

REXBURG URBAN RENEWAL AGENCY
(A Component Unit of the City of Rexburg, Idaho)

Financial Statements
and
Required Supplementary Information
with
Independent Auditors' Report

September 30, 2018

REXBURG URBAN RENEWAL AGENCY

Table of Contents

September 30, 2018

Independent Auditors' Report.....	1-3
--	------------

Basic Financial Statements

Statement of Net Position	4
---------------------------------	---

Statement of Activities.....	5
------------------------------	---

Governmental Fund Types

Balance Sheet and Reconciliation to the Statement of Net Position	6
--	---

Governmental Fund Types

Statement of Revenues, Expenditures and Changes in Fund Balances	7
---	---

Reconciliation of Government Funds

Revenues, Expenditures and Changes in Fund Balance to Statement of Activities.....	8
---	---

Notes to Financial Statements.....	9-19
------------------------------------	------

Required Supplemental Information

Budgetary Comparison Schedule – North Highway Fund	20
--	----

Budgetary Comparison Schedule – Washington School Fund	21
--	----

Budgetary Comparison Schedule – Downtown Fund.....	22
--	----

Budgetary Comparison Schedule – University Boulevard Fund.....	23
--	----

Budgetary Comparison Schedule – North Interchange Fund.....	24
---	----

Budgetary Comparison Schedule – Administration Expenses Fund.....	25
---	----

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	26-27
---	--------------



RUDD & COMPANY^{INC.}

certified public accountants | business consultants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Rexburg Urban Renewal Agency
Rexburg, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities and each major fund of the Rexburg Urban Renewal Agency (the Agency), a component unit of the City of Rexburg, Idaho, as of and for the year ended September 30, 2018, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rexburg Urban Renewal Agency, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

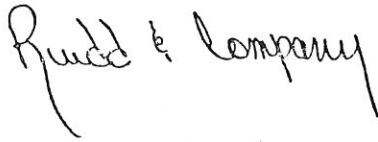
Required Supplementary Information

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

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America required 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 the 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 other reporting required by *Government Auditing Standards*, we have also issued our report dated February 8, 2019, 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 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 Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rued & Company". The signature is written in dark ink and is positioned above the typed name and date.

Rexburg, Idaho
February 8, 2019

REXBURG URBAN RENEWAL AGENCY
Statement of Net Position
September 30, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 6,355,371
Net property, plant and equipment	<u>2,261,857</u>
Total Assets	<u>8,617,228</u>
Liabilities	
Long-term liabilities	
Due within one year	417,878
Due after one year	<u>4,816,860</u>
Total Long-term Liabilities	5,234,738
Total Liabilities	<u>5,234,738</u>
Net Position	
Invested in capital assets, net of related debt	2,261,857
Restricted	<u>1,120,633</u>
Total Net Position	<u>\$ 3,382,490</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

REXBURG URBAN RENEWAL AGENCY
Statement of Activities
Year Ended September 30, 2018

Functions/Programs	Expenses	Charges for services	Program Revenues		Net (Expense)
			Operating grants and contributions	Capital grants and contributions	Revenue and
					Total
					in Net Assets
					Governmental
					activities
Governmental Activities					
Administrative	\$ 50,707	\$ -	\$ -	\$ -	\$ (50,707)
Construction	312,456	-	-	-	(312,456)
Bond interest	173,965	-	-	-	(173,965)
Total Governmental Activities	537,128	-	-	-	(537,128)
General revenues					
Property taxes					2,305,872
Other revenues					32,083
Unrealized gain (loss)					(52,829)
Interest on investments					110,950
					2,396,076
Change in net assets					1,858,948
Net position beginning of year					1,523,542
Net position end of year					\$ 3,382,490

The Accompanying Notes are an Integral Part of the Financial Statements.

REXBURG URBAN RENEWAL AGENCY
Governmental Fund Types - Balance Sheet and Reconciliation to the Statement of Net Position
Year Ended September 30, 2018

	North Highway Fund	Washington School Fund	Downtown Fund	University Boulevard Fund	North Interchange Fund	North Interchange Debt Service Reserve Fund	Admin Fund	Total
Assets								
Cash and investments	\$ 518,295	\$ 32,499	\$ 137,833	\$ 2,332,795	\$ 2,956,360	\$ 351,378	\$ 26,211	\$ 6,355,371
Property	-	989,776	1,272,081	-	-	-	-	2,261,857
Total Assets	\$ 518,295	\$ 1,022,275	\$ 1,409,914	\$ 2,332,795	\$ 2,956,360	\$ 351,378	\$ 26,211	\$ 8,617,228
Fund Balances								
Restricted	\$ 518,295	\$ 1,022,275	\$ 1,409,914	\$ 2,332,795	\$ 2,956,360	\$ 351,378	\$ 26,211	\$ 8,617,228
Total Fund Balances	518,295	1,022,275	1,409,914	2,332,795	2,956,360	351,378	26,211	8,617,228
Total Liabilities and Fund Balances								
	\$ 518,295	\$ 1,022,275	\$ 1,409,914	\$ 2,332,795	\$ 2,956,360	\$ 351,378	\$ 26,211	\$ 8,617,228
Total Governmental Funds								\$ 8,617,228
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds								
Bonds payable								5,234,738
Net position of governmental activities								\$ 3,382,490

The Accompanying Notes are an Integral Part of the Financial Statements.

REXBURG URBAN RENEWAL AGENCY

Governmental Fund Types - Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended September 30, 2018

	North Highway Fund	Washington School Fund	Downtown Fund	University Boulevard Fund	North Interchange Fund	North Service Reserve Fund	Admin Fund	Total
Revenues								
Property taxes	\$ 839,204	\$ 182,587	\$ 642,664	\$ 344,897	\$ 296,520	\$ -	\$ -	\$2,305,872
Other revenue	-	-	-	-	-	-	32,085	32,085
Unrealized gain (loss)	-	-	(13,209)	(39,620)	-	-	-	(52,829)
Interest income	7,825	711	11,768	41,731	48,204	700	11	110,950
Total Revenues	847,029	183,298	641,223	347,008	344,724	700	32,096	2,396,078
Expenditures								
Administrative	968	6,508	25,630	-	4,812	-	12,789	50,707
Construction	48,456	150,000	-	-	114,000	-	-	312,456
Bond principle	407,750	-	-	-	-	-	-	407,750
Interest	53,220	93	3,603	-	116,904	-	145	173,965
Total Expenditures	510,394	156,601	29,233	-	235,716	-	12,934	944,878
Net Change in Fund Balances	336,635	26,697	611,990	347,008	109,008	700	19,162	1,451,200
Fund Balance								
October 1, 2017	181,660	995,578	797,924	1,985,787	2,847,352	350,678	7,049	7,166,028
Fund Balance								
September 30, 2018	\$ 518,295	\$ 1,022,275	\$ 1,409,914	\$ 2,332,795	\$ 2,956,360	\$351,378	\$ 26,211	\$8,617,228

The Accompanying Notes are an Integral Part of the Financial Statements.

REXBURG URBAN RENEWAL AGENCY
Reconciliation of the Governmental Funds
Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
Year Ended September 30, 2018

Net change in fund balances - total governmental funds	\$ 1,451,200
Reconciliation Rounding Adjustment	(2)
Long-term debt payments are recorded as expenditures on the statements of revenues, expenditures and changes in fund balances, but not in the statement of net assets	<u>407,750</u>
Change in net assets of governmental activities	<u>\$ 1,858,948</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

1. Summary of Significant Accounting Policies

The Reporting Entity

The Rexburg Urban Renewal Agency (the Agency) was created for the purpose of making improvements to infrastructure in specific areas of the City. It derives its revenues from the incremental tax increase that all taxing districts forfeit from increase in value of the land and buildings in the new construction areas.

The Agency is a component unit, as defined by generally accepted accounting principles, of the City of Rexburg, Idaho, because of its operational or financial relationship with the City. The City appoints the governing body of the Agency.

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for the state and local governments through its pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, which do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Agency are discussed below.

Government-Wide and Fund Financial Statements

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds) in combined statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Agency's activities and general administrative services are classified as governmental activities. The Agency has no business-type activities.

The financial transactions of the Agency are reported in individual funds in the combined financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Agency:

- The Special Revenue Funds consists of the University Boulevard Fund, the North Highway Fund, the Washington School Fund, the Downtown Fund, the Yellowstone Trejo Fund and the North Interchange Fund used to account for the property taxes received by the Agency and to disburse payments on the obligations of the Agency.

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

1. Summary of Significant Accounting Policies (continued)

- The Debt Service Reserve Fund is used to account for the funds placed in reserve to make payments of long-term debt.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual. Governmental activities in the combined government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual. The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

Budget

Budgets for the Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. The budgets were not amended during the year. The Agency did not adopt budgets for the North Exchange Fund nor the Debt Service Reserve Fund during the fiscal year.

Cash and Investments

Cash includes amounts in demand deposit accounts as well as short-term investments with a maturity date within three months of the date acquired by the Agency. Under state law, the Agency may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principle offices in Idaho. State statutes authorize the Agency to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

1. Summary of Significant Accounting Policies (continued)

The Agency has elected to deposit cash in excess of immediate needs into the State of Idaho Local Government Investment Pool (LGIP). The LGIP was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The LGIP is managed by the State of Idaho Treasurer's office. An annual audit of LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the LGIP. All other cash is deposited with local banks in checking or savings accounts.

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Agency does not have a policy for custodial credit risk outside of the deposit and investment agreements. The Agency is authorized to invest in the LGIP. This pooling is intended to improve administrative efficiency and increase investment yield.

Investments are stated at cost which approximates fair value. Contractual provision requires that monies in the Debt Service Reserve Fund be invested in certain direct, guaranteed or insured obligations of the United States of America.

Revenues and Property Taxes

Substantially all governmental fund revenues come from property taxes. Property taxes are billed and collected within the same period in which the taxes are levied. The Agency does not levy property taxes.

In accordance with Idaho State law, property taxes are levied in September for each calendar year. All of the personal taxes and half of the real property taxes are due by December 20. The second half of the real property taxes is due by June 20. Property taxes attach as an enforceable lien as of January 1 of the following year. Notice of foreclosure is filed by the county clerk three years from the date of delinquency.

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

1. Summary of Significant Accounting Policies (continued)

Expenditures

Expenditures are recognized when the related fund liability is incurred. Administrative expenses reflect amounts paid or payable to the City of Rexburg. The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Capital Assets

Capital assets such as streets, street improvements, water, sewer and other capital improvements, which the Agency pays for, are donated to the City of Rexburg, Idaho.

Insurance

The Agency is exposed to certain risk of loss due to general liability, wrongful acts, faithful performance and crime. The Agency has elected to transfer these risks through the purchase of insurance from a commercial enterprise. There have been no claims on insurance coverage for the past three years.

Deferred Outflows/Inflows of Resources

In addition to assets the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Agency because it is not considered necessary to assure effective budgetary control or to facility effective cash planning and control.

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

2. Cash and Investments

Deposits

At September 30, 2018, the carrying amount of the Agency's deposits was \$492,119 and the respective bank balances totaled \$492,795. Of the bank balances, \$391,417 was insured or collateralized with pooled securities held by the pledging financial institutions in the name of the Agency.

Custodial Credit Risk, Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. As of September 30, 2018, \$101,378 of the Agency's total deposits of \$492,795 were not covered by the Federal deposit insurance or the Securities Investor Protection Corporation, and thus were exposed to custodial credit risk.

Investments

As of September 30, 2018, the Agency had the following investments:

	WAM S&P		Fair Value	Investment Maturities (in Years)			
	Years	Rating		Less than 1	1-5	6-10	More than 10
State Diversified Bond Fund	4	N/A	\$ 3,859,086	\$ 593,210	\$ 2,445,812	\$ 820,064	\$ -
State Investment Pool	0	N/A	2,004,166	1,890,600	113,566	-	-
			<u>\$ 5,863,252</u>	<u>\$ 2,483,810</u>	<u>\$ 2,559,378</u>	<u>\$ 820,064</u>	<u>\$ -</u>

Custodial Credit Risk Investments

As of September 30, 2018, the Agency's investments were covered by collateral held by the pledging financial institution's trust department or agent in the name of the Agency, and thus had no investments that were exposed to custodial credit risk.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from changes in interest rates, the agency structures its portfolio so that securities mature to meet cash requirements for ongoing operations. The state investment pool is a short-term investment fund in which participants have overnight availability to their funds.

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

2. Cash and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the Agency's policy to limit investments to the safest types and to diversify the Agency's investment portfolio so that potential losses on securities will be minimized. The Agency follows Idaho statute that outlines qualifying investment options.

Summarized cash balances:

Wells Fargo Cash	\$	140,741
DL Evans Reserve		351,378
State Diversified Bond Fund		3,859,086
State Investment Pool		<u>2,004,166</u>
Total Cash and Investments	\$	<u>6,355,371</u>

3. Fair Value Measurements

The Agency has implemented GASB No. 72, *Fair Value Measurement and Application*. This guidance requires government entities to measure investments and certain other items at fair value. The objective is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

GASB No. 72 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

REXBURG URBAN RENEWAL AGENCY**Notes to Financial Statements****September 30, 2018**

3. Fair Value Measurements

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market.

Level 2 Inputs – Inputs other than the quoted process in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

GASB No. 72 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs.

Level 3 was determined by original purchase price as the land had recently been purchased.

Fair value assets measured on a recurring basis at September 30, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
State Diversified Bond Fund	\$ 3,859,086	\$ 3,859,086	\$ -	\$ -
State Investment Pool	2,004,166	2,004,166	-	-
Land	2,261,857	-	-	2,261,857
Total	\$ 8,617,229	\$ 5,863,252	\$ -	\$ 2,261,857

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

4. Long-term Liabilities

The long-term debt of the agency is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>September 30, 2018 Balance</u>
North Highway Revenue Allocation District Revenue Allocation Bonds Series 2010 Dated June 2, 2010 (Original amount - \$4,656,000)	4.06% to 4.47%	2018-2022	\$ 1,734,738
North Interchange Revenue Allocation District Revenue Allocation Bonds Series 2016, Dated September 12, 2016 (Original amount - \$3,500,000)	3.32%	2018-2036	3,500,000
			<u>\$ 5,234,738</u>

The Agency sold revenue allocation (tax increment) bond, Series 2016, in the principle amount of \$3,500,000 on September 12, 2016. The notes mature on September 1, 2036, and the interest rate is 3.32%. There is no current portion of principal because the first principal payment is not due until March 3, 2020.

The Agency paid off the revenue allocation (tax increment) bond, Series 2010, in the principle amount of \$2,754,000 on November 11, 2016. They Agency funded the payoff by entering into revenue allocation (tax increment) refunding bond, Series 2016 in the amount of \$2,553,070. The notes mature on September 1, 2022, and the interest rate averages 2.45%. The current portion of principal is \$417,878 and the long-term portion is \$1,316,890. The refunding was defeasement and reissuance of bonds but there was no monetary increase or decrease for the Agency at the time of refinance. See below for summary of the transaction that took place:

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

4. Long-term Liabilities (continued)

Governmental long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue allocation tax increment bond 2016 N. Highway	\$ 2,142,488	\$ -	\$ (407,750)	\$ 1,734,738	\$ 417,878
Revenue allocation tax increment bond 2016 N. Interchange	3,500,000	-	-	3,500,000	-
Total	<u>\$ 5,642,488</u>	<u>\$ -</u>	<u>\$ (407,750)</u>	<u>\$ 5,234,738</u>	<u>\$ 417,878</u>

Scheduled principal repayments on long-term obligations for the remaining life of the bond are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	417,878	160,905	578,783
2020	583,445	149,626	733,071
2021	599,769	133,301	733,070
2022	616,132	116,938	733,070
2023	171,981	100,120	272,101
2024-2028	951,040	409,463	1,360,503
2029-2033	1,124,168	236,334	1,360,502
2034-2036	770,325	45,977	816,302
	<u>\$ 5,234,738</u>	<u>\$ 1,352,664</u>	<u>\$ 6,587,402</u>

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

5. Subsequent Events

In preparing these financial statements, the management of the Rexburg Urban Renewal Agency has evaluated events and transactions for potential recognition and disclosure through February 8, 2019, the date of the financial statements were available to be issued.

6. Fund Balances

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

Details of constraints on fund balances of governmental funds are on the following page:

REXBURG URBAN RENEWAL AGENCY
Notes to Financial Statements
September 30, 2018

6. Fund Balances (continued)

	North Highway Fund	Washington School Fund	Downtown Fund	University Boulevard Fund	North Interchange Debt Service Reserve Fund	North Interchange Fund	Admin Fund	Governmental Funds	Total
Fund Balances:									
Restricted for:									
University Boulevard area capital improvements	\$ -	\$ -	\$ -	\$ 2,332,795	\$ -	\$ -	\$ -	\$ -	\$ 2,332,795
North Highway area capital improvements	518,295	-	-	-	-	2,956,360	-	-	3,474,655
Washington School area capital improvements	-	1,022,275	-	-	-	-	-	-	1,022,275
Downtown area capital improvements	-	-	1,409,914	-	-	-	-	-	1,409,914
North Interchange area capital improvements	-	-	-	-	351,378	-	-	-	351,378
Admin fund outflows	-	-	-	-	-	-	-	-	-
Debt service payments-	-	-	-	-	-	-	-	-	-
Total restricted	518,295	1,022,275	1,409,914	2,332,795	351,378	2,956,360	26,211	8,591,017	26,211
Unassigned	-	-	-	-	-	-	-	-	-
	\$ 518,295	\$ 1,022,275	\$ 1,409,914	\$ 2,332,795	\$ 351,378	\$ 2,956,360	\$ 26,211	\$ -	\$ 8,617,228

Required Supplementary Information

REXBURG URBAN RENEWAL AGENCY
Budgetary Comparison Schedule

North Highway Fund
Year Ended September 30, 2018

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues	\$ 751,300	\$ 847,029	\$ 95,729
Fund Balance Carryover	5,000	-	(5,000)
	<u>756,300</u>	<u>847,029</u>	<u>90,729</u>
Expenditures	756,300	102,644	653,656
Contingency	-	-	-
	<u>756,300</u>	<u>102,644</u>	<u>653,656</u>
Bond Principal Payments	-	407,750	(407,750)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	-	336,635	336,635
Fund Balance at Beginning of Year	-	181,660	181,660
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 518,295</u>	<u>\$ 518,295</u>

See Independent Auditors' Report

REXBURG URBAN RENEWAL AGENCY
Budgetary Comparison Schedule

Washington School Fund
Year Ended September 30, 2018

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues	\$ 779,100	\$ 183,298	\$ (595,802)
Fund Balance Carryover	-	-	-
	<u>779,100</u>	<u>183,298</u>	<u>(595,802)</u>
Expenditures	779,100	156,601	622,499
Contingency	-	-	-
	<u>779,100</u>	<u>156,601</u>	<u>622,499</u>
Other Financing Sources(Uses)			
Transfers	-	-	-
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	-	26,697	26,697
Fund Balance at Beginning of Year	-	995,578	995,578
Fund Balance at End of Year	\$ -	\$ 1,022,275	\$ 1,022,275

See Independent Auditors' Report

REXBURG URBAN RENEWAL AGENCY
Budgetary Comparison Schedule

Downtown Fund

Year Ended September 30, 2018

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues	\$ 602,000	\$ 641,223	\$ 39,223
Fund Balance Carryover	938,100	-	(938,100)
	<u>1,540,100</u>	<u>641,223</u>	<u>(898,877)</u>
Expenditures	2,000	29,233	(27,233)
Contingency	1,538,100	-	1,538,100
	<u>1,540,100</u>	<u>29,233</u>	<u>1,510,867</u>
Other Financing Sources(Uses)			
Transfers	-	-	-
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	-	611,990	611,990
Fund Balance at Beginning of Year	-	797,924	797,924
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 1,409,914</u>	<u>\$ 1,409,914</u>

See Independent Auditors' Report

REXBURG URBAN RENEWAL AGENCY
Budgetary Comparison Schedule

University Boulevard Fund
Year Ended September 30, 2018

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues	\$ 412,000	\$ 347,008	\$ (64,992)
Fund Balance Carryover	1,600,500	-	(1,600,500)
	<u>2,012,500</u>	<u>347,008</u>	<u>(1,665,492)</u>
Expenditures	400,000	-	400,000
Contingency	1,612,500	-	1,612,500
	<u>2,012,500</u>	<u>-</u>	<u>2,012,500</u>
Other Financing Sources(Uses)			
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	-	347,008	347,008
			-
Fund Balance at Beginning of Year	<u>-</u>	<u>1,985,787</u>	<u>1,985,787</u>
			-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 2,332,795</u>	<u>\$ 2,332,795</u>

See Independent Auditors' Report

REXBURG URBAN RENEWAL AGENCY
Budgetary Comparison Schedule

North Interchange Fund

Year Ended September 30, 2018

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Borrowings	\$ 254,000	\$ 344,724	\$ 90,724
Fund Balance Carryover	2,847,100	-	(2,847,100)
	<u>3,101,100</u>	<u>344,724</u>	<u>(2,756,376)</u>
Expenditures	1,621,800	235,716	1,386,084
Contingency	1,479,300	-	1,479,300
	<u>3,101,100</u>	<u>235,716</u>	<u>2,865,384</u>
Other Financing Sources(Uses)			
Transfers	-	-	-
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	-	109,008	109,008
Fund Balance at Beginning of Year	-	2,847,352	2,847,352
Fund Balance at End of Year	\$ -	\$ 2,956,360	\$ 2,956,360

See Independent Auditors' Report

REXBURG URBAN RENEWAL AGENCY
Budgetary Comparison Schedule

Administration Expenses Fund

Year Ended September 30, 2018

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues	\$ 59,400	\$ 32,096	\$ (27,304)
Fund Balance Carryover	13,700	-	(13,700)
	<u>73,100</u>	<u>32,096</u>	<u>(41,004)</u>
Expenditures	14,500	12,934	1,566
Contingency	58,600	-	58,600
	<u>73,100</u>	<u>12,934</u>	<u>60,166</u>
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	-	19,162	19,162
Fund Balance at Beginning of Year	-	7,049	7,049
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 26,211</u>	<u>\$ 26,211</u>

See Independent Auditors' Report



RUDD & COMPANY^{INC.}

certified public accountants | business consultants

**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
Rexburg Urban Renewal Agency
Rexburg, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rexburg Urban Renewal Agency, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Rexburg Urban Renewal Agency's basic financial statements, and have issued our report thereon dated February 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rexburg 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 Rexburg Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Rexburg 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.

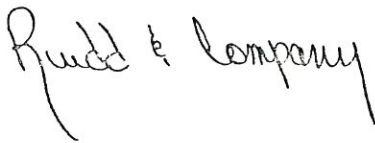
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Rexburg Urban Renewal Agency'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 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.

A handwritten signature in cursive script that reads "Rudd & Company". The signature is written in dark ink and is positioned above the typed name and date.

Rexburg, Idaho
February 8, 2019



RUDD & COMPANY^{LLC}

certified public accountants | business consultants

To the Board of Trustees
of Rexburg Urban Renewal Agency

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rexburg Urban Renewal Agency as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Rexburg Urban Renewal Agency's internal control over financial reporting as a basis for designing 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 Rexburg Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Rexburg 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the board, others within Rexburg Urban Renewal Agency, and is not intended to be, and should not be, used by anyone other than these specified parties.

Rudd & Company, PLLC

Rudd & Company, PLLC

Rexburg, Idaho

February 7, 2019



RUDD & COMPANY^{INC.}

certified public accountants | business consultants

February 8, 2019

To the Board of Trustees and Management
Rexburg Urban Renewal Agency

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rexburg Urban Renewal Agency for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 3, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rexburg Urban Renewal Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by Rexburg Urban Renewal Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management

were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 8, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Rexburg Urban Renewal Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Rexburg Urban Renewal Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the board of trustees and management of Rexburg Urban Renewal Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Rudd & Company, PLLC

Rudd & Company, PLLC