

**Greater Boise Auditorium District  
Financial Statements**

**Year Ended November 30, 2017  
(with Independent Auditors' Report thereon)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Greater Boise Auditorium District  
Boise, Idaho

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Governmental Fund, and the Proprietary Fund of the Greater Boise Auditorium District, as of and for the year ended November 30, 2017, 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.

### ***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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the 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, the business-type activities, the Governmental Fund, and the Proprietary Fund of the Greater Boise Auditorium District as of November 30, 2017, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Boise, Idaho

## **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 information on pages 3-16 and 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who consider 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 information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greater Boise Auditorium District's basic financial statements. The Budgetary Comparison Schedule – Proprietary Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule – Proprietary Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Proprietary Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2018, on our consideration of Greater Boise Auditorium District'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 Greater Boise Auditorium District's internal control over financial reporting and compliance.

*Price & Associates, Ltd.*

Boise, Idaho  
April 6, 2018

**GREATER BOISE AUDITORIUM DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**NOVEMBER 30, 2017**

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The following is a discussion and analysis of the Greater Boise Auditorium District ("the District") annual financial performance for the fiscal year ended November 30, 2017, which includes a narrative overview and analysis of the District's financial activities. The information is provided by the management in accordance with Governmental Accounting Standards Board (GASB) requirements to assist the reader in identifying and reviewing key issues and financial activity. Since this discussion and analysis focuses on the current fiscal year's activities and is a summary, the reader is encouraged to review the financial statements and notes which follow this section to gain a complete understanding of the District's finances.

### **Financial and Operational Highlights**

- **2017 experienced record tax and operating revenues with a three year compounded annual growth rate (CAGR) in excess of 13.8%.**
- **The District reflects an ending net position of \$47.5 million, centered in operating assets, committed support for the Boise Centre, and expansion activities.**
- **Cash and investments are \$18.1 million, and 25% of total assets, after funding \$11.7 million in capital projects.**
- **The District successfully executed the completion of the remodel of the Summit theater room, converting the underutilized space into a junior ballroom, additional meeting space and office space.**
- **The Visitor's Center was relocated to a more central location on the Grove Plaza, to improve visitor access.**
- **The concourse and sky bridge were completed, which joins Boise Centre East and Boise Centre West, to create a cohesive feel between the existing and new facilities.**
- **The Boise Centre excelled in managing the largest convention in its history, spanning 4 days, with 1,500 registered attendees from all 50 states and several countries.**
- **309 conventions and meetings, a 14.4% increase, reached a post recession high, and increased utilization by 35.9%.**
- **Boise Centre operations and events generated over \$22 million in economic impact in 2017 (based on the 2015 Boise State University Impact Model.)**
- **Total employees increased 24.2%, from 37 to 46 full time employees and 120 to 149 part time employees.**

# GREATER BOISE AUDITORIUM DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### NOVEMBER 30, 2017

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#### Introduction

##### *District*

Created in June 1959 with overwhelming support from voters, the Greater Boise Auditorium District is dedicated to promoting economic activity and growth in the Boise area. Its purpose, as outlined in Idaho Code, is to “serve the public need and promote the prosperity, security, and general welfare” of the District’s residents. The District is authorized to build, operate, maintain, market and manage public auditoriums, exhibit halls, convention centers, sports arenas, and similar facilities.

Members of the Greater Boise Auditorium District Board are publicly elected officials serving six-year terms with elections held every two (odd) years. The Board’s role is to oversee the operating entity of the District, Boise Centre (“the Centre”), and provide governance and guidance on District matters.

As established by state statute, the District has the power to assess a tax on lodging room rentals located within its boundaries. The rate is set at the discretion of the Board of Directors and limited by statute not to exceed 5.0%. The rate is currently at 5.0%. The District does not have any other taxing authority and none of its revenues come from property tax, sales tax, levies, fees or bonds paid by taxpayers.

The District boundaries include approximately 115 square miles in the Northeast portion of Ada County and encompasses the city limits of Boise and surrounding areas.

##### *Boise Centre*

In 1990, the Greater Boise Auditorium District completed construction of Boise Centre—the District’s only operating entity and Idaho’s largest convention facility. The Boise Centre is the community’s premier provider of public gathering places. Our collection of distinct, high quality spaces is essential to our community’s ability to engage and prosper. Through the years, Boise Centre has proven to be a vital component of the city’s economic health, annually drawing thousands of visitors, who spend monies for hotels, restaurants, and transportation. Tourists also actively engage in entertainment, retail and recreational activities.

Prior to 2016, the Boise Centre offered 45,000 square feet of exhibit/meeting space, including a 24,500 square foot ballroom, 13,000 square feet of pre-function space, 20 meeting rooms, a 349-seat auditorium, banquet seating and kitchen facilities, three loading bays and a drive-up ramp. The Boise Centre had operated at or near practical capacity for several years, which resulted in an inability to meet demand for convention space and prevented the Centre from pursuing larger and more lucrative events, which stifled the economic impact of the facility.

In 2012, a market feasibility study indicated that additional space would be required to materially increase Boise Centre activity. Following several years of planning, Gardner Construction, CCDC, the City of Boise, and the Valley Regional Transit completed a plan and construction started. Phase I added 36,000 square feet of flexible meeting and event space, which allows the Boise Centre to hold multiple conventions and other events, simultaneously, or combine both facilities to accommodate larger groups. In September 2016, the District celebrated the opening of Boise Centre East, and the fourth floor of the Clearwater building, the first of a multi-phase expansion. In 2017, Phase II of the expansion was completed, adding 5,000 square feet, by converting the Summit theater room into two stories, adding a junior ballroom, meeting space and staff offices. The concourse and sky bridge were also completed, which connected the existing and new facilities, creating a cohesive feel among the spaces.

Phase III remains underway and will be completed in mid-2018, consisting of a variety of smaller projects, to include remodeling of existing bathrooms, additional security features for the Boise Centre West, additional lighting, audio visual projects and kitchen wares.

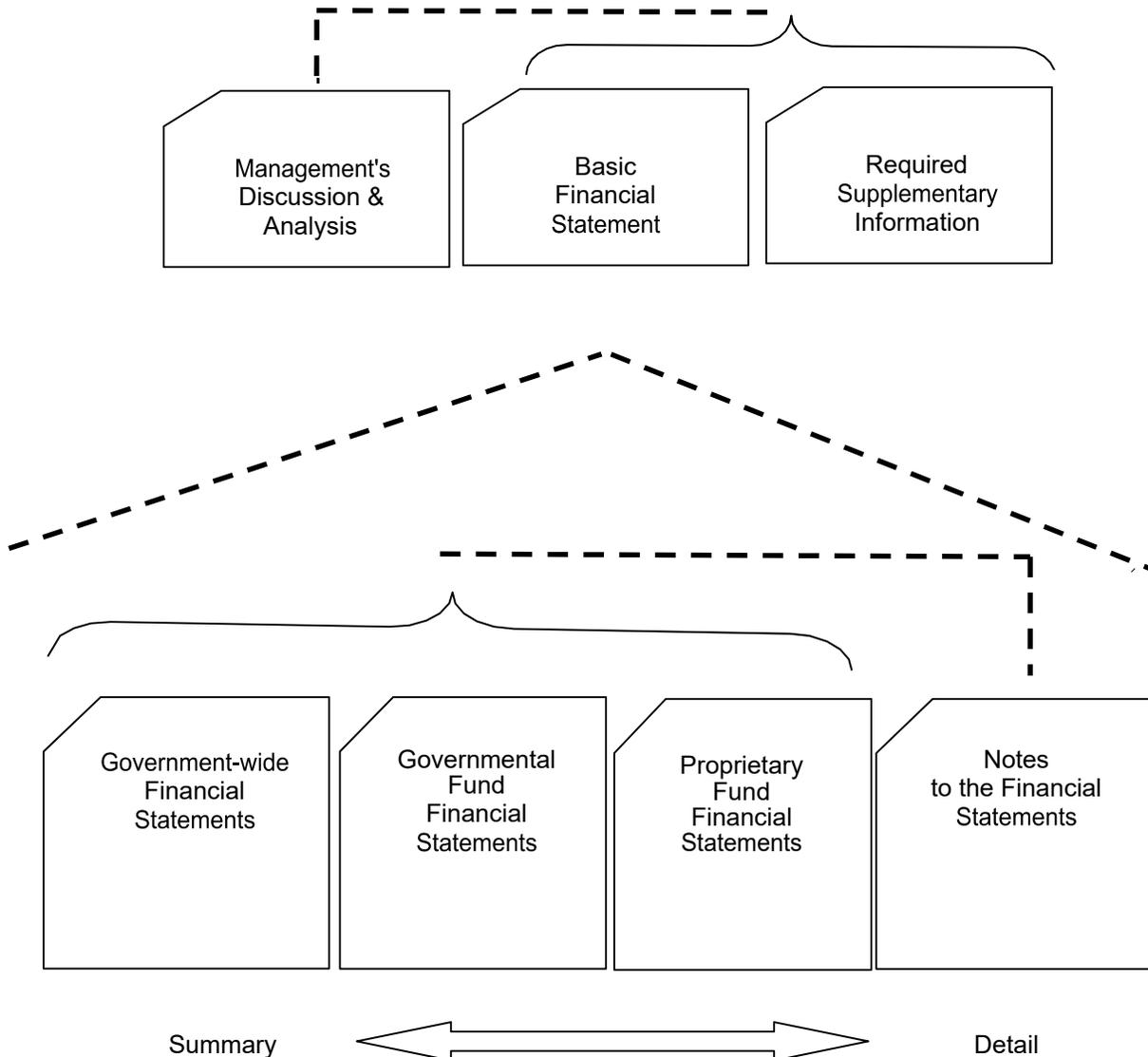
**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Basic Financial Statements**

In general, the purpose of financial reporting is to provide users of financial statements with information that will help them make decisions or reach conclusions about a reporting entity. Outside parties use the District's financial statements; however, they do not always use them for the same purpose. In order to address the needs of financial statement users, the District, in accordance with generally accepted accounting principles (GAAP) and as prescribed by GASB presents four parts: (1) management discussion & analysis, (2) basic financial statements, (3) notes to the financial statements and (4) required supplementary information. The format of this report allows the reader to examine combined financial statements to view the District as a whole (government-wide) as well as information separately on the governmental fund and proprietary fund.

Viewing governmental activity both as a whole and by fund gives the reader a broader perspective, increases the District's accountability and provides a more complete picture of the financial health and activities of the District. Figure A illustrates how the required parts of this annual report are arranged and relate to one another.

**Figure A - Required Components of District Annual Financial Report**



**GREATER BOISE AUDITORIUM DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**NOVEMBER 30, 2017**

Figure B identifies the basis of the presentation of the District's financial statements.

**Figure B - Major Features of District’s Government-wide and Fund Financial Statements**

	Government-wide Statements	Governmental Fund	Proprietary Fund
Scope	District government and proprietary funds	The activities of the District that are not proprietary	The activities of the Boise Centre are reported in the proprietary fund
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenditures and Changes in Net Position; Statement of Cash Flows
Accounting basis/ measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

The remainder of this overview section of Management’s Discussion and Analysis explains the structure and content of each of the statements.

**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

***Government-wide statements***

The government-wide financial statements focus on the District's overall financial position and activities and include *the statement of net position and the statement of activities*. These financial statements report on the primary government and its governmental and business-type activities.

The purpose of the *statement of net position* is to report all of the District's assets and liabilities, with the difference between the two classified as net position. This statement presents information about the nature and amounts of investment in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the District.

The purpose of the *statement of activities* is to present the District's revenues and expenses. The difference between revenues and expenses is reported as a "change in net position". All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses reported in this statement also include items that will result in cash flows in future fiscal periods (for example, uncollected taxes).

The statement of activities demonstrates the degree to which expenses of governmental activities and business-type activities are offset by tax and program revenues. Governmental activities include the District's basic functional services which are generally funded through taxes. Business-type activities include enterprise operations which are funded by charges to customers who purchase, use or directly benefit from goods or services provided by Boise Centre. Such fees do not cover all of the costs of operations and are subsidized by the District's taxes.

***Fund Financial Statements***

Unlike the government-wide financial statements, the fund financial statements focus on specific District activities rather than the District as a whole. Specific funds are established to maintain managerial control over resources or to comply with legal requirements established by external parties, governmental statutes or regulations. A fund is a self-balancing set of accounts that is used to keep track of specific revenues and expenditures related to certain activities or objectives.

The District presents the following fund types:

***Governmental Fund***

Financial statements of the governmental fund consist of a *balance sheet* and a *statement of revenues, expenditures and changes in fund balance*. These statements are prepared using a basis of accounting which differs from that used to prepare the government-wide statements. Financial statements of governmental funds focus primarily on the sources, uses and balances of current financial resources and use the modified accrual basis of accounting. (Meanwhile, government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting.) Financial statements of governmental funds have a short-term emphasis and generally measure and account for cash and other assets that can easily be converted to cash. As such these statements present the District's financial position at the end of the fiscal year and how the governmental activities were financed during the year.

**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

The balances and activities accounted for in governmental funds are also reported in the governmental activities column of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences in the totals presented in the financial statements. Therefore, an analysis is presented at the bottom of the balance sheet of the governmental funds, which reconciles the total fund balance to the amount of net position presented in the governmental activities column of the statement of net position. In addition, there is an analysis following the statement of revenues, expenditures, and changes in fund balance that reconciles the total net change in fund balance for governmental funds to the change in net position as reported in the governmental activities column of the government-wide statement of activities.

The Governmental Fund presents all financial resources of the District except those required to be presented in another fund. The Governmental Fund consists of the General Fund of the District, which is used to present all operating activity and financial resources. There are no additional governmental funds utilized by the District.

*Proprietary Fund*

Financial statements of proprietary funds consist of a *statement of net position*, a *statement of revenues, expenses and changes in net position*; and a *statement of cash flows*. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. The statements focus on the flow of economic resources measurement. Under this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on their respective statements of net position. Net position of proprietary funds is segregated into net investment in capital assets, restricted and unrestricted components. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred. The related operating statements of the proprietary fund presents increases (revenues) and decreases (expenses) in net position.

Proprietary funds classify revenues and expenses as either operating or nonoperating. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The Proprietary Fund presents the business-type activities separately from the Governmental Fund. The financial statements of the District's Proprietary Fund present the changes in financial position and condition of the District's Proprietary Fund, the Boise Centre.

**Notes to the Financial Statements**

The notes to the financial statement present additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Readers are encouraged to read the notes to better understand the financial statements.

**Other Information**

In addition to the financial statements and accompanying notes, this report also contains information concerning the performance of the funds in comparison to budget and other information that is considered useful to the reader. The comparison of budget to actual for the Boise Centre is not required supplemental information.

**GREATER BOISE AUDITORIUM DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**NOVEMBER 30, 2017**

**OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND OPERATIONS**

The District's overall financial position has improved as a result of the year's activities. The District's financial position and operations are summarized for the past two years in the following tables.

**Financial Highlights and Analysis**  
**Condensed Combined Statement of Net Position – Primary Government**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 18,442,596	\$ 26,382,591	\$ 3,000,852	\$ 4,351,665	\$ 21,443,448	\$ 30,734,256
Capital assets	264,115	3,574,903	50,552,859	37,238,950	50,816,974	40,813,853
Total assets	18,706,711	29,957,494	53,553,711	41,590,615	72,260,422	71,548,109
<b>Liabilities</b>						
Other liabilities	431,710	911,118	1,088,600	928,673	1,520,310	1,839,791
Capital lease payable	-	-	23,233,636	24,158,505	23,233,636	24,158,505
Total liabilities	431,710	911,118	24,322,236	25,087,178	24,753,946	25,998,296
<b>Net Position</b>						
Net investment in capital assets	264,115	3,574,903	27,124,205	13,080,445	27,388,320	16,655,348
Restricted	250,000	250,000	-	-	250,000	250,000
Unrestricted	17,760,886	25,471,473	2,107,270	3,422,992	19,868,156	28,894,465
	<u>\$ 18,275,001</u>	<u>\$ 29,296,376</u>	<u>\$ 29,231,475</u>	<u>\$ 16,503,437</u>	<u>\$ 47,506,476</u>	<u>\$ 45,799,813</u>

**Condensed Statement of Activities – Primary Government**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Convention activities	\$ -	\$ -	\$ 5,721,469	\$ 4,737,890	\$ 5,721,469	\$ 4,737,890
General revenues:						
District taxes	7,068,249	6,323,390	-	-	7,068,249	6,323,390
Investment earnings	74,878	84,304	-	-	74,878	84,304
Gain (loss) on disposition	-	2,754,894	(159,076)	-	(159,076)	2,754,894
Other	-	37,883	112,509	25,367	112,509	63,250
Total revenues	7,143,127	9,200,471	5,674,902	4,763,257	12,818,029	13,963,728
<b>Expenses</b>						
Convention activities	-	-	10,583,922	6,933,384	10,583,922	6,933,384
Governmental activities	277,444	125,480	-	-	277,444	125,480
Total expenses	277,444	125,480	10,583,922	6,933,384	10,861,366	7,058,864
Change in net position before transfers	6,865,683	9,074,991	(4,909,020)	(2,170,127)	1,956,663	6,904,864
Transfers, net	(17,637,058)	(11,571,194)	17,637,058	11,571,194	-	-
<b>Change in net position</b>	<u>\$ (10,771,375)</u>	<u>\$ (2,496,203)</u>	<u>\$ 12,728,038</u>	<u>\$ 9,401,067</u>	<u>\$ 1,956,663</u>	<u>\$ 6,904,864</u>

**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

**Financial Analysis of the Government as a Whole**

Current and other assets consist of cash and cash equivalents, receivables, deposits, prepaid expenditures and intangible assets. Capital assets consist of land, buildings and improvements, furniture and equipment, and construction in process, net of respective depreciation. Other liabilities consist of accounts payable, event deposits, accrued expenses and a capital lease. Such amounts may vary from prior years due to District projects, Boise Centre contracted events, and events in process.

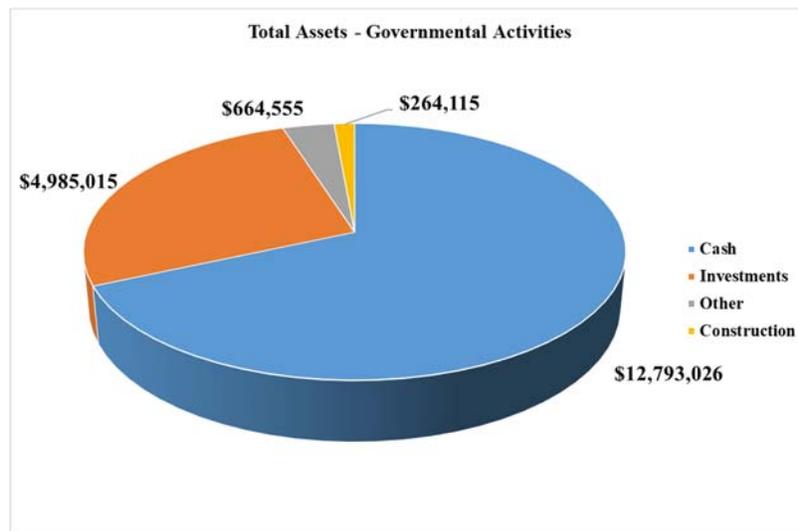
The District's combined assets exceeded its liabilities by \$47,506,476. The largest portion of the District's net position is held in cash, investments and current assets, which represents 42.3% (net of current liabilities) of the total net position. The remaining portion of the District's net position is invested in capital assets, committed projects, operating needs, and third party restrictions. The 4.3% increase in the net position of \$1,956,663 is due to the retention of funds in excess of construction, capital and operating expenditure requirements.

Revenues are generated from lodging room taxes and proprietary fund operations, which charges for room rental and event services of the Boise Centre. Expenditures consist of operating expenses of the District and the Boise Centre and construction activities. Expenditures in excess of revenues for the Boise Centre are funded from transfers from the District.

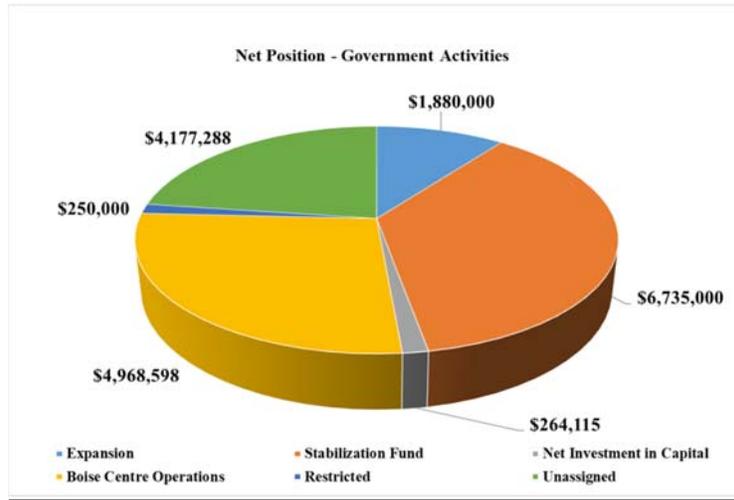
*Governmental Activities (District)*

Current and other assets consist of cash and cash equivalents, room tax and interest receivables, expense reimbursements, and assets under construction. Capital assets consist of construction in progress related to lighting, security, and the remodel of the lobby and restrooms in the Boise Centre West building. Other liabilities consist of accounts payable, intercompany payables and accrued expenses. These amounts may vary from prior years due to continued District projects.

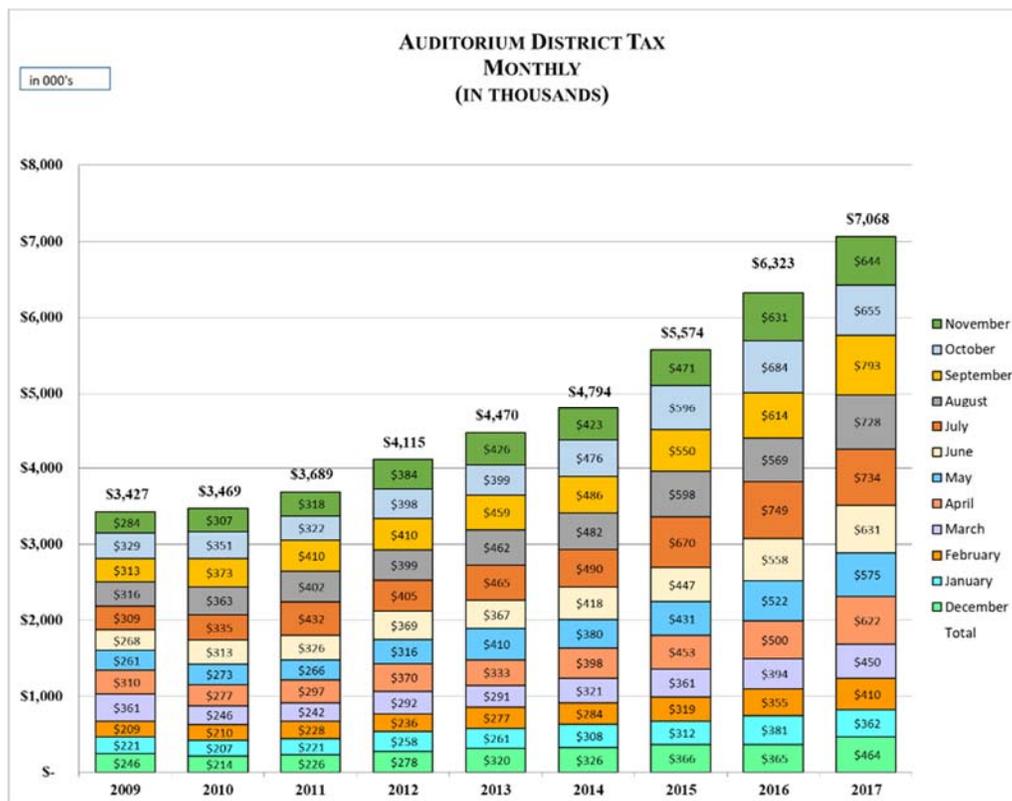
The Governmental Activities assets exceed its liabilities by \$18,275,001. The largest portion of the District's net position is held in cash and investments, which is 95.9% of total net position. The District's net position is primarily committed to a stabilization fund, construction in process and operating and capital requirements of the Boise Centre. The decrease in the net position over the prior year is due to the transfer of completed construction projects to the Boise Centre. Regardless, liquidity should remain sufficient to fund anticipated future cash needs



# GREATER BOISE AUDITORIUM DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS NOVEMBER 30, 2017



For nine years, the District's lodging room tax receipts have steadily climbed to record high levels. Since the beginning of the economic recovery in 2009, tax receipts have increased at a compounded annual growth rate (CAGR) of 9.5%, while 2017 collections increased 11.8%. Increases in the average daily rate and demand for lodging space within the District boundaries has resulted in increased hotel revenues, which typically results in increased lodging room tax receipts.

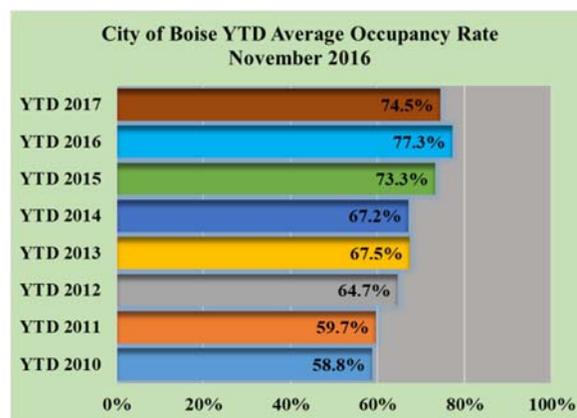
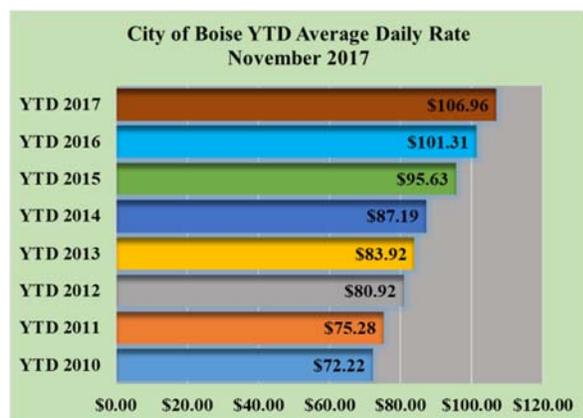


**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

Several other factors also contributed to the growth: the increase in the number of events at the Boise Centre, bringing a larger number of delegates and visitors requiring hotel accommodations, numerous sports events held in the third and fourth quarter, generating weekend demand for hotel rooms, Boise’s strong business climate and overall population growth. In March 2018, Forbes listed Boise as the #1 fastest growing city out of the 100 largest cities in the United States, citing location, low cost and a healthy tech presence as the reasons for the growth.

In 2017, three new hotels also opened within the District’s boundaries and are in close proximity to the Boise Centre, which adds to the appeal of the expanded facility. These new hotels were the first to open in downtown Boise in the past decade. In addition, two new hotels are under construction, to open in mid-2018.

According to the Smith Travel Research November 2017 report, the average daily rate for hotel rooms, within the District’s boundaries, increased 5.6%, from \$101.31 in 2016, to \$106.96 in 2017. This is the first time the average daily rate exceeded \$100.00 in nine out of twelve months. In addition, annual hotel room demand increased 2.5%. Meanwhile, room supply increased 6.7%, which caused annual occupancy rates to decline 3.6%, from 77.3% in 2016 to 74.5% in 2017.



Source: STR Trend Report, November 2017

Operating and expansion expenses for the District increased from 2016 by \$138,338, due to legal expenses, the grand opening of the new facility, and guest service expenses.

The District also supports the Boise Centre proprietary fund through cash operating and capital transfers. The District invests in capital improvements as needed to support the proprietary fund.

*Business -type Activities (Boise Centre)*

Current assets of the Boise Centre consist of cash, cash restricted for debt payments, accounts receivable, prepaid expenses, deposits on equipment purchases, and inventory. Cash increased over the prior year as a large receivable was collected; these funds were moved into the debt service fund to pay capital lease payments for 2018. Unrestricted cash was used to purchase equipment and expenses related to the expansion. Fixed assets increased substantially as completed construction projects were transferred from the District and put into service in the Boise Centre. Current liabilities consist of accounts payable, deposits on events, and other accrued expenses. The net position increased substantially due to the capital transfers from the District upon completion of the construction.

**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

The Boise Centre utilizes a 20 year capital plan, which is updated annually. While the capital plan is subject to change, the capital plan reflects anticipated improvements and replacements. Within the capital plan, the goal to maintain the facilities with modern design aesthetics, enhanced technology to improve the guests’ experience, state of the art security, and innovation around food and beverage, to remain competitive with the industry. Cash flow is also evaluated to determine the timing and scope of the capital needs.

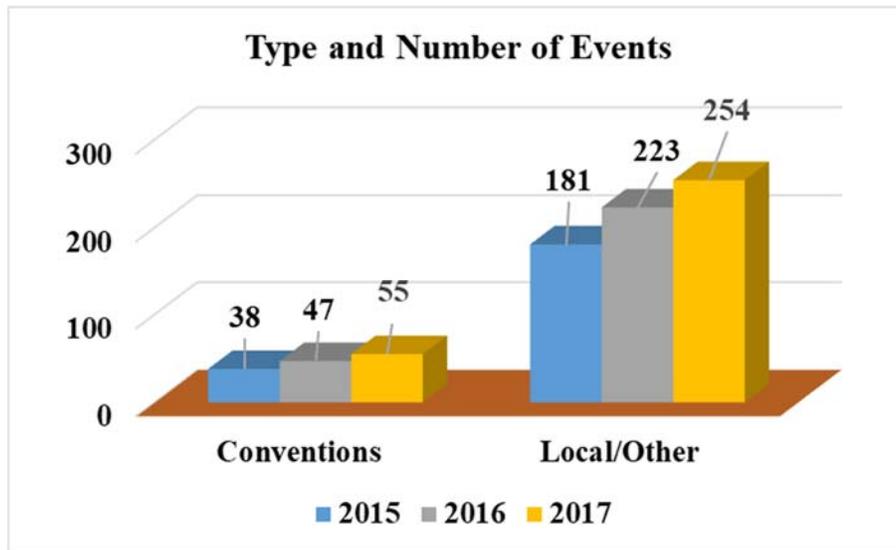
One of the purposes of the Boise Centre is to create positive economic impact within the Treasure Valley. With the expansion, rebounding economy, and continued marketing efforts, the Boise Centre experienced a 16.4% increase in event days, a 14.4% increase in the number of events and an 11.8% increase in total attendance.

Below is a comparison to 2015, 2016 and 2017:

	Event Days*	# of Events	Total Attendance
2015	353.50	219	136,541
2016	437.25	270	144,037
2017	509.00	309	161,028

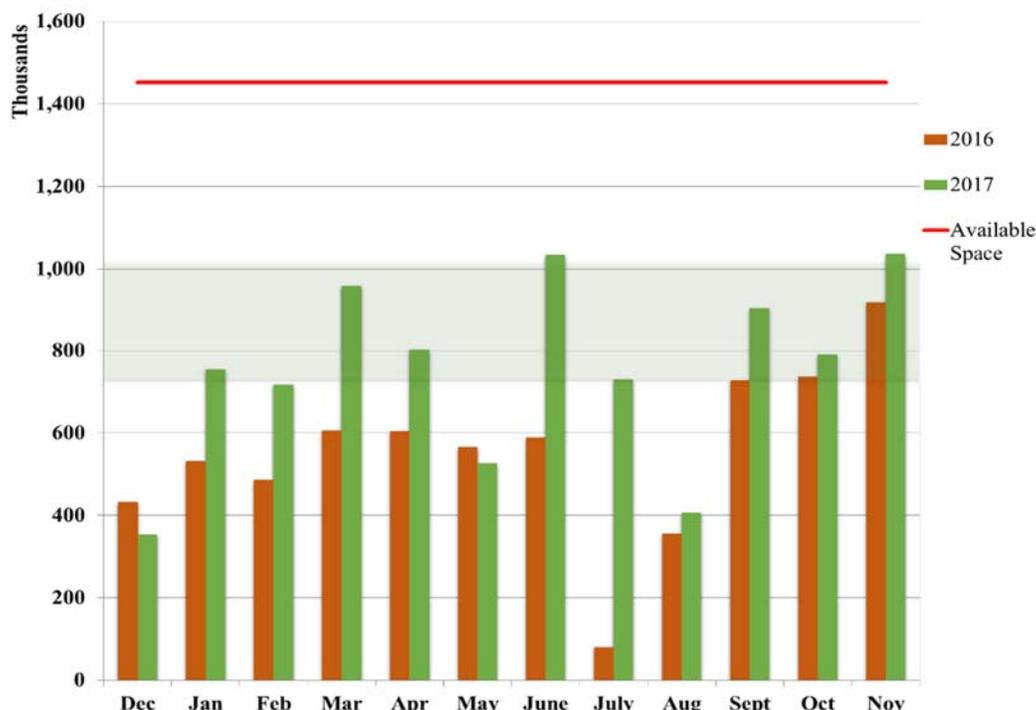
\*Multiple events may be held on any given day, which results in event days exceeding 365 days.

The following chart shows the number and types of events.



**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

Utilization for 2017 increased by 35.9%, from 6.6 million square feet to 9.0 million square feet. Based on a CSL Feasibility Study dated December 2017, targeted utilization for the hospitality industry ranges from 50%-70% (green shaded area in chart below.). Convention spaces tend to fall in the lower range of the target area and targeted utilization is lower than available space due to move in and move out days, holidays, holiday weeks, Sundays, and high tourism months which result in lower meeting and convention demand.



The Centre is managed by an Executive Director, Director of Finance, Director of Human Resources, Director of Sales and Marketing, Assistant Executive Director, Director of Operations, and the Director of Food and Beverage. The Centre employs 46 full-time and 149 part-time staff organized into the above departments. The training and development of Boise Centre employees remain a focus to ensure a high-quality experience for our guests. Employees are certified in various programs such as first aid/CPR, TIPS, Serve Safe and other industry specific training. Additionally, managers attend seminars and conventions for further professional development and to keep pace with industry trends and knowledge.

In 2017, staff levels increased by 24%, due to higher utilization, events and types of events. With lower unemployment and rising wages within the service industry, staffing and related expenses continue to be a challenge. The Boise Centre has developed a program to maintain a desirable work place, which has helped with recruiting and retention. Due to this investment in staffing, service levels and customer satisfaction ratings were maintained throughout the expansion and operational growth.

Due to the increased number and size of events coupled with the higher number of conventions, convention and meeting revenues increased \$983,580, a 20.8% increase. The gross margin at 33.8%, while lower than prior year, was successfully managed throughout the year to achieve budget. Meanwhile, due to increased revenues, the gross profit exceeded budget by \$334,758. Sales, general and administrative expenses also increased due to the expansion, which included higher marketing, labor and building costs. Due to historical as well as budgeted operating losses before depreciation, certain operating and capital requirements for Boise Centre are funded by the District.

**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

The following amounts were transferred in (out) of the Boise Centre as of the years ended November 30, 2017 and 2016, respectively:

	2017	2016
Operating Transfers:		
Funds transferred for operating	\$ 392,543	\$ 1,594,180
Funds transferred for lease payments	1,718,575	285,024
Total Operating Transfers	2,111,118	1,879,204
Funds transferred for capital	560,219	2,068,820
Total operating and capital transfers	\$ 2,671,337	\$ 3,948,024
Non-cash transfers:		
Transfer of Concourse To Centre	7,070,165	-
Transfer of Junior Ballroom, Meeting, Offices	7,295,192	-
Other Capital Projects	600,364	-
Transfer of Clearwater Building to Centre	-	6,456,126
Transfer of Boise Centre East to Centre	-	1,167,044
Total Non-cash transfers	\$ 14,965,721	\$ 7,623,170
Total transfers	\$ 17,637,058	\$ 11,571,194

Transfers in 2017 to cover operating costs were lower as beginning cash in the Centre was higher than historical levels. Operating transfers for leases increased in 2017 as this was the first full year of payments. Funds transferred for capital were also significantly lower than 2016, as \$1.3 million of the expansion capital was funded by the Boise Centre in 2016.

**Sustainability**

Boise Centre actively participates in recycling and sustainability programs. Programs included:

- Local purchasing from farms, vineyards and suppliers,
- Use of biodegradable plastic and paper made from recycled materials,
- 45,960 lbs. recyclable paper and aluminum,
- 2,980 lbs. of donated food, and
- Ongoing improvements in energy efficiency and water usage.

**Significant Budget Variances**

*General Fund (District)*

*Revenues*

District taxes were \$7,068,249, and 25.1% above budget, due to higher lodging demand and room rates.

*Operating and Expansion Expenses*

Operating and expansion expenses for the District were \$277,444 and 41.8% below budget, due to lower professional fees related to legal and general expenses.

*Transfers*

Cash operating transfers were \$2,131,882 under budget due to lower cash needs by the Boise Centre. Capital transfers were also under budget, as many of the capital needs were met in the construction phases. The non-cash transfers were also under budget as construction costs were controlled and there remains \$1.6 million of budgeted construction in progress.

**GREATER BOISE AUDITORIUM DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2017**

*Proprietary Fund (Boise Centre)*

*Revenues*

The Centre revenues were higher than budget by \$999,089, due to more events, and larger events as a result of the expansion of the new facility.

*Cost of Sales*

Direct labor and costs for convention activities were under budget by \$664,331.

- As a percentage of sales, direct labor was 40.6%, compared to budgeted labor at 41.3%. Direct labor is largely a variable expense, and was \$372,795 over budget, due to higher sales.
- As a percentage of sales, direct costs were 25.5%, compared to budget of 24.8%. Direct costs are mostly variable expenses and were \$291,536 over budget. Increases in costs were noted in linen costs, due to changes in market prices, kitchen smallwares for the new facility kitchen, an employment search for the executive chef, and increased food costs.

*Operating Expenses*

Operating expenses were \$428,860 and 10.2% below budget, with cost savings noted in almost all expense areas. The most significant savings of \$350,039 was related to condominium fees.

*Transfers*

Please refer to comments above under General Fund for a discussion of transfers.

**Conditions with Expected Future Impact**

Economic fundamentals are solid and strengthening in Ada County. The City of Boise remains the economic cornerstone in the Treasure Valley. According to Deloitte's 2018 Travel and Hospitality Industry Outlook, barring the impact of global uncertainties, corporate travel is expected to surge 6.1%, its highest rate of growth since 2011 and the hotel sector is projected to sustain a 5-6% growth throughout 2018. In addition, continued marketing efforts and the national recognition of Boise, ranked #12 in US News "Best Places to Live", should keep revenues growing at a sound pace for fiscal year ending 2018.

**Currently Known Facts**

The District is involved in legal matters arising in the normal course of our activities. There are currently no known legal proceedings pending with the District.

In the opinion of management, the ultimate disposition of matters, other than disclosed above, will not have a materially adverse effect on the District's financial position, revenues, expenditures, or changes in fund balance.

**GREATER BOISE AUDITORIUM DISTRICT**

**STATEMENT OF NET POSITION  
November 30, 2017**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$12,543,026	\$ 555,769	\$13,098,795
Investments	4,985,015	-	4,985,015
Receivables:			
Taxes receivable	643,818	-	643,818
Accounts receivable, net	-	590,618	590,618
Interest receivables	20,737	-	20,737
Prepaid expenses	-	64,334	64,334
Inventories	-	66,004	66,004
Cash, restricted	250,000	-	250,000
Cash equivalents, restricted for debt service	-	1,682,289	1,682,289
Other assets	-	41,838	41,838
Parking reservation rights, net	-	195,018	195,018
Capital assets:			
Nondepreciable	264,115	-	264,115
Depreciable, net	-	<u>50,357,841</u>	<u>50,357,841</u>
	<u>18,706,711</u>	<u>53,553,711</u>	<u>72,260,422</u>
<b>LIABILITIES</b>			
Accounts payable	409,739	323,293	733,032
Accrued expenses	21,971	279,554	301,525
Event deposits	-	485,753	485,753
Capital lease payable	-	<u>23,233,636</u>	<u>23,233,636</u>
	<u>431,710</u>	<u>24,322,236</u>	<u>24,753,946</u>
<b>NET POSITION</b>			
Net investment in capital assets	264,115	27,124,205	27,388,320
Restricted	250,000	-	250,000
Unrestricted	<u>17,760,886</u>	<u>2,107,270</u>	<u>19,868,156</u>
<b>Total Net Position</b>	<u>\$18,275,001</u>	<u>\$29,231,475</u>	<u>\$47,506,476</u>

**GREATER BOISE AUDITORIUM DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Year Ended November 30, 2017**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>FUNCTIONS/PROGRAMS</b>					
<b>Primary government</b>					
Governmental activities	\$ 277,444	\$ -	\$ (277,444)	\$ -	\$ (277,444)
Business-type activities					
Convention activities	<u>10,583,922</u>	<u>5,721,469</u>	<u>-</u>	<u>(4,862,453)</u>	<u>(4,862,453)</u>
Total Primary Government	<u>\$ 10,861,366</u>	<u>\$ 5,721,469</u>	(277,444)	(4,862,453)	(5,139,897)
<b>GENERAL REVENUES</b>					
District taxes			7,068,249	-	7,068,249
Investment earnings			74,878	-	74,878
Loss on disposition			-	(159,076)	(159,076)
Other			-	112,509	112,509
Transfers, net			<u>(17,637,058)</u>	<u>17,637,058</u>	<u>-</u>
Change in net position			(10,771,375)	12,728,038	1,956,663
NET POSITION, beginning of year			<u>29,046,376</u>	<u>16,503,437</u>	<u>45,549,813</u>
<b>NET POSITION, end of year</b>			<u>\$ 18,275,001</u>	<u>\$ 29,231,475</u>	<u>\$ 47,506,476</u>

**GREATER BOISE AUDITORIUM DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**November 30, 2017**

**ASSETS**

Cash and cash equivalents	\$12,793,026
Investments	4,985,015
Receivables:	
Taxes receivable	643,818
Interest receivable	<u>20,737</u>
<b>Total Assets</b>	<b><u>\$18,442,596</u></b>

**LIABILITIES**

Accounts payable	\$ 409,739
Accrued expenses	<u>21,971</u>
	<u>431,710</u>

**FUND BALANCE**

Restricted, contingency funds	250,000
Committed:	
Expansion plans	1,880,000
Stabilization fund	6,735,000
Centre transfers	4,968,598
Unassigned	<u>4,177,288</u>
	<u>18,010,886</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$18,442,596</u></b>

**Reconciliation of Balance Sheet – Governmental Fund to Statement of Net Position**

<b>Fund balance – governmental fund</b>	<b>\$18,010,886</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore the underlying resources are not reported in the governmental fund balance.	<u>264,115</u>
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<b>Net Position – governmental activities</b>	<b><u>\$18,275,001</u></b>
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**GREATER BOISE AUDITORIUM DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – GOVERNMENTAL FUND**  
**For the Year Ended November 30, 2017**

<b>REVENUES</b>	
District taxes, net of refunds	\$ 7,068,249
Investment earnings	<u>74,878</u>
	<u>7,143,127</u>
 <b>EXPENDITURES</b>	
Operating and administrative expenses	277,444
Capital outlay	<u>11,654,933</u>
	<u>11,932,377</u>
 <b>Excess of Expenditures over Revenues</b>	 (4,789,250)
 <b>OTHER FINANCING USES</b>	
Operating and capital transfers	<u>(2,671,337)</u>
 <b>Excess of revenues over expenditures and other financing uses</b>	 (7,460,587)
 FUND BALANCE, beginning of year	 <u>25,471,473</u>
 <b>FUND BALANCE, end of year</b>	 <u>\$18,010,886</u>

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Governmental Fund to Statement of Activities**

**Net change in fund balance – governmental funds** \$ (7,460,587)

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

Governmental funds present capital outlays as expenditures. However,  
in the statement of activities these costs are capitalized as a capital  
asset. The District's capital outlay relates to expansion project costs. 11,654,933

Governmental activities transferred capital assets, which  
which is not recognized in governmental funds. (14,965,721)

**Changes in net position – governmental activities** \$ (10,771,375)

**GREATER BOISE AUDITORIUM DISTRICT**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**November 30, 2017**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 555,769
Receivables, net of allowance	590,618
Prepaid expenses	64,334
Inventories	66,004
Cash equivalents, restricted for debt service	1,682,289
Other assets	<u>41,838</u>
<b>Total Current Assets</b>	<b>3,000,852</b>
Parking reservation rights, net	195,018
Capital assets, net	<u>50,357,841</u>
<b>Total Assets</b>	<b><u>53,553,711</u></b>
<b>LIABILITIES</b>	
Accounts payable	323,293
Accrued expenses	279,554
Event deposits	485,753
Capital lease payable – current portion	<u>957,009</u>
<b>Total Current Liabilities</b>	<b><u>2,045,609</u></b>
Capital lease payable – long-term	22,276,627
<b>NET POSITION</b>	
Net investment in capital assets	27,124,205
Unrestricted	<u>2,107,270</u>
<b>Total Net Position</b>	<b><u><u>\$29,231,475</u></u></b>

GREATER BOISE AUDITORIUM DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION – PROPRIETARY FUND  
For the Year Ended November 30, 2017

<b>OPERATING REVENUES</b>	
Conventions and meetings	\$ 5,721,469
Cost of sales:	
Direct labor	(2,324,700)
Direct costs	<u>(1,461,192)</u>
Gross margin	<u>1,935,577</u>
<b>OPERATING EXPENSES</b>	
Labor	1,647,039
Employee related	134,313
Office and general	191,962
Marketing and sales	1,063,302
Utilities	239,638
Building	444,381
Professional fees	<u>75,169</u>
	<u>3,795,804</u>
<b>Operating Loss before Depreciation and Amortization</b>	(1,860,227)
Depreciation and amortization	<u>(2,235,357)</u>
	<u>(4,095,584)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Other income, net	112,509
Loss on disposition	(159,076)
Interest expense	<u>(766,869)</u>
	<u>(813,436)</u>
<b>Loss before Operating and Capital Transfers</b>	(4,909,020)
Operating transfers	2,671,337
Capital transfers	<u>14,965,721</u>
<b>CHANGE IN NET POSITION</b>	12,728,038
NET POSITION, beginning of year	<u>16,503,437</u>
<b>NET POSITION, end of year</b>	<u>\$29,231,475</u>

**GREATER BOISE AUDITORIUM DISTRICT**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**For the Year Ended November 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 5,991,699
Payments to suppliers	(3,498,744)
Payments to and on behalf of employees	<u>(4,097,190)</u>
Net cash used by operating activities	<u>(1,604,235)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers	2,111,118
Other revenue	<u>112,509</u>
Net cash provided by noncapital financing activities	<u>2,223,627</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase or acquisition of capital assets	(501,259)
Payments related to capital lease	(1,691,738)
Capital transfers	<u>560,219</u>
Net cash used by capital and related financing activities	<u>(1,632,778)</u>
<b>Net change in cash and cash equivalents</b>	(1,013,386)
Cash and cash equivalent, beginning of year	<u>1,569,155</u>
<b>Cash and cash equivalent, end of year</b>	<u>\$ 555,769</u>

**GREATER BOISE AUDITORIUM DISTRICT**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)**  
**For the Year Ended November 30, 2017**

**Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities**

Operating loss	\$(4,095,584)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization expense	2,235,357
Changes in assets and liabilities, net	
Receivables	111,922
Prepaid expenses	(31,403)
Other assets	19,437
Inventories	(3,892)
Accounts payable and accrued expenses	(5,825)
Event deposits	<u>165,753</u>
<b>Net cash used by operating activities</b>	<b><u>\$ (1,604,235)</u></b>

**Noncash investing, capital and financing activities**

Transfers of capital assets from governmental fund	<u>\$14,965,721</u>
Loss on disposition of capital assets	<u>\$ 159,076</u>

## GREATER BOISE AUDITORIUM DISTRICT

### NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2017

#### **Note 1. NATURE OF OPERATIONS**

##### **Financial reporting entity**

The financial reporting entity consists of the Greater Boise Auditorium District (District) and Boise Centre. The District has no other organizations for which it is legally accountable for or who are fiscally dependent.

##### **District**

The District is a public body organized and operating pursuant to Title 67, Chapter 49, of the Idaho Code. An elected five-member Board of Directors governs the District. The purpose of the District is to build, operate, maintain and manage for public, commercial and/or industrial purposes by any available means, public auditoriums, exhibition halls, convention centers, sports arenas and facilities of a similar nature.

The District is located in and conducts all of their activities from Boise, Idaho and within Ada County, Idaho.

##### **Boise Centre**

Boise Centre is a premier convention center for meetings, conferences and social events located in Boise, Idaho. Boise Centre offers 86,000 square feet of exhibition/meeting space and food service.

#### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of presentation**

These financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

##### **Government-wide statements**

Activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. There are no internal services funds or fiduciary funds within the District.

The statement of net position presents all of the District's assets and liabilities, with the difference between the two reported as net position. This statement presents information about the nature and amounts of investment in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the District.

The statement of activities demonstrates the degree to which expenses of governmental functions and business-type activities are offset by program revenues. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by Boise Centre. The difference between expenses and program revenues is the net cost of the business-type activity subsidized by the District's taxes. Taxes and other revenue sources that are not attributable to specific programs are presented as general revenues.

## GREATER BOISE AUDITORIUM DISTRICT

### NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2017

#### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Fund statements**

Separate fund financial statements are presented for the governmental and proprietary funds.

The District presents the following fund types:

##### *Governmental Fund*

The Governmental Fund presents all financial resources of the District except those required to be presented in another fund. The Governmental Fund includes the General Fund of the District, which is used to present all operating activity and financial resources. There are no additional governmental funds utilized by the District.

##### *Proprietary Fund*

The Proprietary Fund presents the business-type activities of Boise Centre and separately distinguishes operations from the Governmental Fund. All operations of Boise Centre are presented in this fund.

##### **Measurement focus and basis of accounting**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of cash flows. Any internal activity between funds is eliminated in the government-wide statements to reduce the grossing up effect of internal transactions.

Separate fund statements are issued for governmental and proprietary funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within 60 days generally or soon enough thereafter to pay liabilities of the current period. District taxes are considered available when in the possession of the intermediary collecting government. Expenditures are recognized when the related liability is incurred.

The proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of cash flows. Operating and nonoperating activities are presented separately on the operating statements. Operating transactions generally occur if they directly result from the provision of goods or services to customers or are otherwise directly related to usual business activity of the fund.

##### **Budgets and budgetary accounting**

The District adopts a budget annually at a regular Board of Directors meeting. Budgets are reviewed and revised throughout the fiscal period.

##### **Cash and cash equivalents**

Cash and cash equivalents consist of bank accounts; cash on hand; cash in transit; and short-term investments that have a maturity of three months or less at the date of purchase including those held in a local investment pool.

## GREATER BOISE AUDITORIUM DISTRICT

### NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2017

#### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Inventories and prepaid expenses**

Inventories in the Proprietary Fund consist of food and beverage purchased for resale and are valued at the lower of cost or market. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods.

##### **Investments**

Funds may be invested in the securities and investments expressly described in subsection (a) through (m) of the Idaho Code Section 67-1210 and are generally described as securities backed by:

- the U.S. Government,
- certain federal agencies, including mortgages,
- the State of Idaho and
- Municipalities of the State of Idaho.

Investments are presented at fair market value based on quoted market prices. Interest income earned from investment activities is recognized as earned in the fund that holds the investments.

In accordance with GASB 9, *Reporting of Cash Flows of Proprietary and Nonexpendable Trust Funds*, cash and cash equivalents reflected in the statement of net position and statement of cash flows include external investment pools.

##### **Receivables, net**

Receivables in the Governmental Fund consist primarily of District taxes. Receivables in the Proprietary Fund consist primarily of amounts due from customers. The allowance for doubtful accounts reflects our best estimate of probable losses of accounts receivable. Management has determined the allowance based on known troubled accounts, historical experience and other available evidence. As of November 30, 2017, there was no allowance considered necessary.

##### **Interfund balances**

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one fund within the District to another. At November 30, 2017, the amount of interfund balance was \$0.

##### **Cash equivalents, restricted for debt service**

Cash equivalents, restricted for debt service consists of a money market funds held in the District's name and is controlled by the bond trustee. The District does not have access to draw funds from the account. Funds in this account shall be used solely to pay for debt service on the capital lease.

##### **Other assets**

Other assets in the Proprietary Fund include amounts paid on future purchase commitments in relation to the Centre expansion project (Note 7).

##### **Capital assets, net**

Capital assets, in the Proprietary Fund, include land, buildings, improvements, furniture and equipment. Capital assets with a cost of \$1,000 or more are capitalized. Cost includes expenditures for major improvements and replacements that extend the useful lives of assets. Expenditures for repairs and maintenance are expensed as incurred.

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended November 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Capital assets, net - continued**

Buildings, improvements, furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of depreciable assets are generally:

Buildings	30-45 years
Improvements	7-39 years
Furniture and equipment	3-20 years

Property and equipment may be sold or disposed. The sale or disposal of property and equipment is recorded by removing cost and accumulated depreciation and recognizing the resulting gain or loss.

**Event deposits**

Event deposits in the Proprietary Fund include nonrefundable advance deposits for scheduled events. The deposits are applied to the receivable when the event is invoiced, upon completion of the event.

**Annual leave**

Full time employees of Boise Centre earn vacation leave according to policy. All vacation leave is earned upon the employee's anniversary date, and accrued annually in the proprietary fund financial statements. Accrued amounts are classified as current obligations.

**Net position**

The Statement of Net Position presents the net position of the District and Boise Centre. Net position is classified as net investment in capital, restricted and unrestricted.

*Net investment in capital assets*

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

*Restricted*

Restricted net position result when third parties, constitutional provisions or enabling legislation impose constraints on net position use. The District does not have a policy regarding the preferred first usage of unrestricted or restricted net position.

*Unrestricted*

Unrestricted net position is the residual classification of net position that do not meet the criteria to be classified in the other net position classifications. Unrestricted net position may have constraints or designations placed upon them by management however, these constraints or designations may be unilaterally removed.

**Fund balance**

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The District's policy is to use externally restricted resources first for purposes intended, then committed, assigned, and unassigned resources in that order.

*Nonspendable*

Nonspendable fund balance consists of resources that cannot be spent because they are in nonspendable form, such as prepaid items or they are legally or contractually required to be maintained intact.

## GREATER BOISE AUDITORIUM DISTRICT

### NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2017

#### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### *Restricted*

Restricted fund balances have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or law, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation and can only be used for specific stated purposes.

##### *Committed*

Committed fund balances are amounts that can be used only for specific purposes determined by formal action of the Board, the District's highest level of decision-making authority. The committed amounts cannot be used for any other purposes unless the Board makes formal action to change or remove the specific purposes.

##### *Assigned*

Assigned fund balances are intended to be used for specific purposes however, do not meet the criteria to be classified as restricted or committed. The Executive Director or Assistant Executive Director of Boise Centre may assign amounts up to the parameters set by the annual operating budget, approved by the Board of Directors.

##### *Unassigned*

Unassigned fund balance is the residual classification and includes all spendable amounts not classified in the other fund balance classifications.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Due to uncertainties inherent in assumptions, it is possible actual amounts may vary from estimates. Revisions are recognized in the period such revisions are known and can be reasonably estimated.

#### **Fund transfers**

Fund transfers are recognized as operating and capital transfers and are included in the results of operations of both Governmental and Proprietary Funds.

#### **District taxes**

The District has the power to assess a tax on all lodging rooms located in the District's boundaries. The rate is set at the discretion of the Board of Directors and may not exceed 5.0%. The tax rate is currently 5.0%. The District does not have any other taxing authority. District taxes are reported to and collected by the Idaho State Tax Commission. The collections are sent to the District by the fifteenth of the next month.

#### **Advertising costs**

Advertising and production costs are expensed as incurred. Boise Centre incurred advertising costs of \$326,681 for 2017.

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended November 30, 2017**

**NOTE 3. CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financial statements as follows as of November 30, 2017:

Cash and cash equivalents	\$13,098,795
Investments	4,985,015
Cash, restricted for debt service (see Note 1)	1,682,289
Cash, restricted (see Note 7)	<u>250,000</u>
	<u>\$20,016,099</u>

Consistent with GASB 3, *Deposits with Financial Institutions, Investments, and Reverse Purchase Agreements*, cash and investments reflected above are classified as reflected for the following disclosures as of November 30, 2017:

Cash deposits	\$15,031,084
Investments	<u>4,985,015</u>
	<u>\$20,016,099</u>

**Custodial credit risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash deposits are maintained in local financial institutions and are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. Cash deposits exceeding FDIC limits were \$14,327,014 as of November 30, 2017.

Cash deposits exceeding FDIC limits as of November 30, 2017 were maintained as follows:

Guarantee under irrevocable standby letter of credit	\$ 2,501,322
Invested in cash investments	1,682,289
Collateralized deposits	<u>10,143,403</u>
	<u>\$14,327,014</u>

The irrevocable standby letter of credit protects cash deposits exceeding FDIC limits up to \$5,000,000 and was issued by the Federal Home Loan Bank through a cash management program with a local financial institution.

The board committed funds of \$13,583,598 for expansion plans, stabilization, and transfers to Boise Centre are invested in cash and cash equivalents as well as securities backed by federal agencies and municipalities of the State of Idaho.

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended November 30, 2017**

**NOTE 3. CASH AND INVESTMENTS - Continued**

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District monitors the interest rate risk inherent in its investments portfolio by measuring the weighted average maturity of its investment portfolio. The maximum maturity for investments is limited to five years except for investments subject to mandatory put provisions or secure interest rate reset at par within five years.

Investments were as follows as of November 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less than 1</u>	<u>1 - 5</u>	<u>More than 5</u>
Federal agency bonds and notes	\$ 2,161,829	0.97	\$ 649,849	\$ 1,511,980	\$ -
Idaho municipal obligations	120,953	25.35	120,953	-	-
U.S. treasury obligations	<u>2,702,233</u>	1.60	<u>724,522</u>	<u>1,977,711</u>	-
	<u>\$ 4,985,015</u>		<u>\$ 1,495,324</u>	<u>\$ 3,489,691</u>	<u>\$ -</u>

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization such as Moody's, Standard and Poor's, and Fitch's.

Investment ratings were as follows as of November 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>Aaa</u>	<u>Aa3</u>
Federal agency bonds and notes	\$ 2,161,829	\$ 2,161,829	\$ -
Idaho municipal obligations	120,953	-	120,953
U.S. treasury obligations	<u>2,702,233</u>	<u>2,702,233</u>	-
	<u>\$ 4,985,015</u>	<u>\$ 4,864,062</u>	<u>\$ 120,953</u>

**Concentration of credit risk**

The following investments represent 5% or more of total investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
Federal National Mortgage Association	\$ 1,149,024	23.05%
Federal Home Loan Bank Bond	\$ 1,012,805	20.32%
United States Treasury	\$ 2,702,233	54.21%

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended November 30, 2017**

**NOTE 3. CASH AND INVESTMENTS – Continued**

**Investment policy**

The District has adopted an investment policy which identifies authorized investment instruments, issuer diversification, maturity constraints and investment ratings. Pursuant to the District’s investment policy, investments are subject to the following limitations:

<u>Investment Type</u>	<u>Maximum % per Investment Type</u>	<u>Maximum % per Individual Security</u>	<u>Maximum Maturity</u>	<u>Minimum Rating</u>
U.S. Government Obligations	100%	20%	5 years	N/A
Federal agency bonds and notes	100%	20%	5 years	N/A
Federal agency mortgage-backed obligations	0%	N/A	N/A	N/A
Idaho municipal obligations	50%	10%; 25% per issuer	5 years	A3/A-/A-

**NOTE 4. FAIR VALUE MEASUREMENTS**

GASB 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs are quoted prices in active markets for identical assets and the highest priority; Level 2 inputs are significant observable inputs, other than quoted prices for identical assets; Level 3 inputs are significant unobservable inputs and the lowest priority.

Fair values for investments are determined by reference to observable data such as contractual terms and other relevant information generated by market transactions. Fair value for certificates of deposit is valued at amortized cost, which approximates fair value.

The District has the following recurring fair value measurements, which are stated at quoted fair market value (Level 1), as of November 30, 2017:

Federal agency bonds and notes	\$ 2,161,829
Idaho municipal obligations	120,953
U.S. treasury obligations	<u>2,702,233</u>
	<u>\$ 4,985,015</u>

**NOTE 5. PARKING RESERVATION FEE**

In December 2000, the District paid \$329,000 to Capital City Development Corporation for the right to reserve exclusive use of up to 300 parking spaces. The cost of this agreement is being amortized on a straight-line basis over the agreement term of 30 years. Amortization expense was \$10,967 for the year ended November 30, 2017.

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended November 30, 2017**

**NOTE 6. CAPITAL ASSETS, NET**

Capital assets, net recorded on the proprietary fund were as follows as of November 30:

	<u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>2017</u>
Not depreciated:				
Projects in progress	\$ 18,659	\$ 24,808	\$ (18,659)	\$ 24,808
Depreciated:				
Building and improvements	20,999,818	14,772,960	(538,394)	35,234,384
Furniture and equipment	4,982,333	720,411	(186,752)	5,515,992
Capital lease	<u>22,604,090</u>	<u>-</u>	<u>-</u>	<u>22,604,090</u>
	<u>48,604,900</u>	<u>15,518,179</u>	<u>(743,805)</u>	<u>63,379,274</u>
Less accumulated depreciation:				
Buildings and improvements	(9,013,773)	(962,187)	380,406	(9,595,554)
Furniture and equipment	(2,225,854)	(491,377)	175,031	(2,542,200)
Capital lease	<u>(126,323)</u>	<u>(757,356)</u>	<u>-</u>	<u>(883,679)</u>
	<u>(11,365,950)</u>	<u>(2,210,920)</u>	<u>555,437</u>	<u>(13,021,433)</u>
Capital assets, net	<u>\$37,238,950</u>	<u>\$13,307,259</u>	<u>\$ (188,368)</u>	<u>\$50,357,841</u>

**NOTE 7. FUND BALANCE – GOVERNMENT FUND**

**Committed funds**

The Board of Directors has committed, through formal action, the following funds in relation to the Centre's expansion plans as of November 30, 2017:

Funds committed for expansion plans	\$ 1,880,000
Funds committed for stabilization fund	6,735,000
Funds committed for Centre transfers	<u>4,968,598</u>
	<u>\$13,583,598</u>

These funds are maintained in accounts owned exclusively by and titled exclusively in the name of the District. Funds set aside for a stabilization fund may only be established, changed, or spent by formal action of the Board of Directors.

**NOTE 8. COMMITMENT AND CONTINGENCIES**

**Insurance/risk management**

The District is exposed to various risks of loss related to damage to assets and to errors and omission by employees, claims and theft. These risks are insured with third-party insurance carriers.

**Service agreements and operating leases**

Boise Centre is party to various service agreements expiring at various dates through November 2022. Service agreement expense was \$33,951 for 2017.

Boise Centre leases certain equipment under operating lease agreements expiring at various dates through October 2018. Operating lease expense was \$1,293 for 2017.

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended November 30, 2017**

**NOTE 8. COMMITMENT AND CONTINGENCIES – Continued**

Certain of these service agreements and leases are non-cancelable and have minimum lease requirements as follows:

2018	\$ 48,877
2019	33,932
2020	31,595
2021	14,400
2022	13,200
Thereafter	<u>-</u>
	<u>\$ 142,004</u>

**Marketing contract**

The Centre maintains a marketing agreement with The Boise Convention and Visitors Bureau, Inc. for marketing services utilized to promote Boise Centre and its convention activities. The Centre renews this contract on an annual basis contingent on certain conditions. As of November 30, 2017, the marketing expense paid under the contract was \$490,752. Subsequent to fiscal year end, the Centre entered into the 2018 agreement for a commitment of \$595,668.

**Capital Lease Payable**

On April 29, 2017, Capital City Development Corporation (CCDC) authorized the issuance of Lease Revenue Bonds, Series 2017 (Greater Boise Auditorium District Expansion Project), in the aggregate principal amount of \$23,085,000. The proceeds of the bonds were used to expand and improve the existing convention center and public event facility in downtown Boise operated by the District which included a new ballroom and kitchen facilities and related equipment for operations. The Series 2017 bonds were issued at a fixed rate range from 3.00% to 5.00%.

In December 2016, CCDC and the District entered into an agreement that provided the District the right to assign its rights to purchase the expansion project from the developer, to CCDC. Simultaneously with the issuance of the Series 2017 Bonds, CCDC exercised its right to purchase, and CCDC and the District entered into a lease agreement for the use of the facilities.

Beginning on December 1, 2017, the District is obligated to pay an annually appropriated lease payment of \$1,721,625 with monthly lease payments due on the first of each month. Unless the District affirmatively acts in a public meeting to renew and extend for another year, the appropriated lease will expire at the end of the current fiscal year (i.e. November 30<sup>th</sup>.) If not renewed and extended, the District has no further obligation or exposure to penalty or recourse, except that it surrenders possession of the expansion project.

During the lease term, the District is to budget and commit \$250,000 to be held as the sole source of payment for reasonable costs incurred by CCDC as a result of any claims made against CCDC that arise from the negligent acts of the District. The \$250,000 has been classified as restricted in Net Position. The lease expired on November 30, 2017, but was renewed for a one year term, ending November 30, 2018. The lease may be renewed for a total of twenty consecutive one-year terms commencing December 1 and ending November 30, expiring November 2036.

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended November 30, 2017**

**NOTE 8. COMMITMENT AND CONTINGENCIES – Continued**

The District also has an option to purchase the expansion project following full payment or defeasance of the Series 2017 bonds, issued by CCDC and secured by a first lien on the expansion project, fixtures, and assignment of leases and rents. In addition, the District pledged tax receipts for lease payments. The District is only allowed to enter into additional parity lien debt as described in the lease agreement.

The lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of its anticipated future minimum lease payments as of the inception date. The beginning balance at December 1, 2016 was \$24,158,505. Principal payments for the year ended November 30, 2017 totaled \$924,869.

The future anticipated minimum lease payments are as follows:

2018	\$ 957,009
2019	989,025
2020	1,018,935
2021	1,057,682
2022	1,095,771
Thereafter	<u>18,115,214</u>
	<u>\$23,233,636</u>

**NOTE 9. DEFINED CONTRIBUTION PLAN**

Boise Centre maintains a defined contribution plan for salaried and hourly employees who have met certain service requirements. Participants may contribute up to 100% of their salary subject to the limitation imposed under the Internal Revenue Code.

Matching contributions are established at the discretion of the Board of Directors. Matching contributions are 100% of the participant's elective deferral up to 1% of the participant's compensation. Additionally, discretionary matching contributions may be established at the discretion of the Board of Directors. Vesting in matching contributions occurs at the rate of 20% per year of service, upon reaching normal or early retirement date, or upon death, disability or certain other circumstances. Total matching contributions were \$134,011 for the year ended November 30, 2017.

**NOTE 10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events and transactions for potential recognition or disclosure through April 6, 2018, which is the date the accompanying financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GREATER BOISE AUDITORIUM DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**For the Year Ended November 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
District taxes, net	\$ 5,649,000	\$ 5,649,000	\$ 7,068,249	\$ 1,419,249
Other income	<u>29,546</u>	<u>29,546</u>	<u>74,878</u>	<u>45,332</u>
	<u>5,678,546</u>	<u>5,678,546</u>	<u>7,143,127</u>	<u>1,464,581</u>
<b>EXPENDITURES</b>				
Insurance	39,600	39,600	9,736	29,864
Professional fees	114,900	114,900	92,696	22,204
Membership dues	7,500	7,500	6,000	1,500
Office expense	34,840	34,840	34,541	299
Investment expense and fees	19,200	19,200	19,218	(18)
Marketing	80,000	80,000	91,325	(11,325)
Expansion costs	<u>18,180,500</u>	<u>18,180,500</u>	<u>11,678,861</u>	<u>6,501,639</u>
	<u>18,476,540</u>	<u>18,476,540</u>	<u>11,932,377</u>	<u>6,544,163</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(12,797,994)	(12,797,994)	(4,789,250)	8,008,744
<b>OTHER FINANCING USES</b>				
Operating and capital transfers	<u>(5,150,500)</u>	<u>(5,150,500)</u>	<u>(2,671,337)</u>	<u>2,479,163</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES AND OTHER FINANCING USES</b>	<u>\$(17,948,494)</u>	<u>\$(17,948,494)</u>	(7,460,587)	<u>\$10,487,907</u>
Fund Balance, beginning			<u>25,471,473</u>	
<b>Fund Balance, ending</b>			<u>\$18,010,886</u>	

**GREATER BOISE AUDITORIUM DISTRICT**

**NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**For the Year Ended November 30, 2017**

***NOTE 1. BUDGETARY BASIS OF ACCOUNTING***

The budget is prepared based upon the method used for accounting transactions of governmental fund types as described in Note 2 to the financial statements. Under this method, revenue is budgeted based upon when it is expected to be available to pay liabilities of the period. District taxes are considered available when in the possession of the intermediary collecting government. Expenditures are budgeted based upon when the related liability is expected to be incurred.

**OTHER SUPPLEMENTARY INFORMATION**

**GREATER BOISE AUDITORIUM DISTRICT**

**BUDGETARY COMPARISON SCHEDULE – PROPRIETARY FUND  
For the Year Ended November 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Conventions and meetings	\$ 4,722,380	\$ 4,722,380	\$ 5,721,469	\$ 999,089
Cost of sales				
Direct labor	(1,951,905)	(1,951,905)	(2,324,700)	(372,795)
Direct costs	<u>(1,169,656)</u>	<u>(1,169,656)</u>	<u>(1,461,192)</u>	<u>(291,536)</u>
Gross margin	<u>1,600,819</u>	<u>1,600,819</u>	<u>1,935,577</u>	<u>334,758</u>
 <b>OPERATING EXPENSES</b>				
Labor	1,718,959	1,718,959	1,647,039	71,920
Employee related	109,783	109,783	134,313	(24,530)
Office and general	205,656	205,656	191,962	13,694
Marketing and sales	1,099,356	1,099,356	1,063,302	36,054
Utilities	279,452	279,452	239,638	39,814
Building	751,698	751,698	444,381	307,317
Professional fees	<u>59,760</u>	<u>59,760</u>	<u>75,169</u>	<u>(15,409)</u>
	<u>4,224,664</u>	<u>4,224,664</u>	<u>3,795,804</u>	<u>428,860</u>
 <b>OPERATING LOSS BEFORE DEPRECIATION</b>	(2,623,845)	(2,623,845)	(1,860,227)	763,618
Depreciation and amortization	(1,390,968)	(1,390,968)	(2,235,357)	(844,389)
 <b>NONOPERATING REVENUES (EXPENSES)</b>				
Other income, net	101,816	101,816	112,509	10,693
Loss on disposition	-	-	(159,076)	(159,076)
Interest expense	<u>(843,873)</u>	<u>(843,873)</u>	<u>(766,869)</u>	<u>68,004</u>
 <b>LOSS BEFORE OPERATING AND CAPITAL TRANSFERS</b>	(4,747,870)	(4,747,870)	(4,909,020)	(161,150)
Operating transfers	5,150,000	5,150,000	2,671,337	(2,479,163)
Capital transfers	<u>18,000,000</u>	<u>18,000,000</u>	<u>14,965,721</u>	<u>(3,034,279)</u>
 <b>CHANGE IN NET POSITION</b>	<u>\$18,402,630</u>	<u>\$18,402,630</u>	12,728,038	<u>\$(5,674,592)</u>
Net Position, beginning of year			<u>16,503,437</u>	
 <b>Net Position, end of year</b>			<u>\$29,231,475</u>	

**INDEPENDENT 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  
Greater Boise Auditorium District  
Boise, 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, the business-type activities, the Governmental Fund, and the Proprietary Fund of the Greater Boise Auditorium District, as of and for the year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise the Greater Boise Auditorium District's basic financial statements and have issued our report thereon dated April 6, 2018.

**Internal Control over Financial Reporting**

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

To the Board of Directors  
Boise, Idaho

**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.

*Pulse Associates, Ltd.*

Boise, Idaho  
April 6, 2018