

Financial Statements

Urban Renewal Agency of the City of Mountain Home, Idaho
Includes Supplementary Information
Years Ended September 30, 2017



Table of Contents

Independent Auditors' Report	3
Component Unit-wide Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements	
Balance Sheet – Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Notes to the Financial Statements	11
Required Supplementary Information	
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	21
Federal Report	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Urban Renewal Agency of the City of
Mountain Home, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the Urban Renewal Agency of the City of Mountain Home, Idaho (the "Agency"), a component unit of the City of Mountain Home, Idaho, as of and for the year ended September 30, 2017, 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Urban Renewal Agency of the City of Mountain Home, Idaho as of September 30, 2017 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 21 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Harris & Co. PLLC

Meridian, Idaho
February 20, 2018

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION
September 30, 2017**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,060,967
Property taxes receivable	773,246
Capital assets, net of accumulated depreciation	<u>2,294,464</u>
Total Assets	<u>\$ 5,128,677</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	
Liabilities	
Accrued interest payable	\$ 3,928
Accounts payable	80,295
Bond payable, due within one year	225,000
Bond payable, due in more than one year	<u>1,015,000</u>
Total Liabilities	1,324,223
Deferred Inflows	773,246
Net Position	
Invested in capital assets, net of related debt	1,050,536
Restricted, infrastructure	1,429,488
Restricted, debt service	<u>551,184</u>
Total Restricted	<u>1,980,672</u>
Total Net Position	<u>3,031,208</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 5,128,677</u>

See accompanying notes to basic financial statements.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017**

	Net (Expense) Revenue and Changes in <u>Net Position</u>
Governmental Activities	
Economic and community development	\$ (291,111)
Interest on long-term debt	<u>(63,485)</u>
Total Governmental Activities	(354,596)
Program Revenues	
Rental income	49,633
General Revenues	
Property taxes	765,940
Earnings on investments	<u>4,850</u>
Total General Revenues	<u>770,790</u>
Change in Net Position	465,827
Net Position	
Beginning of Year	<u>2,565,381</u>
End of Year	<u><u>\$ 3,031,208</u></u>

See accompanying notes to basic financial statements.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2017**

ASSETS

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,060,967
Property taxes receivable	<u>773,246</u>
Total Assets	<u>\$ 2,834,213</u>

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES

Liabilities	
Accounts payable	\$ 80,295
Deferred Inflows	773,246
Fund Balances	
Restricted, debt service	551,184
Restricted, infrastructure	<u>1,429,488</u>
Total Fund Balances	<u>1,980,672</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,834,213</u>

See accompanying notes to basic financial statements.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
September 30, 2017**

Total fund balance – total governmental funds \$ 1,980,672

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

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds. These assets, net of accumulated
depreciation, consist of:

System infrastructure	3,456,290	
Accumulated depreciation	<u>(1,161,826)</u>	
 Total capital assets, net of accumulated depreciation		 2,294,464

Long-term liabilities are not due and payable in the
current period and therefore are not reported as fund
liabilities. These liabilities consist of:

Bond payable		(1,240,000)
Accrued interest payable		<u>(3,928)</u>

Total Net Position \$ 3,031,208

See accompanying notes to basic financial statements.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017**

Revenues		
Property taxes	\$	765,940
Rent		49,633
Investment earnings		<u>4,850</u>
Total Revenues		820,423
Expenditures		
Current		
Program expense		166,042
Trustee fees		3,000
Debt service		
Principal paid		215,000
Interest expense		<u>64,770</u>
Total Expenditures		<u>448,812</u>
Net Change in Fund Balances		371,611
Fund Balances		
Beginning of Year		<u>1,609,061</u>
End of Year	\$	<u><u>1,980,672</u></u>

See accompanying notes to basic financial statements.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017**

Net change in fund balance – total governmental funds \$ 371,612

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (122,069)

In governmental funds, debt is considered a source of financing, but in the statement of net position, the debt obligation is reported as a liability.

Bond payments 215,000
Change in accrued interest 1,284

Change in net position of governmental activities \$ 465,827

See accompanying notes to basic financial statements.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note A – Significant Accounting Policies

Financial Reporting Entity

The Urban Renewal Agency of the City of Mountain Home, Idaho (the Agency) (a component unit of the City of Mountain Home, Idaho), was organized on November 14, 2005, under the Idaho Urban Renewal Law, Chapter 20, Title 50 of the Idaho Code. The Agency was established for the purpose of tax increment financing to fund the necessary infrastructure for Marathon Cheese to locate in Mountain Home.

The accompanying financial statements present the activities of the Agency. The Agency is considered a component unit of the City because it is a legally separate organization for which the City is financially accountable and because the supervisory board for the Agency is appointed by the Mayor with the City Council's approval.

The City provides certain administrative services at no cost to the Agency.

General Statement

The financial statements of the Agency are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent sections of this note.

Basis of Presentation

Component unit-wide financial statements: The component unit-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Agency. All interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note A – Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Program revenues include (1) fees, fines, rent, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements: Separate financial statements are provided for governmental funds. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The *General Fund* is the Agency's only fund. It accounts for all financial resources of the Agency, as none are required to be accounted for in another fund. The General Fund is presented in the fund financial statements.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The component unit-wide financial statements are reported using the *economic resources measurement focus* and the *accrual* basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note A – Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual* basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used 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 generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes and interest 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 government.

Budgetary Control

Annual budgets are adopted on a basis consistent with state code and generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Cash and Investments

The Agency’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Non-tax receivables are recognized as revenues received from the granting agency if designated for the current fiscal period.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note A – Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which includes system infrastructure (i.e. street, water and waste water improvements) are reported in the applicable governmental activities column in the component unit-wide financial statements. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
System infrastructure	24
Buildings	39

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Obligations

The accounting treatment of long-term debt depends on whether the debt is reported in the component unit-wide or fund financial statements.

In the component unit-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Long-term debt consists of bonds payable.

In the fund financial statements, governmental fund types report debt proceeds as other financing sources and payment of principal and interest as expenditures.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note A – Significant Accounting Policies (Continued)

Net Asset Classifications

Component Unit-Wide Statements: Net position is displayed in three components as follows:

Invested in capital assets, net of related debt – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other US, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

Fund statements: Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned.

The Agency’s sole source of revenue is property tax by virtue of Idaho statues governing urban renewal agencies is considered restricted. Any remaining fund balance would therefore be considered restricted. The restricted general fund balance may only be appropriated by resolution of the City of Mountain Home Urban Renewal Agency in accordance with Idaho statues governing budget appropriations. Fund balances created from other revenue sources than property tax, that is not otherwise explicitly restricted may be committed or assigned for a specific project by formal action of the City of Mountain Home Urban Renewal Agency Commissioners.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, the Agency considers restricted funds to have been spent first. As of September 30, 2016, the fund balance comprised of property tax revenues restricted for debt service and infrastructure projects, the designated purpose of the urban renewal agency.

Use of Estimates

The Agency uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note A – Significant Accounting Policies (Continued)

Property Tax Calendar

The Agency's property tax is levied each October on the value listed as of the prior January 1 for the Agency's proportion of real property located in the City. The lien date is effective January 1 of the year the property tax is levied. A revaluation of all property is required to be completed no less than every five years.

Under Idaho Code Section 50-235, the Agency cannot levy taxes over nine-tenths percent (.9%) of the total City adjusted market value for real property located within the City. Taxes are due in two installments on December 20 and June 20 following the levy date. Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual* basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. For this purpose. The City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows or resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2017, deferred inflows represented property taxes receivable unavailable for current use.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note B – Cash And Cash Equivalents

At September 30, 2017, the carrying amount of the Agency’s cash deposits was \$2,060,967 and the bank balance was \$2,091,467. Most cash is held in a government money market fund. As of September 30, 2017, \$1,943,614 of the Agency’s bank balance was uninsured and uncollateralized. The Agency has reserve obligations for its revenue allocation bonds. The security requirements state that the Agency must establish a reserve account in the amount of \$271,500. At September 30, 2017, the reserve account held \$271,500.

Note C – Capital Assets

Capital asset activity for the year ended September 30, 2017 is as follows:

<u>Governmental Activities</u>	<u>Balance 10/1/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/17</u>
System infrastructure	\$ 3,456,290	\$ 0	\$ 0	\$ 3,456,290

Current depreciation and annual depreciation is as follows:

<u>Governmental Activities</u>	<u>Balance 10/1/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/17</u>
System infrastructure	\$ 1,039,757	\$ 122,069	\$ 0	\$ 1,161,826

For the year ended September 30, 2017, \$122,069 of depreciation expense was charged to general government activities.

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note D – Bond Payable

In 2007, the Agency issued a revenue allocation bond, as allowed by law, in the amount of \$2,715,000 for the purpose of financing street, water and wastewater improvements within its project area. The bonds are valid special obligations of the agency and are payable over a term of 15 years from tax increment property tax revenues. The interest rate of this obligation is 4.41% and payments are to be made semi-annually. As of September 30, 2017, net position restricted for debt service was \$551,184, which comprised of the reserve account the current payment due on the bond payable.

The following summarizes long-term debt activity of the Agency during the year ended September 30, 2017:

	<u>Balance</u> <u>10/1/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/17</u>
Revenue allocation bonds	\$ 1,455,000	\$ 0	\$ 215,000	\$ 1,240,000

The schedule of these bonds is as follows:

<u>Maturity</u> <u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 225,000	\$ 54,684	\$ 279,684
2019	235,000	44,762	279,762
2020	250,000	34,398	284,398
2021	260,000	23,373	283,373
2022	<u>270,000</u>	<u>11,907</u>	<u>281,907</u>
Total	<u>\$ 1,240,000</u>	<u>\$ 169,124</u>	<u>\$ 1,409,124</u>

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note E – 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; and natural disasters for which the Agency carries commercial insurance.

Note F – Leases

On March 27, 2012, the Agency entered into a long term lease agreement for a building located at 295 2nd East Street. The tenant moved into the space during October 2012. The following is a schedule of future lease income:

2018	\$	60,064
2019		60,064
2020		60,064
2021		60,064
2022		<u>60,064</u>
Total	\$	<u>300,320</u>

REQUIRED SUPPLEMENTARY INFORMATION

**URBAN RENEWAL AGENCY OF THE CITY OF
MOUNTAIN HOME, IDAHO
GOVERNMENTAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 686,233	\$ 765,940	\$ 79,707
Rental income	49,633	49,633	0
Building sale proceeds	720,000		(720,000)
Earnings on investments	<u>131</u>	<u>4,850</u>	<u>4,719</u>
Total Revenues	1,455,997	820,423	(635,574)
Expenditures			
Program expense	206,822	23,330	183,492
Trustee fees	3,000	3,000	0
Principal payments	215,000	215,000	0
Contingent expense	100,000		100,000
Economic and community development	1,997,572	142,712	1,854,860
Interest expense	<u>64,166</u>	<u>64,770</u>	<u>(604)</u>
Total Expenditures	<u>2,586,560</u>	<u>448,812</u>	<u>2,137,748</u>
Excess of Revenues Over Expenditures	(1,130,563)	371,611	1,502,176
Other Financing Sources (Uses)			
Amount reserved for contingency	(551,184)		551,184
Fund Balance Carry Over	<u>1,681,747</u>	<u>0</u>	<u>(1,681,747)</u>
Total Other Financing Sources (Uses)	<u>1,130,563</u>	<u>0</u>	<u>(1,130,563)</u>
Net Change in Fund Balance	<u>\$ 0</u>	371,611	<u>\$ 371,611</u>
Fund Balance			
Beginning of Year		<u>1,609,061</u>	
End of Year		<u>\$ 1,980,672</u>	

FEDERAL REPORT

**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***

To the Board of Commissioners
Urban Renewal Agency of the City of
Mountain Home, Idaho
Mountain Home, Idaho

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Mountain Home Urban Renewal Agency, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Mountain Home Urban Renewal Agency's basic financial statements, and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

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

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





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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mountain Home 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.

Harris & Co. PLLC

Meridian, Idaho
February 20, 2018