

JEROME COUNTY URBAN RENEWAL AGENCY

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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# Rexroat, Harberd & Assoc., P.A.

## Certified Public Accountants

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February 7, 2019

### Independent Auditors' Report

Board of Commissioners  
Jerome County Urban Renewal Agency  
Jerome, Idaho 83338

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Jerome County Urban Renewal Agency as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Jerome County Urban Renewal Agency's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the major fund of Jerome County Urban Renewal Agency as of September 30, 2018 and 2017, and the respective changes in financial position thereof for the years 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 on pages 14 and 15 and the Notes to Required Supplementary Information on page 16 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 a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not required to be part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019, on our consideration of internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jerome County Urban Renewal Agency's 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 Jerome County Urban Renewal Agency's internal control over financial reporting and compliance.

Reuroat, Harberd & Assoc., P.A.

JEROME COUNTY URBAN RENEWAL AGENCY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018 AND 2017

	September 30,	
<u>ASSETS:</u>	<u>2018</u>	<u>2017</u>
Cash in bank	\$ 59,057	\$ 39,514
Total assets	59,057	39,514
<u>LIABILITIES:</u>		
Accounts payable - trade	967	5,153
Accrued interest payable	139,443	116,318
Long-term liabilities:		
Current portion	-	-
Noncurrent portion	1,882,279	1,882,279
Total liabilities	2,022,689	2,003,750
<u>NET POSITION:</u>		
Unrestricted	(1,963,632)	(1,964,236)
Total net position	\$ (1,963,632)	\$ (1,964,236)

The accompanying notes are an integral part of the financial statements

JEROME COUNTY URBAN RENEWAL AGENCY  
STATEMENT OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Governmental Activities September 30, 2018:</u>				
<u>Functions/Programs</u>				
Urban renewal projects	\$ 127,438	\$ -	\$ -	\$ (127,438)
Total governmental activities	<u>\$ 127,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(127,438)</u>
General Revenues:				
Property taxes				128,042
Other income				-
Total general revenues and special items				<u>128,042</u>
Change in net position				604
Net position at October 1, 2017				<u>(1,964,236)</u>
Net position at September 30, 2018				<u>\$ (1,963,632)</u>
 <u>Governmental Activities September 30, 2017:</u>				
<u>Functions/Programs</u>				
Urban renewal projects	\$ 113,945	\$ -	\$ -	\$ (113,945)
Total governmental activities	<u>\$ 113,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(113,945)</u>
General Revenues:				
Property taxes				103,920
Other income				-
Total general revenues and special items				<u>103,920</u>
Change in net position				(10,025)
Net position at October 1, 2016				<u>(1,954,211)</u>
Net position at September 30, 2017				<u>\$ (1,964,236)</u>

The accompanying notes are an integral part of the financial statements

JEROME COUNTY URBAN RENEWAL AGENCY  
BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

<u>ASSETS:</u>	<u>Area 1</u>	<u>Area 2</u>	<u>Total</u>
Cash in bank	\$ 59,057	\$ -	\$ 59,057
Receivable from Area 2	13,023	-	13,023
<u>TOTAL ASSETS</u>	<u>\$ 72,080</u>	<u>\$ -</u>	<u>\$ 72,080</u>
<u>LIABILITIES:</u>			
Accounts payable - trade	\$ 967	\$ -	\$ 967
Payable to Area 1	-	13,023	13,023
<u>TOTAL LIABILITIES</u>	<u>967</u>	<u>13,023</u>	<u>13,990</u>
<u>FUND BALANCES:</u>			
Committed	71,113	(13,023)	58,090
<u>TOTAL FUND BALANCES</u>	<u>71,113</u>	<u>(13,023)</u>	<u>58,090</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS</u> <u>OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 72,080</u>	<u>\$ -</u>	<u>\$ 72,080</u>
<u>Reconciliation to the Statement of Net Position:</u>			
Total Fund Balances - Governmental Funds			\$ 58,090
Amounts reported for governmental activities in the statement of net position are different because:			
Accounts payable not paid within 60 days after year end are not reported in the funds			-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Accrued interest payable			(139,443)
Note payable - ABC Agra LLC			(1,833,741)
Note payable - Jerome County, Idaho			(48,538)
Total Net Position - Governmental Activities			<u>\$ (1,963,632)</u>

The accompanying notes are an integral part of the financial statements

JEROME COUNTY URBAN RENEWAL AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2018

<u>REVENUE:</u>	<u>Area 1</u>	<u>Area 2</u>	<u>Total</u>
Tax increment revenue	\$ 128,042	\$ -	\$ 128,042
Other	-	-	-
Total revenue	<u>128,042</u>	<u>-</u>	<u>128,042</u>
<u>EXPENDITURES:</u>			
Current:			
Audit/Bookkeeping services	-	-	-
Legal	6,765	-	6,765
Liability insurance	1,201	-	1,201
Publication	651	-	651
Professional services	-	-	-
Secretarial/administrative	2,843	-	2,843
Debt service	93,782	-	93,782
Total expenditures	<u>105,242</u>	<u>-</u>	<u>105,242</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	22,800	-	22,800
<u>FUND BALANCE OCTOBER 1, 2017</u>	<u>48,313</u>	<u>(13,023)</u>	<u>35,290</u>
<u>FUND BALANCE SEPTEMBER 30, 2018</u>	<u>\$ 71,113</u>	<u>\$ (13,023)</u>	<u>\$ 58,090</u>

Reconciliation to the Statement of Activities:

Total net changes in fund balances - governmental funds	\$ 22,800
Prior year accounts payable not paid more than 60 days after year end are not included in the funds	929
Current year accounts payable not paid within 60 days after year end are not included in the funds	(23,125)
Repayment of note principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets	-
	<u>\$ 604</u>

The accompanying notes are an integral part of the financial statements

JEROME COUNTY URBAN RENEWAL AGENCY  
BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

<u>ASSETS:</u>	<u>Area 1</u>	<u>Area 2</u>	<u>Total</u>
Cash in bank	\$ 39,514	\$ -	\$ 39,514
Receivable from Area 2	13,023	-	13,023
<u>TOTAL ASSETS</u>	<u>\$ 52,537</u>	<u>\$ -</u>	<u>\$ 52,537</u>
<u>LIABILITIES:</u>			
Accounts payable - trade	\$ 4,224	\$ -	\$ 4,224
Payable to Area 1	-	13,023	13,023
<u>TOTAL LIABILITIES</u>	<u>4,224</u>	<u>13,023</u>	<u>17,247</u>
<u>FUND BALANCES:</u>			
Committed	48,313	(13,023)	35,290
<u>TOTAL FUND BALANCES</u>	<u>48,313</u>	<u>(13,023)</u>	<u>35,290</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS</u> <u>OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 52,537</u>	<u>\$ -</u>	<u>\$ 52,537</u>
<u>Reconciliation to the Statement of Net Position:</u>			
Total Fund Balances - Governmental Funds			\$ 35,290
Amounts reported for governmental activities in the statement of net position are different because:			
Accounts payable not paid within 60 days after year end are not reported in the funds			(929)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Accrued interest payable			(116,318)
Note payable - ABC Agra LLC			(1,833,741)
Note payable - Jerome County, Idaho			(48,538)
Total Net Position - Governmental Activities			<u>\$ (1,964,236)</u>

The accompanying notes are an integral part of the financial statements

JEROME COUNTY URBAN RENEWAL AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2017

<u>REVENUE:</u>	<u>Area 1</u>	<u>Area 2</u>	<u>Total</u>
Tax increment revenue	\$ 103,920	\$ -	\$ 103,920
Other	-	-	-
Total revenue	<u>103,920</u>	<u>-</u>	<u>103,920</u>
<u>EXPENDITURES:</u>			
Current:			
Audit/Bookkeeping services	2,500	-	2,500
Legal	5,359	2,524	7,883
Liability insurance	1,144	-	1,144
Publication	92	-	92
Professional services	-	-	-
Secretarial/administrative	155	-	155
Debt service	69,147	-	69,147
Total expenditures	<u>78,397</u>	<u>2,524</u>	<u>80,921</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	25,523	(2,524)	22,999
<u>FUND BALANCE OCTOBER 1, 2016</u>	<u>22,790</u>	<u>(10,499)</u>	<u>12,291</u>
<u>FUND BALANCE SEPTEMBER 30, 2017</u>	<u>\$ 48,313</u>	<u>\$ (13,023)</u>	<u>\$ 35,290</u>

Reconciliation to the Statement of Activities:

Total net changes in fund balances - governmental funds	\$ 22,999
Prior year accounts payable not paid more than 60 days after year end are not included in the funds	1,912
Current year accounts payable not paid within 60 days after year end are not included in the funds	(34,936)
Repayment of note principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets	-
	<u>\$ (10,025)</u>

The accompanying notes are an integral part of the financial statements

JEROME COUNTY URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**Note 1 - Summary of Significant Accounting Policies**

**A) Basis of Presentation**

The financial statements of Jerome County Urban Renewal Agency (Agency) are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. GASB is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements.

**B) Financial Reporting Entity**

The Jerome County Urban Renewal Agency was organized in October 2008 under the Idaho Urban Renewal Law of 1965. The Agency is governed by a three to nine person Board of Commissioners appointed by the Jerome County Commissioners.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no entities which would be component units of the Agency.

**C) Government-Wide and Fund Financial Statements**

The Agency's financial statements include the activities of the Agency. The Agency's *government-wide financial statements* provide both short-term and long-term information about the Agency's overall financial status. *Fund financial statements* focus on the individual activities of Agency government, reporting the Agency's operations in more detail than the government-wide financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

The statement of activities presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event that gives rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Amounts reported as program revenues on the government-wide financial statements include (a) charges for services - amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the Agency, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

JEROME COUNTY URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**Fund financial statements.** The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency has two governmental funds, Area 1 and Area 2.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting, focusing on the near-term inflows and outflows of spendable resources, and balances of spendable resources available at fiscal year end.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter (usually 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes are susceptible to accrual. Other receipts become measurable and available when the cash is received by the government and are recognized as revenue at that time.

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

D) Assets, Liabilities, and Net Position/Equity

1. Inventories

The Agency does not capitalize and reflect as inventory, expendable supplies on hand at fiscal year end. Materials and supplies are recorded as expenses of the period.

2. Long-term Debt Obligations

In the government-wide financial statements long-term debt is reported as a liability. Issuance costs are deferred and amortized using the effective interest rate method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and other financing uses, respectively.

3. Property Taxes

Property taxes for each year are levied in September of that year with the first half of real property taxes and all personal property and mobile home taxes due on December 20th. Such taxes not paid on or before December 20th are considered to be delinquent. The second half of the real property taxes are due June 20th of the following year and are considered to be delinquent on June 21st. An initial late penalty of 2% of tax plus 1% per month interest charge is assessed on all delinquent taxes. A tax lien is filed for property whose taxes become three years delinquent. Taxes collected by the County are remitted to the Agency on a monthly basis.

Property taxes receivable for the current year, that are expected to be collected after the available period (usually 60 days), are recorded as unavailable revenue.

JEROME COUNTY URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the funds. This is in conformance with Idaho State Statutes which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

5. Fund Balance

In accordance with GASB Statement No. 54, fund balances are classified as follows:

- *Nonspendable* - This classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* - This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the Agency board. These amounts cannot be used for any other purpose unless the Agency's board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.
- *Assigned* - This classification includes amounts that are constrained by the Agency's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Agency's Board.

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

E) Use of Estimates

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

F) Inter-fund Transactions

On fund financial statements, inter-fund transactions are reflected as either loans or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds." Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

G) Subsequent Events

Management has evaluated subsequent events through the date on the Independent Auditors' Report, the date on which the financial statements were available to be issued.

**Note 2 - Cash and Investments**

Cash includes amounts in demand deposits and short-term investments. Idaho State statute authorizes the Agency to invest in a number of types of investments, including obligations of the U.S. Treasury, the State of Idaho or county, city or other taxing Agencies of the State of Idaho, commercial paper, corporate bonds, and repurchase agreements.

For deposits, custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. At September 30, 2018 and 2017, the carrying amounts of the Agency's deposits with financial institutions (after considering outstanding and other reconciling items) were \$59,057 and \$39,514, respectively, and the bank balances were \$59,091 and \$39,514, respectively. The entire bank balances for both years were covered by federal depository insurance.

JEROME COUNTY URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

The Agency does not have a custodial credit risk policy or a concentration of credit risk policy. Cash and investments are shown at fair value.

**Note 3 - Long-Term Liabilities**

Long-term liability activity for the years ended September 30, 2018 and 2017, were as follows:

<u>Governmental Activities</u>	Balance October 1, 2017	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2018	Amounts Due Within <u>One Year</u>
Note payable to ABC					
Agra, LLC .....	\$1,833,741	\$ ...	\$ ...	\$1,833,741	\$ ...
Jerome County .....	48,538	...	...	48,538	...
	<u>\$1,882,279</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$1,882,279</u>	<u>\$ ...</u>

  

<u>Governmental Activities</u>	Balance October 1, 2016	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2017	Amounts Due Within <u>One Year</u>
Note payable to ABC					
Agra, LLC .....	\$1,833,741	\$ ...	\$ ...	\$1,833,741	\$ ...
Jerome County .....	48,538	...	...	48,538	...
	<u>\$1,882,279</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$1,882,279</u>	<u>\$ ...</u>

Note payable to ABC Agra, LLC - The Agency borrowed \$1,900,000 from ABC Agra, LLC on August 1, 2013, in order to make improvements to Area 1. The interest rate is set at the Prime Rate plus 2% per annum and was 7% and 6.25% at September 30, 2018 and 2017, respectively. Semi-annual payments of 75% of the tax revenue allocation proceeds received are required until the note is paid in full or until December 31, 2032, whichever occurs first. The principal balance as of September 30, 2018 and 2017, was \$1,833,741. Unpaid accrued interest due on the note at September 30, 2018 and 2017, was \$139,443 and \$116,318, respectively.

No amount of the principal balance at each year end was determined to be due within one year as the unpaid accrued interest balance for each year was in excess of the full amount of the estimated payment to be made in the subsequent year. In addition, no principal and interest requirements to maturity are listed as the future payments are subject to uncertainty.

At September 30, 2018 and 2017, the Agency was not in compliance with the repayment terms of the promissory note as only one annual payment had been made in February of each year instead of the required semi-annual payments. As of the date of the auditors' report, no action had been taken by ABC Agra, LLC against the Agency.

Payable to Jerome County - The Agency has an unsecured payable to Jerome County which was provided in order to pay for the costs of establishing the Agency. There are no terms for repayment of the loan. The principal balance as of September 30, 2018 and 2017, is \$48,538.

**Note 4 - Risk**

The Agency is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to cover these risks.

**Note 5 - Interest Expense**

Interest expense of \$23,087 and \$33,970 for September 30, 2018 and 2017, respectively, is included under direct expenses for each applicable year on the Statement of Activities.

**Note 6 - Deficit Fund Balance**

A deficit net position is reported at September 30, 2018 and 2017, on the Statement of Net Position. A deficit fund balance is reported for Area 2 at September 30, 2018 and 2017, on the Balance Sheet.

**Note 7 - Inter-Fund Receivables, Payables and Transfers**

At September 30, 2018 and 2017, Area 2 owed \$13,023 to Area 1. The balance is not expected to be repaid within one year following year end. The transfers were made to pay for legal expenses incurred by Area 1 on behalf of Area 2.

JEROME COUNTY URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**Note 8 - Prior Period Adjustment**

The Agency has determined that the principal balance and accrued interest owed to ABC Agra LLC was incorrect at September 30, 2016 and 2015. The error resulted in an understatement of net position of \$77,289 and \$70,873 at September 30, 2016 and 2015, respectively. To correct this error, the beginning net position of \$(2,031,500), as originally reported, at October 1, 2016, has been increased to \$(1,954,211).

JEROME COUNTY URBAN RENEWAL AGENCY  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUNDS - AREA 1  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts	With Final
			Budgetary	Budget Over
			<u>Basis</u>	<u>(Under)</u>
<u>REVENUE:</u>				
Tax increment revenue	\$ 100,000	\$ 100,000	\$ 128,042	\$ 28,042
Other	-	-	-	-
Total revenue	<u>100,000</u>	<u>100,000</u>	<u>128,042</u>	<u>28,042</u>
<u>EXPENDITURES:</u>				
Audit/Bookkeeping services	3,000	3,000	-	(3,000)
Legal	20,000	20,000	6,765	(13,235)
Liability insurance	1,250	1,250	1,201	(49)
Miscellaneous expense	100	100		(100)
Publication	1,000	1,000	651	(349)
Professional services	10,000	10,000	-	(10,000)
Secretarial/administrative	1,000	1,000	2,843	1,843
Debt service	<u>75,000</u>	<u>75,000</u>	<u>93,782</u>	<u>18,782</u>
Total expenditures	<u>111,350</u>	<u>111,350</u>	<u>105,242</u>	<u>(6,108)</u>
<u>EXCESS (DEFICIENCY) OF REVENUE</u>				
<u>OVER EXPENDITURES</u>	<u>\$ (11,350)</u>	<u>\$ (11,350)</u>	<u>\$ 22,800</u>	<u>\$ 34,150</u>

JEROME COUNTY URBAN RENEWAL AGENCY  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUNDS - AREA 1  
YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Budgetary	With Final Budget Over (Under)
<u>REVENUE:</u>				
Tax increment revenue	\$ 125,000	\$ 125,000	\$ 103,920	\$ (21,080)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>125,000</u>	<u>125,000</u>	<u>103,920</u>	<u>(21,080)</u>
<u>EXPENDITURES:</u>				
Audit/Bookkeeping services	1,000	1,000	2,500	1,500
Legal	15,000	15,000	5,359	(9,641)
Liability insurance	1,200	1,200	1,144	(56)
Publication	1,000	1,000	92	(908)
Professional services	15,000	15,000	-	(15,000)
Secretarial/administrative	300	300	155	(145)
Debt service	<u>93,750</u>	<u>93,750</u>	<u>69,147</u>	<u>(24,603)</u>
Total expenditures	<u>127,250</u>	<u>127,250</u>	<u>78,397</u>	<u>(48,853)</u>
<u>EXCESS (DEFICIENCY) OF REVENUE</u>				
<u>OVER EXPENDITURES</u>	<u>\$ (2,250)</u>	<u>\$ (2,250)</u>	<u>\$ 25,523</u>	<u>\$ 27,773</u>

JEROME COUNTY URBAN RENEWAL AGENCY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2018 AND 2017

**NOTE 1 - BUDGETARY INFORMATION**

A) Budgetary-GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedules compare the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis do not differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP).

B) Budgetary Policies

Jerome County Urban Renewal Agency prepares an annual budget of revenue and expenditures prior to the beginning of the fiscal year. The budget is prepared on the modified accrual basis of accounting. Budget figures are based on prior levels of revenue and expenditures taking into account specific items which may be planned in advance by the Agency such as capital outlay expenditures. Any excess of budgeted expenditures over budgeted revenue are temporary situations and are budgeted so as to utilize cash balances in the individual fund. No budget was approved for Area 2 for the years ended September 30, 2018 or 2017.

C) Excess of Expenditures Over Revenue

The Budgetary Comparison Schedule shows budgeted expenditures in excess of budgeted revenue by \$11,350 and actual revenue in excess of expenditures of \$22,800 for the year ended September 30, 2018.

The Budgetary Comparison Schedule shows budgeted expenditures in excess of budgeted revenue by \$2,250 and actual revenue in excess of expenditures of \$25,523 for the year ended September 30, 2017.

# Rexroat, Harberd & Assoc., P.A.

## Certified Public Accountants

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February 7, 2019

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

Board of Commissioners  
Jerome County Urban Renewal Agency  
Jerome, Idaho 83338

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 the major fund of Jerome County Urban Renewal Agency as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 7, 2019.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the next paragraph, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the Agency's lack of ability to prepare financial statements in conformity with generally accepted accounting principles to be a material weakness.

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Jerome County Urban Renewal Agency's Response to Findings**

The Jerome County Urban Renewal Agency's response to the findings identified in our audit is described below. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Response of Jerome County Urban Renewal Agency:* "We are hiring the auditor to assist us in preparing the financial statements as we do not have the expertise to do this ourselves. We consider this to be the best solution to our situation and, though we acknowledge that technically we have a material weakness in our internal control over financial reporting, we do not intend on making any changes at this time."

**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 Agency'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.

Rexroat, Harberd & Assoc., P.A.