
Accounts receivable	554,469	318,773
Prepaid Insurance	1,663	1,709
Capital Assets, Net of Depreciation	1,370	1,068
TOTAL ASSETS	<u>\$ 5,207,088</u>	<u>\$ 7,029,758</u>

LIABILITIES

Accounts payable	19,847	221,489
Accrued Vacation	0	8,430
Due to Proponents	11,529	2,523
Long-term liabilities	0	0
Total liabilities	<u>31,376</u>	<u>232,442</u>

Net Position

Invested in Capital Assets	1,370	1,068
Unrestricted	<u>5,174,342</u>	<u>6,796,248</u>
Total net position	<u>5,175,712</u>	<u>6,797,316</u>

TOTAL LIABILITIES AND NET POSITION

	<u>\$5,207,088</u>	<u>\$7,029,758</u>
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In FY 2013, Agency revenues continued to be used to reimburse proponent obligations in the City Center, Center Point, Expo, West Seltice II and the East Post Falls districts. Most districts, including portions of the Center Point district, Expo, City Center, West Seltice II and the northern portion of East Post Falls continue to have ongoing construction and expansion of public improvements. In some instances, the costs of these improvements are still being reviewed and analyzed by the Agency. Such costs have been neither finalized nor approved by the Agency and, therefore, proponent obligation figures had not yet been finalized by the end of fiscal year 2013. The Agency anticipates receiving sufficient funds in future years from incremental property taxes generated by new commercial and industrial development in its districts, to fully repay all of its current and future liabilities and proponent obligations and to continue its operations.

The Statement of Changes in Net Position presents information showing how the Agency's net position changed during the most recent fiscal year. It is only one indicator of the Agency's financial position, however. To assess the overall health of the Agency, one needs to consider additional factors, such as changes in the property tax base from new and potential new developments being added to the tax rolls, plans for future development within the urban renewal districts created by the Post Falls City Council and administered by the Agency, the state of the area's economy, national economic trends and other factors.

Changes in Net Position

	<u>2012</u>	<u>2013</u>
Revenues		
Property taxes, levied for general purposes	\$4,785,951	4,201,196
Interest and investment earnings	39,643	26,910
Penalties and late fees	<u>46,279</u>	<u>65,107</u>
Total revenues	<u>4,871,873</u>	<u>4,293,213</u>
Expenses		
Tax Increment Expense	5,754,033	2,492,007
General government	152,541	179,602
Public facilities and infrastructure improvements	3,406	0
Interest on long-term debt	<u>0</u>	<u>0</u>
Total expense	<u>5,909,980</u>	<u>2,671,609</u>
Change in net position	<u>\$ (1,038,107)</u>	<u>1,621,604</u>

Government Activity Analysis

The majority of the revenue received by the Post Falls Urban Renewal Agency results from incremental increases in property taxes in its renewal districts resulting from new commercial and industrial development stimulated by public improvements and the extension of public utilities. The expenses of the Agency consist primarily of capital improvements consistent with the plan of development for each of its districts principal and interest payments on long term debt and the expenses associated with the operation and administration of the Agency. The Agency sold no bonds in FY 2013, and has no bonds outstanding.

The Agency's financial statements show that the functions of the Post Falls Urban Renewal Agency are principally supported by property tax revenue within the urban renewal districts that the Agency administers. This tax increment is derived from the incremental increase in property values, resulting from new development within the Agency's renewal districts.

The Agency adopts an annual budget for its administrative operations. The annual budget is reviewed at a public meeting after being published for citizen comment, and, upon approval by the Commissioners of the Agency, is forwarded to the City Council of the City of Post Falls.

Fund Financial Statements

Fund financial statements indicate related accounts grouped to maintain control over resources that have been segregated for specific activities or objectives. The Post Falls Urban Renewal Agency, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful to the reader in evaluating the Agency's near-term financing requirements.

Because the focus of Agency funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the Agency with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the Agency's balance sheet and its statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Agency funds and activities.

For cash management purposes the Post Falls Urban Renewal Agency maintains deposit accounts at Inland Northwest Bank and the State of Idaho Local Government Investment Pool, as well as 4 CD's and a savings account at Potlatch Federal Credit Union. These accounts are as follows:

INB

Money Market Account (ACH)
Checking Account

LGIP

General Fund (ACH)
Capital Improvements

CD's

Community 1st Bank
Panhandle State Bank
Global Credit Union
Spokane Teachers Credit Union

Savings

Potlatch Federal Credit Union

All funds received for deposit, primarily Tax Increment checks are deposited to the INB money market account, as that is an Automated Clearing House (ACH) account which is used to transfer funds to and receive monies from the LGIP General Fund (ACH) account. All funds are transferred to the LGIP General Fund as a receiving account and then transferred to the Capital Improvements account. Funds retained in the General Fund represent the Agency annual operating budget funds. The balances carried in the INB money market and checking account also maintain Agency operating budget balances. The Capital Improvements funds are used for proponent and project reimbursement typically on a semi-annual basis. City Center District and East Post Falls District reimbursement is made on a monthly as-billed project basis.

In order to attain a higher interest rate, the Agency continues to renew Certificates of Deposit as they mature, keeping all monies within the FDIC insurance limit of \$250,000.

From a financial reporting standpoint, the Agency revenues and expenditures are disclosed as one fund as follows:

	General Fund 2012	General Fund 2013
REVENUES		
Property Taxes	\$ 4,595,175	\$ 4,412,142
Other local revenue	46,278	65,107
Interest Income	39,643	26,910
Total Revenue	<u>\$ 4,681,096</u>	<u>\$ 4,504,159</u>
EXPENDITURES		
Tax increment expense	\$ 5,754,033	\$ 2,492,007
Public facilities and infrastructure improvements	3,406	0
General Government	152,239	179,300
Debt service – principal	0	0
Debt service – interest	0	0
Total expenditures	<u>5,909,678</u>	<u>2,671,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,228,582</u>	<u>\$ (1,832,852)</u>
Fund balances – beginning	<u>\$ 5,883,258</u>	<u>\$ 4,654,676</u>
Fund balances – ending	<u>\$ 4,654,676</u>	<u>\$ 6,487,528</u>

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the agency-wide and fund financial statements. Notes to the financial statements may be found on pages 14 to 21 of this report.

Financial Analysis of the Agency's Funds

As noted earlier, the Post Falls Urban Renewal Agency uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Governmental Funds. The focus of the Post Falls Urban Renewal Agency governmental funds section is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements.

Current fund balances are allocated as follows:

Nonspendable:	\$ 1,709	(Prepaid Expenses)
Restricted:	\$ -0-	None
Committed:	\$ 2,523	(Tullamore)
Assigned:	\$ 5,996,483	(City Center, East Post Falls)
Unassigned:	\$ 486,813	(Operating Budget and Discretionary)

At the end of FY 2013, the Agency reported combined ending fund balances of \$6,487,528, an increase of \$1,832,852 over the prior year.

General Fund Budgetary Highlights

The general fund is used to fund the annual expenses of operating the Agency and administering the urban renewal districts for which it is responsible. The 2013 original Budget was amended to include carryover of Riverbend increment in the amount of \$207,077 which was subsequently rebated to the affected taxing districts in November of 2012, and also an addition of \$12,000 to account for PERSI and unemployment insurance costs due to reclassification of the Executive Director position to a W-2 employee status. This variation between the original and final budget will not have a significant impact on future services or liquidity.

The total operating expenses for the fiscal year were \$179,602, or \$2,155 under the budget of \$181,757. This variation between the final and actual operating budget amount will not have a negative impact on future services or liquidity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the fiscal year 2013, the Agency had no additions to capital assets.

Long-term Debt

At the end of FY 2013, the Post Falls Urban Renewal Agency had no outstanding debt.

ECONOMIC FACTORS AND CONDITIONS CONSIDERATION

- **In-migration of new employers:** Post Falls continues to be an increasingly attractive location for employers seeking to relocate from other areas or entrepreneurs seeking to start new businesses. This trend is expected to continue, although at a slower pace given the current economic uncertainties.
- **Expansion of revenue from incremental property taxes resulting from new industrial and commercial development in renewal districts:** Tax increment resulting from investments in several Urban Renewal districts is expanding as new buildings are being built, and should enable the Agency to continue to aggressively reduce proponent obligations, providing the opportunity to close-out some renewal districts prior to their expiration date.
- **Continued improvement in Agency policies and procedures:** The Agency continues to refine its policies and to add specificity to developer agreements which have resulted in smoother negotiations of capital project financial reimbursements. Agency Commissioners continue to closely examine actual benefits received from infrastructure improvements in which the Agency is asked to invest, and are continuing to hold the Agency's developer partners and the Agency to a high standard of accountability for results against the goals envisioned in each district Plan

- **Strengthening of internal controls:** The Agency has adopted comprehensive policies governing conflict of interest, investment of revenues, and aggressive management of cash flow. It continues to improve the transparency of its operations and the manner and clarity of the monthly and annual reports it provides to the public regarding its activities.

All of these factors were considered in preparing the Post Falls Urban Renewal Agency's budget for the 2014 fiscal year. The Agency transferred \$14,158 from the general fund in order to maintain a relatively low annual administrative fee that it allocates to each renewal district to meet its general operating expenses.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Post Falls Urban Renewal Agency for all those with an interest in the Agency's finances. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to the Post Falls Urban Renewal Agency, PO Box 236, Post Falls, ID 83877-0236. The office telephone number is 208-777-8151. The Agency office is located on the second floor of the Post Falls Chamber of Commerce building at 201 E. 4th Ave.

POST FALLS URBAN RENEWAL AGENCY
Statement of Net Position
September 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	418,915
Equity in State Treasurer Investment Pool		5,546,565
Interest Receivable		3,591
Property Taxes Receivable		318,773
Prepaid Insurance		1,709
Total Current Assets		6,289,553

Capital Assets, net of accumulated depreciation 1,068

Other Assets:

Investments		739,137
Total Other Assets		739,137
Total Assets	\$	7,029,758

LIABILITIES

Current Liabilities:

Accounts Payable	\$	221,489
Due to Proponents		2,523
Accrued Vacation		8,430
Total Liabilities		232,442

NET POSITION

Net Investment in Capital Assets		1,068
Unrestricted		6,796,248
Total Net Position	\$	6,797,316

See accompanying notes to financial statements and independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY
Statement of Activities
Year Ended September 30, 2013

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Total
Governmental Activities						
Tax Increment Expense	\$ 2,492,007	-	-	-	(2,492,007)	(2,492,007)
General Government	179,602	-	-	-	(179,602)	(179,602)
Public Facilities and Infrastructure Improvements	-	-	-	-	-	-
Total Governmental Activities	2,671,609	-	-	-	(2,671,609)	(2,671,609)

General Revenues:

Property Taxes	\$ 4,201,196	4,201,196
Penalties and Late Fees	65,107	65,107
Interest/Investment Income	26,910	26,910
Total general revenues and transfers	4,293,213	4,293,213
Change in Net Position	1,621,604	1,621,604
Net position-beginning	5,175,712	5,175,712
Net position-ending	\$ 6,797,316	6,797,316

See accompanying notes to financial statements and independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY

Balance Sheet

Governmental Funds

September 30, 2013

ASSETS

Cash and Cash Equivalents	\$	418,915
Equity in State Treasurer Investment Pool		5,546,565
Interest Receivable		3,591
Property Tax Receivable		318,773
Prepaid Insurance		1,709
Investments		739,137
Total Assets	\$	<u>7,028,690</u>

LIABILITIES

Accounts Payable	\$	221,489
Due to Proponents		2,523
Accrued Vacation		8,430
Deferred Revenue		308,720
Total Liabilities		<u>541,162</u>

FUND EQUITY

Nonspendable:		
Prepaid Expenses		1,709
Restricted:		-
Committed:		
Tullamore		2,523
Assigned:		
East Post Falls District		5,200,758
City Center District		795,725
Unassigned:		486,813
Total Fund Equity		<u>6,487,528</u>
Total Liabilities and Fund Equity	\$	<u>7,028,690</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION:

Total fund equity reported above	\$	6,487,528
Add capital assets not reported above		2,114
Less accumulated depreciation		(1,046)
Net Capital Assets		<u>1,068</u>
Deferred revenues for property taxes receivable		308,720
Net Position	\$	<u>6,797,316</u>

See accompanying notes to financial statements and independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY
Statement of Revenues, Expenditures, and Changes in
Fund Balances - All Governmental Fund Types
Year Ended September 30, 2013

Revenues	
Property Taxes	\$ 4,412,142
Penalties and Late Fees	65,107
Interest and Investment Earning	26,910
	4,504,159
Total Revenues	
Expenditures	
Tax Increment Expenses	2,492,007
Public Facilities and Infrastructure Improvements	-
General Government	179,300
	2,671,307
Total Expenditures	
Excess (Deficiency) of Revenues Over Expenditures	1,832,852
Other Sources (Uses)	
Other Financing Sources	-
	-
Total Other Sources (Uses)	
Net Change in Fund Balance	1,832,852
Fund Balance - October 1,	4,654,676
	6,487,528
Fund Balance - September 30,	\$ 6,487,528

See accompanying notes to financial statements and independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY
Reconciliation of the
Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2013

Changes in fund balances as reported on the governmental funds statements		\$ 1,832,852
Decrease in current property taxes not reflected in revenue on the governmental funds statements		(210,946)
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital Expenditures	-	-
<hr style="border: 0.5px solid black;"/>		
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(302)	(302)
<hr style="border: 0.5px solid black;"/>		
Change in net position on the government-wide statements		<u>\$ 1,621,604</u>

See accompanying notes to financial statements and independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Post Falls Urban Renewal Agency (the “Agency”) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Post Falls Urban Renewal 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 Post Falls Urban Renewal Agency. The Agency is included in the City of Post Falls, Idaho financial reporting based on certain criteria in GASB Statement No. 14. These statements present only the funds of the Agency and are not intended to present the financial position and results of operations of the City of Post Falls, Idaho in conformity with GAAP.

Under the Idaho Code, in May 1991, the Post Falls City Council passed an ordinance that created the Post Falls Urban Renewal Agency. The Agency was established to promote urban development and improvement in and around the City of Post Falls. The Agency is governed by a board of seven commissioners. Under the Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the revenues attributable to tax increment financing. Any bonds issued are not a debt of the City. Post Falls City Council is not responsible for approving the Agency budget or funding any annual deficits. The Agency controls disbursements independent of City Council.

The Board of Commissioners is the decision-making authority that determines by formal vote whether funds are to be restricted, committed, or assigned and only the Board can determine any change in fund status by the same type of formal vote.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. The accounts of the Agency are organized on the basis of only one governmental fund. The general fund is the only fund used by the Agency. The Agency does not have any business-type activities. Therefore, both the government-wide and the fund financial level consist of only the Agency’s general fund.

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. The fund financial statements consist of the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. A reconciliation between the government-wide financial statements and the fund financial statements is also presented.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation- (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, expenditures related to debt service, are recorded when payment is due. Expenditure recognition occurs in the accounting period in which the liability is incurred if measurable. Principal and interest on general long-term debt are recognized as fund liabilities when due, or when amounts have been accumulated (if appropriate) in a debt service fund for payments to be made in the following year.

Property taxes, interest income, and various other revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, as the Agency meets both revenue recognition criteria, this triggers the revenue entry and reduces the deferred revenue liability.

The Agency's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned or unrestricted amounts when expenditures have been incurred for which resources in more than one classification could be used.

Cash and Cash Equivalents

In the governmental funds, 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 investments includes cash on hand, amounts due from banks, Idaho State Pooled investments, and investments with an original maturity of three months or less at the time they are purchased by the Agency. Investments with an initial maturity of more than three months are reported as investments.

Investments

Investments are comprised principally of time certificates of deposit. Cost at September 30, 2013 materially approximates fair value. Investments on hand at September 30, 2013 meet the guidelines as set by regulations of the State of Idaho. These guidelines include certificates of deposit placed with commercial banks and savings and loans.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using a straight-line depreciation method over a 5 to 7 year life.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

See independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Compensated Absences

The Agency has a policy for vacation pay. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Agency will compensate the employees for the benefits through paid time off or some other means. The Agency records a liability for accumulated unused vacation time when earned for all employees who qualify. These benefits fall on the employee's anniversary date of hire.

Sick leave benefits are not paid upon termination; therefore, no liability is accrued.

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.

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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets (net of related debt) 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. 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.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Agency's policy is to apply restricted net position first.

Property Tax and Deferred Tax Revenues

The Agency's property taxes are levied each November on the assessed value 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 are recognized when measurable and available to finance current expenditures. The criterion of available has been defined as having been received within 60 days after year-end. Any portion of taxes receivable not meeting this criteria are recorded in the deferred tax revenue account and will be recognized as revenue when measurable and available.

Extraordinary and Special Items

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Commissioners and that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during the fiscal year ended September 30, 2013.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

The Agency maintains its cash balances in one financial institution. The Agency also holds four certificates of deposit at four different financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2013, the Agency had uninsured balances totaling \$0. The certificates of deposit mature on dates ranging from March 2014 to March 2017. The carrying amount of the Agency's deposits and investments as of September 30, 2013 is \$6,686,374 and the bank balance is \$6,689,238, categorized as follows:

Idaho State Investment Pool	\$ 5,528,322
Amount insured by the FDIC or other agencies	1,160,916
Amount uninsured by the FDIC or other agencies	-
	<hr/>
Total	<u>\$ 6,689,238</u>

State statutes authorize the Agency's investments. The Agency is authorized to invest in U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, government pools, and money market funds consisting of any of these securities listed. No unauthorized investment transactions were carried out by the Agency during the year.

Investments in 2a7-like pools are valued based upon the value of pool shares. The Agency invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. GASB Statement No. 3 requires the Agency to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. The Pool has not been assigned a risk category since the Agency is not issued securities, but rather it owns an undivided beneficial interest in the assets of the Pool. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body nor is any balances insured by the Federal Deposit Insurance Corporation. Financial reports are available from the Idaho State Treasurer's Office upon request.

The balances above that the Agency has in the State Investment Pool are carried at fair market value, calculated monthly, pursuant to GASB 31. The Agency's portion of the State Investment Pool had an unrealized gain of \$18,243 as of September 30, 2013.

The Agency's investments have been classified into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the Agency or its agent in the Agency's name.
- (2) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Agency's name.
- (3) Uninsured and unregistered, with securities held by the counter party or by the counter party's trust department or agent, but not in the Agency's name.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 2 – CASH AND INVESTMENTS – (CONTINUED)

The following schedule classifies the investments of the Agency as of September 30, 2013, into the above noted categories:

	Category			Carrying Amount
	1	2	3	
Certificates of Deposit	\$ 984,137	-	-	984,137
Total Investments	\$ 984,137	-	-	984,137

NOTE 3 – RECEIVABLES

The following is a schedule of property taxes assessed for the year, collected and remaining to be received.

Year	Balance 9/30/12	Levy	Adjustments & Collections	Balance 9/30/13
2007-2012	\$ 554,469	4,242,491	(4,478,187)	318,773

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred revenue. The balance as of September 30, 2013 is as follows:

Taxes Due at September 30, 2013	\$ 318,773
Received October 2013	(2,744)
Received November 2013	(7,309)
Total	\$ 308,720

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Office Furniture	\$ 2,114	-	-	\$ 2,114
Less Accumulated Depreciation	744	302		1,046
Capital Assets, Net	\$ 1,370	302	-	\$ 1,068

Depreciation expense was \$302 for the year ended September 30, 2013.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 5 – LONG-TERM OBLIGATIONS & COMMITMENTS

Watson and Associates (Expo) – During the 2007 fiscal year, the Agency entered into a Settlement Agreement with Watson and Associates for the Expo Urban Renewal District in an amount not to exceed \$4,702,827. Under this Agreement, the Agency will reimburse the cost of infrastructure improvements made within the Expo Urban Renewal District. Seven (7) separate costs submittals totaling \$1,649,337 have been approved. It is anticipated that as infrastructure improvements are completed, further reimbursement requests will be made. The Agency is only obligated to reimburse Watson and Associates from tax increment revenues of the Agency generated within the district. The Agency receives tax increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$1,188,827 was reimbursed in previous fiscal years, and \$306,250 was reimbursed in fiscal year 2013, leaving a balance of \$154,260.

Greenstone-Kootenai, Inc. (West Seltice II) – In July 2007, the Agency entered into an Owner Participation Agreement with Greenstone- Kootenai, Inc. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the West Seltice II Urban Renewal District totaling \$1,990,008. The Agency is only obligated to reimburse Greenstone-Kootenai, Inc. if tax increment revenues of the Agency, directly resulting from the project improvements made by Greenstone-Kootenai, Inc. are available. The Agency receives tax increment revenue and then deducts the amount necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$523,231 was reimbursed in previous fiscal years, and \$164,066 was reimbursed in fiscal year 2013, leaving a balance of \$1,302,711.

Jacklin Land Company (Riverbend) – During the 2008 fiscal year, the Agency entered into an Owner Participation Agreement with Jacklin Land Company. The Agency reimbursed in full the final balance of costs of infrastructure in August 2012 and a residual amount of increment totaling \$207,077 was rebated to the several taxing districts as surplus tax increment in November 2012.

Tullamore Properties, LLC (East Post Falls) – During the 2008 fiscal year, the Agency entered into an Owner Participation Agreement with Tullamore Properties, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the East Post Falls Urban Renewal District totaling \$2,724,027. The Agency is only obligated to reimburse Tullamore Properties, LLC if tax increment revenues of the Agency, directly resulting from the project improvements made by Tullamore Properties, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$618,668 was reimbursed in previous fiscal years, and \$283,747 was reimbursed in fiscal year 2013, leaving a balance of \$1,821,612.

Tullamore Commons II, LLC (East Post Falls) – During the 2013 fiscal year, the Agency entered into an Owner Participation Agreement with Tullamore Commons II, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the East Post Falls Urban Renewal District in an amount not to exceed \$325,000. The Agency is only obligated to reimburse Tullamore Commons II, LLC if tax increment revenues of the Agency, directly resulting from the project improvements made by Tullamore Commons II, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, none has been reimbursed, leaving a balance of \$325,000.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 5 – LONG-TERM OBLIGATIONS & COMMITMENTS – (CONTINUED)

The Point, LLC (Center Point) – During the 2012 fiscal year, the Agency entered into an Owner Participation Agreement with The Point, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the Center Point Urban Renewal District. The Agency is only obligated to reimburse The Point, LLC if tax increment revenues of the Agency, directly resulting from the project improvements made by The Point, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the initial reimbursement request, \$3,552,954 was approved in fiscal year 2012 for reimbursement and \$3,422,806 was approved in fiscal year 2013 for reimbursement, totaling approved reimbursements of \$6,975,760. Of the total amount the Agency has agreed to reimburse, \$1,022,246 was reimbursed in fiscal year 2012, and \$919,935 was reimbursed in fiscal year 2013, leaving a balance of \$5,033,579.

The Agency entered into an operating lease for a copier. The term of the lease is 48 months with monthly payments of \$119. The lease ends in January 2015. Lease expense for the year ended September 30, 2013 was \$1,552.

The Agency also leases its office space. The term of the lease is 12 months with annual payments of \$7,740. Rent expense for the year ended September 30, 2013 was \$7,740.

NOTE 6 – FUND BALANCE

The Agency has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Commissioner's resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the executive director for a specific purpose but are not spendable until a budget resolution is passed by the Board of Commissioners.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 9). Restricted funds are used first as appropriate. Assigned Funds are utilized to the extent that expenditure authority has been budgeted by the Board of Commissioners or the Assignment has been changed by the Board of Commissioners. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The Agency reserves the right to selectively spend Unassigned resources.

NOTE 7 – 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, Idaho Counties Risk Management Program (ICRMP), for property insurance 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. Automobile liability has a \$2,000,000 single limit of liability.

See independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2013

NOTE 7 – RISK MANAGEMENT– (CONTINUED)

The Agency's workman's compensation coverage is provided by the Idaho State Insurance Fund. During fiscal year 2012/13, the Agency contributed \$446 for this insurance coverage.

NOTE 8 – CONTRIBUTIONS TO PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) – The PERSI Base Plan, a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of Post Falls Urban Renewal Agency and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2013, the required contribution rate as a percentage of covered payroll for members was 6.23% (6.79% effective July 1, 2013) for general members and 7.69% (8.36% effective July 1, 2013) for police/firefighter members. The employer rate as a percentage of covered payroll was 10.39% (11.32% effective July 1, 2013) for general members and 10.73% (11.66% effective July 1, 2013) for police/firefighter members. The Agency's contributions required and paid were \$8,019, \$1,433, and \$0 for the three years ended September 30, 2013, 2012, and 2011, respectively.

NOTE 9 - PAYROLL CONTINGENCY

During the fiscal year, the executive director position was reclassified from independent contractor to employee due to an audit determination by the State. The Agency complied with the State's determination; however, there may be contact from the Internal Revenue Service regarding this issue. The outcome of this worker reclassification cannot be determined at this time.

NOTE 10 – SUBSEQUENT EVENTS

In October 2013, the Post Falls Urban Renewal Agency signed loan documents for a Revenue Allocation Note, Series 2013 (the "Note") in the amount up to \$13,000,000. The Note is subject to a tax exempt rate of 3.10% per annum from the date of the first draw under the Note through September 23, 2018. On September 24, 2018, the annual interest rate shall be reset. The Note shall be payable in semi-annual payments, consisting of principal and accrued interest, commencing on September 1, 2014, continuing thereafter on the 1st day of each March and September until September 1, 2023. Payments made on March 1 will be in the amount of \$1,100,000, and payments on September 1 will be in the amount of \$650,000. The Post Falls Urban Renewal Agency shall establish and maintain a Reserve Fund in the amount of \$1,300,000.

POST FALLS URBAN RENEWAL AGENCY
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	3,988,726	3,990,724	4,412,142	421,418
Penalties and Late Fees	-	-	65,107	65,107
Interest and Investment Earnings	29,234	41,234	26,910	(14,324)
Other	12,523	12,523	-	(12,523)
Carryover	-	207,077	207,077	-
Total Revenues	4,030,483	4,251,558	4,711,236	459,678
Expenditures				
General Government	162,757	174,757	179,300	(4,543)
Tax Increment Expense	3,860,726	4,069,801	2,492,007	1,577,794
Public Facilities and Infrastructure Improvements	7,000	7,000	-	7,000
Total Expenditures	4,030,483	4,251,558	2,671,307	1,580,251
Excess (Deficiency) of Revenues Over Expenditures	-	-	2,039,929	2,039,929
Other Sources (Uses)				
Other Financing Sources	-	-	-	-
Total Other Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	2,039,929	2,039,929
Fund Balance - October 1,	4,654,676	4,654,676	4,654,676	
Fund Balance - September 30,	<u>\$ 4,654,676</u>	<u>4,654,676</u>	<u>6,694,605</u>	
Adjustments to conform with GAAP:				
Carryover			<u>(207,077)</u>	
Fund Balance, end of year (GAAP Basis)			<u><u>6,487,528</u></u>	

See accompanying notes to the budget and actual schedule and independent auditors' report.

POST FALLS URBAN RENEWAL AGENCY
Notes to the Budget and Actual Schedule
Year Ended September 30, 2013

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general 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 general fund.

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

Reported budgeted amounts are as originally adopted or as amended by the Board. Professional management cannot legally amend appropriations within the budget without first seeking Board approval once the budget has been approved. The Board properly approved the original budget and there was one amendment to the budget during the fiscal year 2013.

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.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Post Falls Urban Renewal Agency
Post Falls, ID

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Post Falls Urban Renewal Agency, a component unit of the City of Post Falls, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Post Falls Urban Renewal Agency's basic financial statements and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Post Falls Urban Renewal Agency's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Post Falls Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Post Falls Urban Renewal Agency's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho
November 25, 2013