



**HARRIS RANCH COMMUNITY
INFRASTRUCTURE DISTRICT NO. 1
BOARD MEETING AGENDA**

March 21, 2017

5:00 PM

City Hall - Council Chambers

I. CALL TO ORDER

II. MINUTES APPROVAL

1. Harris Ranch Community Infrastructure District No. 1 Minutes - Regular Meeting
- Dec 6, 2016 3:00 PM

III. AGENDA ITEMS

1. **Election of Board Chairperson and Vice-Chairperson**
2. **FY 2016 Audited Financial Statements**
Presenter: Eide Bailly, LLP
ACTION REQUESTED: Approval
3. **FY 2018 Budget Dates**
Presenter: Tonya Wallace
ACTION REQUESTED: Approval

IV. ADJOURNMENT



CITY OF BOISE
COUNCIL MEETING
SUMMARY MINUTES • DECEMBER 6, 2016
REGULAR MEETING

City Hall - Council Chambers

Final

3:00 PM

150 N CAPITOL BLVD
BOISE, ID 83702

I. Call to Order

PRESENT: Clegg, Quintana, Ludwig

ABSENT:

II. Minutes Approval

1. Harris Ranch Community Infrastructure District No. 1 - Regular Meeting - Aug 11, 2016 12:00 PM

RESULT:	ACCEPTED [2 TO 0]
MOVER:	Elaine Clegg, Council President
SECONDER:	Ben Quintana, Council Member
AYES:	Clegg, Quintana
ABSTAIN:	Ludwig

III. Agenda Items

1. Harris Ranch CID Web Site

RESULT:	DISCUSSED
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IV. Harris Ranch CID Resolutions

1. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HARRIS RANCH COMMUNITY INFRASTRUCTURE DISTRICT NO. 1 (CITY OF BOISE, ADA COUNTY, IDAHO) APPROVING BOND COUNSEL SERVICES FOR THE PREPARATION OF GENERAL OBLIGATION BONDS OR OTHER DEBT TO BE PROVIDED BY SKINNER FAWCETT LLP; AND PROVIDING AN EFFECTIVE DATE.

Minutes Acceptance: Minutes of Dec 6, 2016 3:00 PM (Minutes Approval)

RESULT: APPROVED [UNANIMOUS]
MOVER: Elaine Clegg, Council President
SECONDER: Ben Quintana, Council Member
AYES: Clegg, Quintana, Ludwig

2. A RESOLUTION APPROVING AN AGREEMENT, BY AND BETWEEN THE HARRIS RANCH COMMUNITY INFRASTRUCTURE DISTRICT NO. 1 (CITY OF BOISE, ADA COUNTY, IDAHO) AND BARBER VALLEY DEVELOPMENT, INC., FOR REIMBURSEMENT FOR PROFESSIONAL SERVICES PROVIDED BY THE HARRIS RANCH CID; AUTHORIZING THE HARRIS RANCH CID BOARD PRESIDENT AND DISTRICT CLERK TO EXECUTE AND ATTEST SAID AGREEMENT ON BEHALF OF THE HARRIS RANCH CID; AND PROVIDING AN EFFECTIVE DATE.

RESULT: APPROVED [UNANIMOUS]
MOVER: Elaine Clegg, Council President
SECONDER: Ben Quintana, Council Member
AYES: Clegg, Quintana, Ludwig

3. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HARRIS RANCH COMMUNITY INFRASTRUCTURE DISTRICT NO. 1 (CITY OF BOISE, ADA COUNTY, IDAHO) APPROVING ASSESSMENT ENGINEERING SERVICES FOR THE PREPARATION OF THE SPECIAL ASSESSMENT REPORT TO BE PROVIDED BY RIVERIDGE ENGINEERING COMPANY; AND PROVIDING AN EFFECTIVE DATE.

RESULT: APPROVED [UNANIMOUS]
MOVER: Elaine Clegg, Council President
SECONDER: Ben Quintana, Council Member
AYES: Clegg, Quintana, Ludwig

4. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HARRIS RANCH COMMUNITY INFRASTRUCTURE DISTRICT NO. 1 (CITY OF BOISE, ADA COUNTY, IDAHO) RATIFYING THE PROCUREMENT OF GOVERNMENTAL AUDIT SERVICES FOR FISCAL YEAR 2016 PROVIDED BY EIDE BAILLY LLP.; AND PROVIDING AN EFFECTIVE DATE.

RESULT: APPROVED [UNANIMOUS]
MOVER: Elaine Clegg, Council President
SECONDER: Ben Quintana, Council Member
AYES: Clegg, Quintana, Ludwig

5. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HARRIS RANCH COMMUNITY INFRASTRUCTURE DISTRICT NO. 1 (CITY OF BOISE, ADA COUNTY, IDAHO), APPROVING A PROFESSIONAL SERVICES CONTRACT AGREEMENT TO RETAIN PUBLIC FINANCIAL MANAGEMENT, INC. TO

Minutes Acceptance: Minutes of Dec 6, 2016 3:00 PM (Minutes Approval)

PROVIDE FINANCIAL ADVICE AND SERVICES RELATED TO THE PREPARATION AND SALE OF GENERAL OBLIGATION DEBT; AND PROVIDING AN EFFECTIVE DATE.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Elaine Clegg, Council President
SECONDER:	Ben Quintana, Council Member
AYES:	Clegg, Quintana, Ludwig

- 6. A RESOLUTION APPROVING AN AGREEMENT, BY AND BETWEEN THE CITY OF BOISE CITY (“BOISE”) AND THE HARRIS RANCH COMMUNITY INFRASTRUCTURE DISTRICT NO. 1 (CITY OF BOISE, ADA COUNTY, IDAHO) FOR THE PROVISION OF PROFESSIONAL SERVICES TO THE HARRIS RANCH CID; AUTHORIZING THE HARRIS RANCH CID BOARD PRESIDENT AND DISTRICT CLERK TO EXECUTE AND ATTEST SAID AGREEMENT ON BEHALF OF THE HARRIS RANCH CID; AND PROVIDING AN EFFECTIVE DATE.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Elaine Clegg, Council President
SECONDER:	Ben Quintana, Council Member
AYES:	Clegg, Quintana, Ludwig

V. Adjournment

Motion to adjourn the Harris Ranch Community Infrastructure District No. 1 meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Elaine Clegg, Council President
SECONDER:	Ben Quintana, Council Member
AYES:	Clegg, Quintana, Ludwig

Minutes Acceptance: Minutes of Dec 6, 2016 3:00 PM (Minutes Approval)

Financial Statements
September 30, 2016
Harris Ranch Community
Infrastructure District No. 1

DRAFT

Harris Ranch Community Infrastructure District No. 1

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DRAFT

Attachment: Harris Ranch CID Audited Financial Statements_FY2017_draft (7602 : FY 2016 Audited Financial Statements)

Independent Auditor's Report

Board of Directors
Harris Ranch Community Infrastructure District No. 1
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Harris Ranch Community Infrastructure District No. 1 (the District), a blended component unit of the City of Boise, Idaho, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Harris Ranch Community Infrastructure District No. 1 are intended to present the financial statements of the governmental activities and the general fund of the District. They do not purport to, and do not, present fairly the financial position of the City of Boise, Idaho, as of September 30, 2016 and the changes in its financial position for the year then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Boise, Idaho
March 6, 2017

Harris Ranch Community Infrastructure District No. 1
Management's Discussion and Analysis (unaudited)
September 30, 2016

Our discussion and analysis of Harris Ranch Community Infrastructure District No. 1, Boise, Idaho (the District) provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements. The District is a component unit of the City of Boise, Idaho (the City) and has previously been reported in the City's Comprehensive Annual Financial Reporting Statements.

Harris Ranch is a pedestrian-friendly 1,300-acre master-planned community in east Boise that embraces the concepts of smart growth, new urbanism and seeks to strike a careful balance between new development and the protection of the environment, wildlife habitat and historic values in the Barber Valley. Nestled between the Boise foothills and the scenic Boise River, Harris Ranch is guided by the vision of Dallas Harris — to create a unique sense of place rooted in the present, yet reflective of the Harris family's distinct commitment to the environment, community and heritage of Idaho. Once fully developed, Harris Ranch will include more than 2,800 homes with pedestrian access to trails, restaurants, shops and other community amenities.

In 2010, the City of Boise approved the creation of the District for the financing, construction and/or acquisition of eligible public community infrastructure such as roadways, sewer and water amenities, parks and greenbelt pathways, and wetlands. The two financing methods used by the District are special assessment bonds and general obligation bonds. The projected cost of the eligible public community infrastructure is \$48 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements & Analysis

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the District's assets, deferred inflows of resources, and liabilities, with the difference between the three reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. In the case of the District, due to the payments for infrastructure assets constructed on behalf of Harris Ranch, a residential development in southeast Boise, which is held by other governmental agencies and not the District, liabilities exceeded assets at the close of the fiscal year.

Statement of Net Position: The liabilities and deferred inflows of resources of the District exceeded its assets at the close of Fiscal Year (FY) 2016 by \$8,108,627 (deficit net position) as depicted in Table 1, "Statement of Net Position – Governmental Activities." The District was not created with the intent of owning any of the public infrastructure improvements, but to only facilitate the financing for the improvements. Therefore, the District's net position will continue to decrease as assets are conveyed to other governmental agencies, such as Ada County, City of Boise, and/or Ada County Highway District, upon completion of the capital infrastructure. The reason infrastructure assets are constructed on behalf of Harris Ranch and held by other governmental agencies is because these agencies are better enabled to maintain the assets once constructed and placed into service.

Harris Ranch Community Infrastructure District No. 1
Management's Discussion and Analysis (unaudited)
September 30, 2016

The change in the District's deficit net position in comparison with the prior year was a result of current year operations and the issuance of \$1,331,390 in General Obligation debt during FY 2016.

Table 1
Statement of Net Position - Governmental Activities

	2016	2015	Difference
Assets			
Current and other assets	\$ 1,366,124	\$ 1,218,295	\$ 147,829
Total assets	<u>1,366,124</u>	<u>1,218,295</u>	<u>147,829</u>
Liabilities			
Current and other liabilities	236,170	189,756	46,414
Long-term liabilities	8,553,528	7,416,596	1,136,932
Total liabilities	<u>8,789,698</u>	<u>7,606,352</u>	<u>1,183,346</u>
Deferred inflows of resources	685,053	602,365	82,688
Net Position			
Restricted for debt service	672,601	599,766	72,835
Unassigned	(8,781,228)	(7,590,188)	(1,191,040)
	<u>\$ (8,108,627)</u>	<u>\$ (6,990,422)</u>	<u>\$ (1,118,205)</u>

Statement of Activities: The statement of activities presents information showing governmental activities that are principally supported by property tax revenues and annual special assessment revenues. The District does not have any business-type activities. The governmental activities of the District are community and economic development. The amount expended on community and economic development fluctuates from year to year depending on the amount of capital infrastructure costs that the District is able to reimburse the developer. As shown in Table 2, "Statement of Activities", during FY 2016, the District expended \$1,739,625 to support these activities and received \$621,420 in general revenues.

Table 2
Statement of Activities

	2016	2015	Difference
Revenues			
General Revenues			
Property taxes	\$ 614,886	\$ 566,921	\$ 47,965
Investment income	640	184	456
Miscellaneous revenue	5,894	8,092	(2,198)
Total general revenues	<u>621,420</u>	<u>575,197</u>	<u>46,223</u>
Functional Expenses			
Debt Service	499,205	384,065	115,140
Community and economic development	1,240,420	3,399,527	(2,159,107)
Total expenses	<u>1,739,625</u>	<u>3,783,592</u>	<u>(2,043,967)</u>
Change in Net Position			
Beginning of year	(1,118,205)	(3,208,395)	2,090,190
End of year	<u>(6,990,422)</u>	<u>(3,782,027)</u>	<u>(3,208,395)</u>
	<u>\$ (8,108,627)</u>	<u>\$ (6,990,422)</u>	<u>\$ (1,118,205)</u>

Harris Ranch Community Infrastructure District No. 1
Management's Discussion and Analysis (unaudited)
September 30, 2016

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

Governmental Funds: The District maintains one governmental fund. The governmental fund is used to account for the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on spendable resources available at the end of the fiscal year. This is useful in evaluating the District's near-term financial requirements. Table 3, "Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances", provides an overview of the changes in revenues and expenditures for the governmental funds.

Table 3
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

	2016	2015	Difference
Revenues			
General Revenues			
Property taxes	\$ 614,886	\$ 566,921	\$ 47,965
Investment income	640	184	456
Miscellaneous revenue	5,894	8,092	(2,198)
Total general revenues	<u>621,420</u>	<u>575,197</u>	<u>46,223</u>
Functional Expenses			
Community and economic development	1,240,420	3,371,001	(2,130,581)
Debt service	631,647	808,986	(177,339)
Total functional expenses	<u>1,872,067</u>	<u>4,179,987</u>	<u>(2,307,920)</u>
Other Financing Sources			
Bond proceeds	1,331,390	3,744,404	(2,413,014)
Total other financing sources, net	<u>1,331,390</u>	<u>3,744,404</u>	<u>(2,413,014)</u>
Change in Fund Balance	80,743	139,614	(58,871)
Beginning of year	<u>592,918</u>	<u>453,304</u>	<u>139,614</u>
End of year	<u>\$ 673,661</u>	<u>\$ 592,918</u>	<u>\$ 80,743</u>

Revenue and Other Financing Sources: Total receipts from revenue and other financing sources amounted to \$1,952,810. This is \$2,366,791 less than the \$4,319,601 received in FY 2015. The decrease was primarily the result of issuing less general obligation bonds compared to prior year resulting in a change of \$2,413,014, as previously described and an increase in property tax revenues of \$47,965 for the debt service on general obligation bonds.

Actual revenue was less than the budgeted amount during FY 2016, due to smaller bond amount issued than anticipated because of bonding limitations unknown at the time the budget was created.

Harris Ranch Community Infrastructure District No. 1
Management's Discussion and Analysis (unaudited)
September 30, 2016

Expenditures: Total expenditures for FY 2016 amounted to \$1,872,067. This was \$2,307,920 less than FY 2015, due to the difference in financial uses. Actual expenditures were more than the budgeted amount primarily because of a budgeted contingency of \$3.7 million that was not utilized.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the amount provided in the government-wide and fund financial statements.

Capital Assets and Debt Administration

The District does not have any capital assets.

The District issued general obligation series 2016 in the amount of \$1,331,390 to reimburse developer costs for infrastructure assets constructed on behalf of the District and transferred to other governmental entities. Please see Note 5 for details of all debt obligations.

As shown in Table 4, "Long-Term Debt Outstanding at Year End", the total amount of outstanding debt for the District was \$8.735 million compared to a total of \$7.539 million the previous year, an increase of \$1.196 million or 16%. The net increase is due to the issuance of \$1,331,390 in the next series of general obligation bonds and debt service of \$135,608 on existing obligations.

Table 4
Long-Term Debt Outstanding at Year End

	2016	2015	Difference
General obligation bonds and anticipation note	\$ 4,984,186	\$ 3,744,404	\$ 1,239,782
Special assessment bonds	3,751,000	3,795,000	(44,000)
Total long-term debt outstanding	<u>\$ 8,735,186</u>	<u>\$ 7,539,404</u>	<u>\$ 1,195,782</u>

Economic Factors and Next Year's Budget

The activity of the District is heavily influenced by the level of construction activity and the resulting increase in market value. The level of construction activity over the past year has increased substantially. The higher market values provide the capacity for the District to issue more debt for public infrastructure and recover more administrative costs through the administrative levy. The District continues to actively work with the developer to minimize the administration costs to the extent possible.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tonya Wallace, Strategic Advisor, at (208) 972-8143.

Harris Ranch Community Infrastructure District No. 1
Governmental Fund Balance Sheet and Statement of Net Position
September 30, 2016

	General Fund	Adjustments (Note 2)	Governmental Activities
Assets			
Cash and cash equivalents	\$ 2,576	\$ -	\$ 2,576
Receivables	690,947	-	690,947
Restricted cash and investments	672,601	-	672,601
Total assets	1,366,124	-	1,366,124
Liabilities			
Accounts payable	7,410	-	7,410
Accrued interest payable	-	47,102	47,102
Noncurrent liabilities			
Due within one year	-	181,658	181,658
Due in more than one year	-	8,553,528	8,553,528
Total liabilities	7,410	8,782,288	8,789,698
Deferred Inflows of Resources			
Unavailable revenue - property taxes	685,053	-	685,053
Fund Balance / Net Position			
Restricted for debt service	672,601	-	672,601
Unassigned/Unrestricted	1,060	(8,782,288)	(8,781,228)
	\$ 673,661	\$ (8,782,288)	\$ (8,108,627)

Attachment: Harris Ranch CID Audited Financial Statements_FY2017_draft (7602 : FY 2016 Audited Financial Statements)

Harris Ranch Community Infrastructure District No. 1
 Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of
 Activities
 Year Ended September 30, 2016

	General Fund	Adjustments (Note 3)	Statement of Activities
General Revenues			
Taxes			
Property taxes, levied for general purposes	\$ 220,064	\$ -	\$ 220,064
Property taxes, levied for debt service	394,822	-	394,822
Investment income	640	-	640
Miscellaneous revenue	5,894	-	5,894
Total general revenues	<u>621,420</u>	<u>-</u>	<u>621,420</u>
Expenditures			
Community and economic development	1,240,420	-	1,240,420
Debt service			
Principal	135,608	(135,608)	-
Bond issuance costs	30,706	-	30,706
Interest	465,333	3,166	468,499
Total expenditures	<u>1,872,067</u>	<u>(132,442)</u>	<u>1,739,625</u>
Excess of Expenditures Over Revenues	(1,250,647)	132,442	(1,118,205)
Other Financing Sources (Uses)			
Bond proceeds	1,331,390	(1,331,390)	-
Total other financing sources, net	<u>1,331,390</u>	<u>(1,331,390)</u>	<u>-</u>
Change in Fund Balance / Net Position	80,743	(1,198,948)	(1,118,205)
Fund Balance / Net Position			
Beginning of year	<u>592,918</u>		<u>(6,990,422)</u>
End of year	<u>\$ 673,661</u>		<u>\$ (8,108,627)</u>

Attachment: Harris Ranch CID Audited Financial Statements_FY2017_draft (7602 : FY 2016 Audited Financial Statements)

Harris Ranch Community Infrastructure District No. 1
Notes to Financial Statements
September 30, 2016

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Harris Ranch Community Infrastructure District No. 1 (the District) is included as a blended component unit in the City of Boise, Idaho's (the City) financial statements. The District facilitates the cost of public infrastructure for Harris Ranch. These statements present only the funds of the District and are not intended to present the financial position and results of operations of the City in conformity with generally accepted accounting principles.

The District is a separate and distinct legal entity of the City created in accordance with Idaho Code Title 50 Chapter 31, which encourages the funding and construction of regional community infrastructure in advance of actual development growth. The District facilitates the cost of public infrastructure for Harris Ranch. Harris Ranch is a residential development in southeast Boise. The District is governed by a board of directors consisting of three members of the Boise City Council, as appointed by the Mayor of the City.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide columns of the financial statements (i.e. the statement of net position and the statement of activities) report information on all of the District. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Taxes are reported instead as *general revenues*.

The District is reported as a "Single Purpose Entity". This allows the government-wide financial statements to be combined with the fund-level financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide column of the financial statements is 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 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.

Harris Ranch Community Infrastructure District No. 1

Notes to Financial Statements

September 30, 2016

The governmental fund column of the financial statements is 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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.

The District reports the following major governmental fund:

General Fund – The District is a general fund. General funds are used for all financial resources except those required to be accounted for in another fund.

Property Taxes Receivable and Deferred Inflow of Resources

Property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the District is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflow of resources at the District's year-end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for the District.

The other item reported as deferred inflow of resources arises only under a modified accrual basis of accounting. Unavailable property tax revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized.

Investments and Investment Income

The District holds certain short term investments valued at amortized cost in accordance with GAAP which includes money market funds. Interest, dividends, gains, and losses, both realized and unrealized, on investments in debt and equity securities are included in revenues when earned.

Restricted investments consist of funds restricted in accordance with bond indenture agreements. Restricted investments that are available for obligations classified as current liabilities are reported in current assets.

Idaho Code 50-1013 limits the District's legal investments to savings accounts, prime commercial paper, general obligations of the State of Idaho and United States Treasury, notes, bonds, and obligations of Government Sponsored Enterprises (FNMA, FHLMC, FFCB, FHLB), A-rated corporate bonds, and money market and mutual funds whose portfolios consist of the aforementioned underlying instruments. The District does not have a separate investment policy.

Harris Ranch Community Infrastructure District No. 1

Notes to Financial Statements

September 30, 2016

Risk Management

As a component unit of the City, the District is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City, and the District as component unit of the City, has a Risk Management Fund (an internal service fund to account for and finance these risks of loss.) The self-insured retention is summarized as follows:

Liability Coverage		Property Coverage	
Per Incident	Aggregate	Per Incident	Aggregate
\$500	Unlimited	\$50	Unlimited

The City has purchased commercial insurance for claims in excess of these amounts.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Restricted – This fund balance represents resources that can only be spent based upon external party restrictions.

Committed – This fund balance represents resources that have been approved by the Board of Directors through a resolution, which is the highest level of decision making authority, that places specific constraints on how the resources may be used. The Board can modify or rescind the resolution at any time through passage of an additional resolution. The District did not have any funds committed as of September 30, 2016.

Assigned – This fund balance represents management's intended use of resources that are not committed. The board of directors vests with management the authorization to assign amounts.

Unassigned – This fund balance represents resources that have not been classified in one of the aforementioned categories.

When an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of assigned funds, then unassigned funds, as needed, unless the board of directors has provided otherwise in its assignment actions.

Harris Ranch Community Infrastructure District No. 1
Notes to Financial Statements
September 30, 2016

Note 2 - Explanation of Differences Between the Governmental Funds Balance Sheet and the Statement of Net Position

“Total fund balances” in the District’s governmental fund may differ from the “net position” of the governmental activities reported in the Statement of Net Position as a result of the long-term economic focus of the Statements of Net Position versus the current financial resources focus of the governmental fund balance sheet.

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. All liabilities, both current and long-term are reported on the statement of net position.	\$ (8,735,186)
Interest on long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(47,102)</u>
Total adjustment from governmental fund balance to government wide net position	<u><u>\$ (8,782,288)</u></u>

Note 3 - Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds may differ from the “change in net position” for governmental activities reported in the Statement of Activities as a result of the long-term economic focus of the Statement of Activities versus the current financial resource focus of the governmental funds.

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities; and repayment of principal reduces the liability. The net effect of these differences is as follows:

Bonds proceeds	(1,331,390)	
Payment of bond principal	<u>135,608</u>	\$ (1,195,782)
Interest expense accrued but not paid reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		<u>(3,166)</u>
Total adjustment from change in governmental fund balance to government wide change in net position.		<u><u>\$ (1,198,948)</u></u>

Harris Ranch Community Infrastructure District No. 1
Notes to Financial Statements
September 30, 2016

Note 4 - Deposits with Financial Institutions and Investments

Deposits with Financial Institutions

At September 30, 2016, the District's total demand deposit balance was \$287,128. At September 30, 2016, \$250,000 was insured by Federal Deposit and Insurance Corporate (FDIC), the remaining balance was uninsured and uncollateralized.

Investments

Idaho Code 50-1013 limits the City's legal investments to savings accounts, prime commercial paper, general obligations of the State of Idaho and United States Treasury, notes, bonds, and obligations of Government Sponsored Enterprises (FNMA, FHLMC, FFCB, FHLB), A-rated corporate bonds, and money market and mutual funds whose portfolios consist of the aforementioned underlying instruments.

The District's investments are reported at amortized cost, as discussed in Note 1. At September 30, 2016, the District had the following investments, maturities, and ratings:

	<u>Maturities</u>	<u>Ratings</u>	<u>Balance</u>
Federal US Treasury Cash Reserves Money Market Fund	Daily	AAAm	\$ 388,049

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk.

Interest Rate Risk

The District does not have a formal policy in place that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District matches investment maturities with anticipated cash flow requirements.

Credit Risk

The District does not have a formal policy in place that limits credit risk.

Concentration of Credit Risk

The District does not have a formal policy in place limiting the amount that may be invested with any one bank or institution or the investment type.

Harris Ranch Community Infrastructure District No. 1
Notes to Financial Statements
September 30, 2016

Note 5 - Long-Term Debt

The following is a summary of changes in long-term debt obligations of the District for the year ended September 30, 2016:

	Balance September 30, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Special Assessment					
Bonds - Series 2011	\$ 3,795,000	\$ -	\$ (44,000)	\$ 3,751,000	\$ 49,00
General Obligation Bond					
Series 2015a	157,757	-	(52,113)	105,644	52,58
Series 2015b	3,586,647	-	(39,495)	3,547,152	25,55
Series 2016	-	1,331,390	-	1,331,390	54,52
Total Governmental					
Activities	<u>\$ 7,539,404</u>	<u>\$ 1,331,390</u>	<u>\$ (135,608)</u>	<u>\$ 8,735,186</u>	<u>\$ 181,65</u>

General Obligation Bonds

On August 10, 2010, voters authorized the District to issue up to \$50 million in general obligation debt in a series of bonds. The aggregate outstanding principal amount of general obligation debt cannot exceed 9% of the actual or adjusted market value for assessment purposes on all taxable property within the District as such value existing on December 31 of the previous year. As of December 31, 2015, the basis for the size of the General Obligation Bonds, Series 2016, was \$75,110,280. Thus, the aggregate outstanding general obligation debt totaled \$4,984,186.

The District issued General Obligation Bond Series 2015a to pay off the 2013 General Obligation Bonds. General obligation bonds are a direct obligation and pledge the full faith and credit of the District. The general obligation bond outstanding at September 30, 2016, is payable in annual principal installments of amounts ranging from \$52,113 to \$53,064, and annual interest payments, accruing at 0.92% through August 15, 2018.

The District issued general obligation series 2015b to reimburse developer costs for infrastructure assets constructed on behalf of the District and transferred to other governmental entities. General obligation bonds are a direct obligation and pledge the full faith and credit of the District. The general obligation bond outstanding at September 30, 2015, is payable in annual principal installments of amounts ranging from \$25,695 to \$194,895, and annual interest payments, accruing at 3.44% through August 15, 2045.

During fiscal year 2016, the District issued general obligation series 2016 to reimburse developer costs for infrastructure assets constructed on behalf of the District and transferred to other governmental entities. General obligation bonds are a direct obligation and pledge the full faith and credit of the District. The general obligation bond outstanding at September 30, 2016, is payable in annual principal installments of amounts ranging from \$54,527 to \$81,098, and annual interest payments, accruing at 2.190% through August 15, 2036.

Harris Ranch Community Infrastructure District No. 1
Notes to Financial Statements
September 30, 2016

Special Assessment Revenue Bonds

The District issued Special Assessment Bonds on March 22, 2011, in the amount of \$3,920,000 as authorized pursuant to the Community Infrastructure District Act, Title 50, Chapter 31, Idaho Code (the “Act”). The bonds are solely payable from annual special assessments levied and assessed by the District on certain parcels of land. In accordance with Section 3.3, A (ii) of the Trust Indenture, the District exercised its right for an Extraordinary Optional Redemption of \$45,000 any time prior to the stated call date of September 1, 2021. While the call amount was relatively small, it will result in interest savings.

The District issued Special Assessment Revenue Bonds Series 2011 to facilitate the cost of public infrastructure for Harris Ranch. The District pledged revenues derived from special assessments levied on the land in the benefit area of Assessment Area One. The special assessment revenue bonds outstanding at September 30, 2016 are payable in annual principal installments of amounts ranging from \$45,000 to \$330,000, and semi-annual variable rate interest payments of 9% through September 2040.

Pledged Revenues

A development agreement between the City of Boise and the District stipulates that the annual debt service secured by the pledge of ad valorem taxes be limited to \$2.84 per \$1,000 of assessed market valuation.

The District has pledged future special assessment revenues to repay \$3,920,000 in special assessment revenue bonds issued in April 2011. Proceeds from the bonds provided financing to facilitate the cost of public infrastructure for Harris Ranch. The special revenue bonds are payable solely from special assessment revenues and are payable through 2040. Annual principal and interest payments on the special revenue bonds are expected to require 100 percent of the pledged revenues. The total principal and interest remaining to be paid on the special revenue bonds is \$9,273,580. Principal and interest paid for the current year and pledged revenues received were \$385,550 and \$385,150, respectively.

Maturities of the District’s long-term debt obligations are as follows for the years ended September 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 181,658	\$ 488,931	\$ 670,589
2018	188,405	482,775	671,180
2019	196,005	475,315	671,320
2020	205,016	465,993	671,009
2021	214,151	456,099	670,250
2022-2026	1,242,336	2,108,611	3,350,947
2027-2031	1,603,473	1,743,543	3,347,016
2032-2036	2,128,985	1,227,153	3,356,138
2037-2041	2,047,410	503,334	2,550,744
2042-2045	727,747	62,952	790,699
	<u>\$ 8,735,186</u>	<u>\$ 8,014,706</u>	<u>\$ 16,749,892</u>

Required Supplementary Information
September 30, 2016
Harris Ranch Community
Infrastructure District No. 1

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Harris Ranch Community Infrastructure District No. 1
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund
 (unaudited)
 Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes, levied for general purposes	\$ 219,127	\$ 219,127	\$ 220,064	\$ 937
Property taxes, levied for debt service	393,825	393,825	394,822	997
Investment income	-	-	640	640
Miscellaneous income	3,053	3,053	5,894	2,841
Total general revenues	616,005	616,005	621,420	5,415
Expenditures				
Community and economic development	53,725	53,725	1,240,420	(1,186,695)
Debt service				
Principal	386,550	386,550	135,608	250,942
Bond issuance costs	-	-	30,706	(30,706)
Interest	213,630	213,630	465,333	(251,703)
Total expenditures	653,905	653,905	1,872,067	(1,218,162)
Excess (deficiency) revenues over (under) expenditures	(37,900)	(37,900)	(1,250,647)	(1,212,747)
Other Financing Sources (Uses)				
Bond proceeds	-	-	1,331,390	1,331,390
Total other financing sources, net	-	-	1,331,390	1,331,390
Net Change in Fund Balances	(37,900)	(37,900)	80,743	118,643
Fund Balance, Beginning of year	-	-	592,918	592,918
End of year	<u>\$ (37,900)</u>	<u>\$ (37,900)</u>	<u>\$ 673,661</u>	<u>\$ 711,561</u>

Attachment: Harris Ranch CID Audited Financial Statements_FY2017_draft (7602 : FY 2016 Audited Financial Statements)

Harris Ranch Community Infrastructure District No. 1
Notes to Required Supplementary Information
September 30, 2016

Note 1 - Budgets and Budgetary Accounting

The basis of budgeting refers to the conventions for recognition of costs and revenues in budget development and in establishing and reporting appropriations, which are the legal authority to spend or to collect revenues.

The City, and the District as a component unit of the City, used a modified accrual basis for budgeting in governmental funds. Under Idaho State Law, unspent appropriations from prior years must be specifically “rebudgeted,” via resolution of the District, or “encumbered,” in order to be carried forward into the next fiscal year. A valid, legal commitment such as a contract or purchase order is required for encumbrances.

The budget is fully reconciled to the accounting system at the beginning of the year, and in preparing the financial statements at year end. A number of adjustments are made to reflect balance sheet needs and their effect on the budget. These include changes in designations and reserves and recognition, via studies and analysis of various sorts, of accrued liabilities. Reconciliations are completed in quarterly and annual budget to actual reports.

The following procedures are used by the City, and the District as a component unit of the City, to establish budgetary control:

- ◆ Prior to October 1, the budget for the general funds is legally enacted (adoption) through passage of a resolution which includes a public hearing process.
- ◆ Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Total appropriations represent budget amounts as originally adopted plus current year adjustments approved prior year encumbrances, uncompleted items (primarily capital and equipment) carried forward to the following year and new projects or expenditures approved by the District Board of Directors from prior year unspent dollars and appropriation changes approved during the year.
- ◆ Since the District contracts with the City to provide the necessary administrative duties, during the fiscal year, all expenditures are authorized by Invoice, Purchase Order, or Journal Entry. These expenditures are reviewed according to procedures outlined in the City Code related to budget authority, funds availability, adherence to City purchasing procedures, and sound business practice.
- ◆ Idaho State Code allows the District to reopen the annual budget if a need for increased appropriations beyond the budgeted total is experienced. The reopened budget must be adopted by following a process similar to that, which was used to adopt the original budget, including public hearings and adoption of a revised annual appropriations ordinance. The legal requirement of budgetary control in the State of Idaho is at the fund level.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Directors
Harris Ranch Community Infrastructure District No. 1
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Harris Ranch Community Infrastructure District No. 1, (the District) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boise, Idaho
March 6, 2017

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