

FINANCIAL STATEMENT INDEPENDENT AUDITORS REPORT

The Greater Boise Auditorium District
Year Ending November 30, 2019

boise | centre

THE DISTRICT
GREATER BOISE AUDITORIUM DISTRICT



**Greater Boise Auditorium District
Financial Statements**

**Year Ended November 30, 2019
(with Independent Auditors' Report thereon)**

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Pulliam & Associates, Chartered

Certified Public Accountants

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, 2019, 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, 2019, 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 16, 2020, 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.

Pulley & Associates, Ltd.

Boise, Idaho
April 16, 2020

GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

As management of the Greater Boise Auditorium District (“District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended November 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and notes which follow this section to gain a complete understanding of the District’s finances.

Financial and Operational Highlights

- The District remains fiscally sound with its assets exceeding its liabilities (net position) by \$53 million, an increase of \$3.1 million.
- Unrestricted net position of the governmental fund increased by \$2.8 million, ending the year at \$23.7 million (44% of District’s total net position.) This may be used to meet the government’s ongoing obligations to its proprietary fund, constituents, and creditors.
- The District’s capital lease debt decreased by \$1.0 million. No additional long-term debt was added.
- Lodging tax revenues set another record, and increased by 10% to \$8.4 million.
- Debt covenants were in compliance.
- Cash and investments of the governmental fund increased \$2.7 million to \$23.2 million (97% of net position) after funding \$5.8 million in transfers to the proprietary fund.
- Proprietary Fund gross revenues increased 1% to \$7.7 million.
- Operating transfers before lease payments to the Proprietary Fund decreased \$0.7 million.
- The 2016 expansion continues to attract attendees and visitors, creating a \$22 million economic ripple throughout the Treasure Valley, with a guest satisfaction score of a 4.84 out of 5.0.

GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

Introduction

District

Pursuant to the authority of Title 67, Chapter 49, Idaho Code, the Greater Boise Auditorium District ("District") was created by the overwhelming support through a public vote in 1959. The District is subject to Idaho statutes and has the powers of a public or quasi-municipal corporation. Boundaries include approximately 115 square miles of the northeast portion of Ada County and encompasses the Boise city limits and surrounding areas.

The District's purpose is to serve the public need and promote the prosperity, security, and general welfare of its residents. Its authority is to build, operate, maintain, market and manage public auditoriums, exhibit halls, convention centers, sports arenas, and similar facilities. Within this authority, the District promotes economic activity and growth within its boundaries.

Board members are publicly elected officials, serving six-year terms. Elections are held every two (odd) years. The Board governs and guides the District, and oversees its operating entity, Boise Centre ("Centre").

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, as limited by state statute, cannot 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.

Boise Centre

In 1990, the District completed construction of Boise Centre—the District's only operating entity and Idaho's largest convention facility. Boise Centre is the community's premier provider of public gathering places. The 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.

Boise Centre West started with 45,000 square feet of flexible meeting space. However, between September of 2016 and July 2017, the District celebrated the opening of Boise Centre East which includes a ballroom, meeting rooms on the fourth floor of the Clearwater building, and renovation of Boise Centre West adding a total of 41,000 square feet; for a total of 86,000 square feet of rentable space. The additional meeting rooms allow Boise Centre to hold multiple conventions and other events simultaneously or combine both facilities to accommodate larger groups.

GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

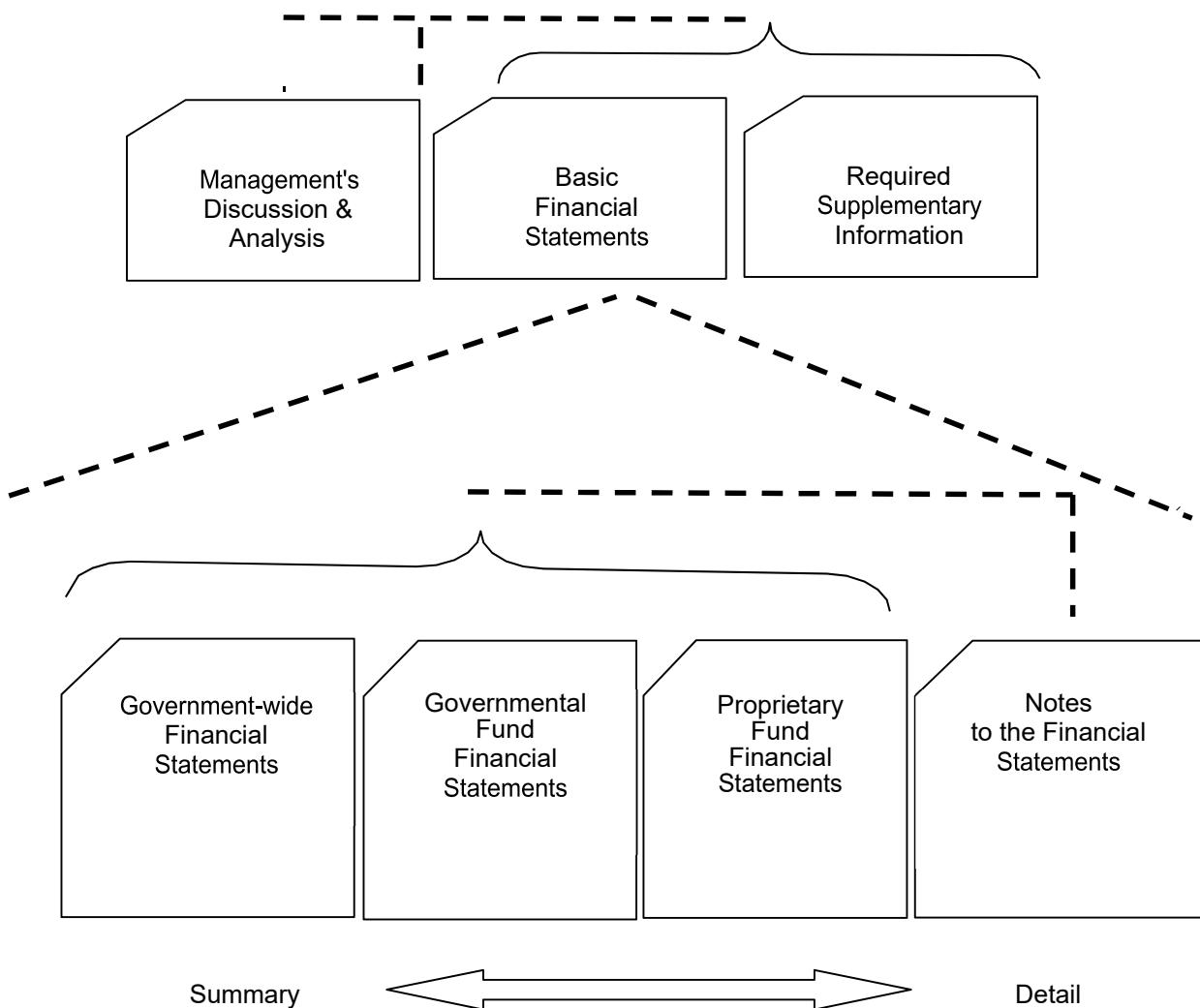
OVERVIEW OF THE FINANCIAL STATEMENTS

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 Governmental Accounting Standards Board (GASB) presents four parts: (1) management's 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 Annual Financial Report



GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

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 business type activities.

The purpose of the *statement of net position* is to report the District's assets and liabilities, with the difference reported as net position. This statement presents information about the nature and amounts of investment in resources (assets) and the obligations to creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. 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 functions and business-type activities are offset by lodging room 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 balances*. 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 uses 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, 2019

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 balances 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 balances* that reconciles the total net change in fund balances 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 other governmental funds utilized by the District.

Proprietary Fund

Financial statements of the proprietary fund 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 the proprietary fund is segregated into net investment in capital assets, restricted and unrestricted components. Under the full 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, 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 Boise Centre is not required supplemental information.

GREATER BOISE AUDITORIUM DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2019

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
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Condensed Combined Statement of Net Position – Primary Government

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 23,964	\$ 21,227	\$ 1,681	\$ 2,047	\$ 25,645	\$ 23,275
Capital assets	-	-	50,069	50,319	50,069	20,319
Total assets	<u>23,964</u>	<u>21,227</u>	<u>51,750</u>	<u>52,367</u>	<u>75,714</u>	<u>73,594</u>
Liabilities						
Other liabilities	9	98	1,084	663	1,092	761
Capital lease payable	-	-	21,201	22,193	21,201	22,193
Total liabilities	<u>9</u>	<u>98</u>	<u>22,285</u>	<u>22,856</u>	<u>22,293</u>	<u>22,953</u>
Net Position						
Net investment in capital assets	-	-	28,640	27,867	28,640	27,867
Restricted	250	250	-	-	250	250
Unrestricted	23,705	20,880	825	1,344	24,531	22,223
	<u>23,955</u>	<u>21,130</u>	<u>29,465</u>	<u>29,211</u>	<u>53,421</u>	<u>50,341</u>

Condensed Statement of Activities – Primary Government

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Convention activities	\$ -	\$ -	\$ 7,712	\$ 7,674	7,712	7,674
General revenues:						
District taxes	8,391	7,660	-	-	8,391	7,660
Investment earnings	333	171	-	-	333	171
Gain (loss) on disposition	-	-	(1)	(129)	(1)	(129)
Other	-	-	34	40	34	40
	<u>8,724</u>	<u>7,830</u>	<u>7,745</u>	<u>7,585</u>	<u>16,469</u>	<u>15,415</u>
Expenses						
Convention activities	-	-	13,241	12,434	13,241	12,434
Governmental activities	148	147	-	-	148	147
Total expenses	<u>148</u>	<u>147</u>	<u>13,241</u>	<u>12,434</u>	<u>13,389</u>	<u>12,581</u>
Change in net position before transfers	8,576	7,683	(5,496)	(4,849)	3,080	2,834
Transfers, net	(5,750)	(4,829)	5,750	4,829	-	-
Change in net position	\$ 2,826	\$ 2,855	\$ 254	\$ (20)	\$ 3,080	\$ 2,834

GREATER BOISE AUDITORIUM DISTRICT

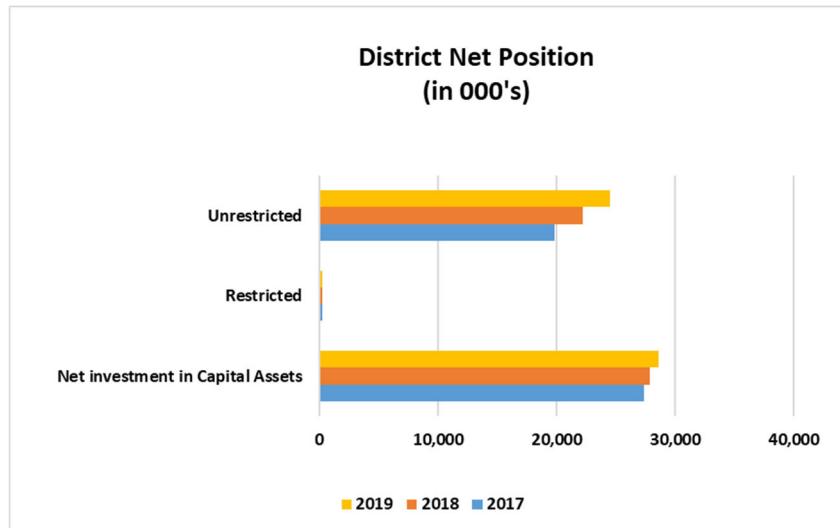
MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

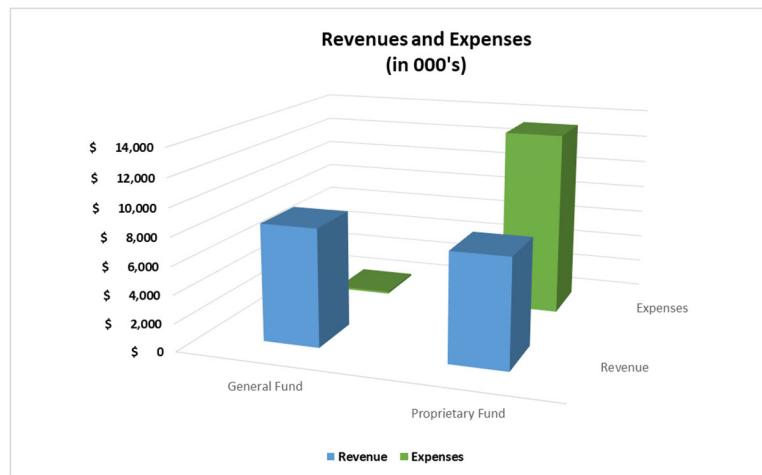
Financial Analysis of the Government as a Whole

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

The District's combined assets exceeded its liabilities by \$53 million. The largest portion of the District's net position is held in cash, investments and other current assets, which represents 48% 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 6.0% increase of \$3 million in the net position is due to the retention of funds in excess of capital, lease and operating expenditure requirements.



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



GREATER BOISE AUDITORIUM DISTRICT

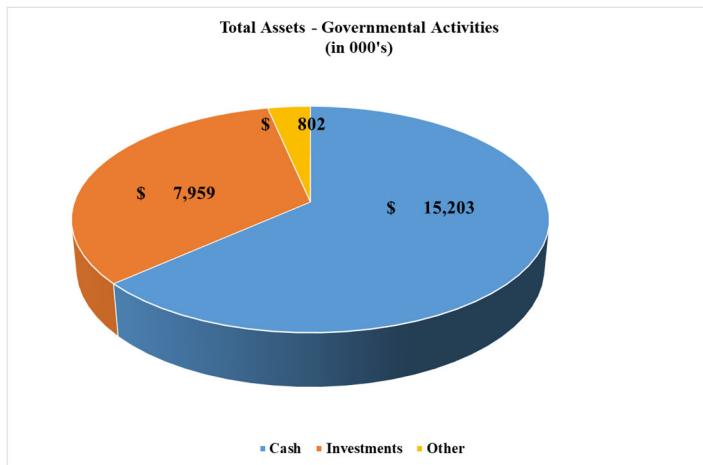
MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

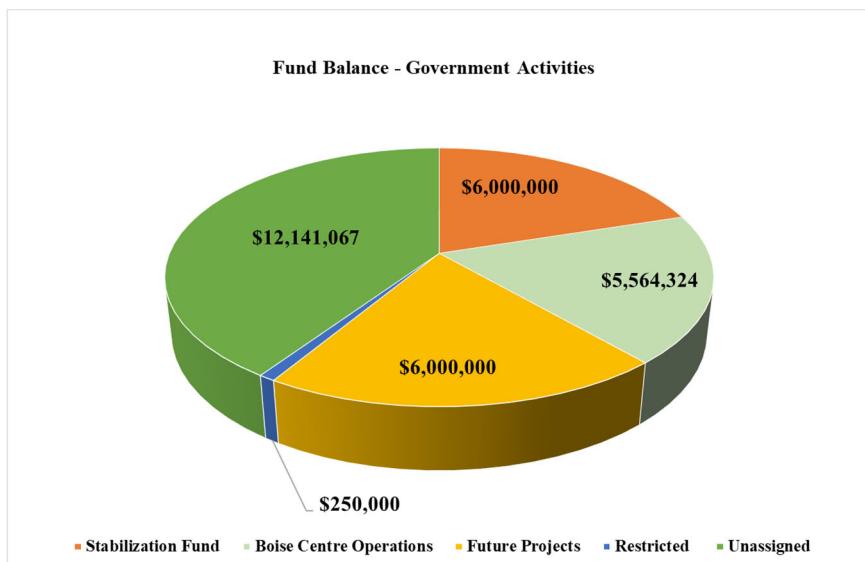
Governmental Activities (District)

Current and other assets consist of cash and cash equivalents, lodging room tax and interest receivables, and expense reimbursements. Other liabilities consist of accounts payable, intercompany payables and accrued expenses. These amounts may vary from prior years due to District projects.

The District's net position is composed primarily of cash and investments, which is 97% of the total net position.



The Governmental Activities assets exceed its liabilities by \$24 million. The increase in the net position over the prior year is due to higher tax revenues and retention of cash. The fund balance is split between restricted, committed and unassigned funds. Committed funds consist of the amounts committed to fund the Centre's operating, capital and debt needs and funds set aside to ensure stability; a small restricted amount is also related to the capital lease. In 2019, the District set aside an additional \$6 million for future projects in 2022, which relates to a retrofit of the ballroom ceiling. As the size of the conventions increase, they expect concert style audio visual experiences. This will enable the Boise Centre to compete for larger conventions that generate more revenue and economic impact.

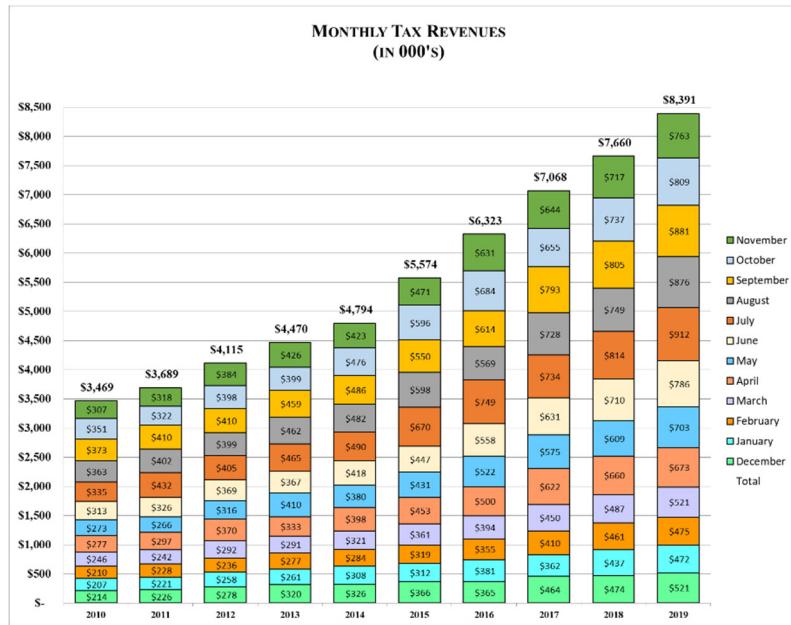


GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

Since the beginning of the economic recovery in 2009, lodging room tax receipts have increased, as reflected in the chart below. The 10-year compounded annual growth rate (CAGR) is 10%.



For the past ten years, the District's lodging room tax receipts have steadily climbed to reach record high levels. Room demand within the District continued to increase in response to individual's preferences to stay in vibrant downtown Boise. Guests who have wanted to stay in the downtown area are finding availability based on the increased supply. In addition, a Home2 Suites (138 rooms), approximately 2 blocks from the convention center, is under construction to open in late 2020. As reflected below, the average occupancy rate remains stable as demand for downtown rooms allowed the hotels to increase market rates with only a slight reduction in the occupancy as a percentage (-0.7%), however demand has increased year on year (1.1%).



Source: STR Trend Report, November 2019, Group 1

Increases in the average daily rate, coupled with occupancy rates, has resulted in increased hotel revenues, which correspondingly results in increased lodging tax receipts. Using Idaho State Tax Commission taxable revenues and room supply from the Smith Travel Reports, it is estimated one night's lodging rental has the potential to generate over \$1,000 annually in lodging tax revenues.

Several other factors also contribute to the lodging tax growth: increased sports events which generates weekend demand for hotel rooms, Boise's strong business climate and overall population growth. The location, climate, outdoor amenities, and cost of living contribute to the reasons for the growth. Boise, Idaho continues to be nationally recognized as one of the best places to live, work and play.

GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

Interest income has also increased due to increasing cash balances and higher yields on investments. Expenses for the District remained stable in 2019.

The District's tax rate remains at its statutory maximum of 5% to support Boise Centre operations and/or future projects. Decisions to participate in future projects is based on the District's statutory authority and boundaries, financial sustainability, and economic impact. As the District's ability to fund losses created by Boise Centre operations is solely reliant on the lodging tax revenues, a stabilization fund policy was created in 2017 and the fund is currently at \$6 million. This fund helps ensure that liquidity is sufficient to fund operating needs, capital projects, lease payments, economic downturns, and unanticipated cash needs.

Business-type Activities (Boise Centre)

Current assets of Boise Centre consist of cash, accounts receivable, prepaid expenses, and food and beverage inventory for events. Net capital assets remained stable, while gross capital assets and accumulated depreciation increased by \$2.8 million. Current liabilities consist of accounts payable, deposits on events, other accrued expenses and current portion of long-term debt. The long-term portion of the capital lease decreased by \$1 million while the net position remained stable.

Event Activity

With the expansion, stable economy, and ongoing marketing efforts, Boise Centre experienced an 8% increase in the number of events, while total attendance dropped, due to fewer conventions in 2019.

Below is a comparison for the past three years:

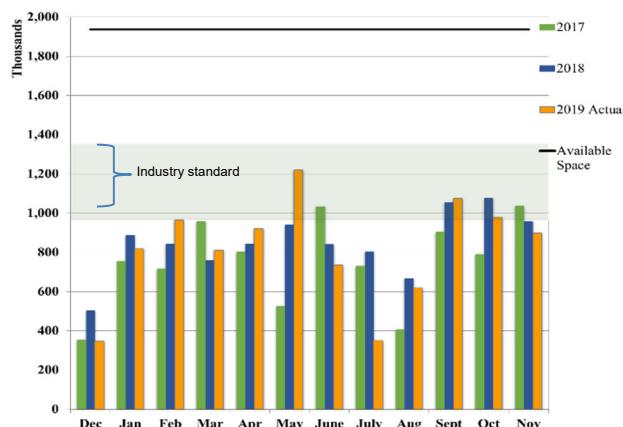
	2017	2018*	2019*	% increase
Event Days**	509	528	528	(0%)
# of Events	309	314	339	8%
Attendance	161,028	172,526	155,117	(10%)

*Restated to remove Grove Hotel events in 2018, which moved events to Boise Centre due to their remodel and reflect one large annually repeating event which will report in December 2019 and November 2020 (twice in the same fiscal year.)

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

Utilization

Utilization for 2019 declined to 42% due to more local events, which have less utilization. Based on a CSL Feasibility Study dated March 2010, targeted utilization for the hospitality industry ranges from 50%-70% (light green shaded area in chart below.). Convention facilities 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.



GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

Despite the decreased attendance and conventions, revenues remained stable at \$7.7 million. This was due to a 23% increase in revenue per convention and a 32% increase in revenue per attendee. The gross margin at 29% was lower than prior year due to increased labor costs related to event management, information technologies, audio visual, food, facilities and security, combined with increased costs for health insurance and related benefits. Sales, general and administrative expenses also increased due to:

- Software costs: As the industry moves to subscription-based pricing, software costs increase, partially offset by reductions in computer hardware costs. The increased software costs are a result of enhanced human resource management, scheduling, payroll and integration of the financial systems into the ERP system.
- Insurance costs: Costs increased as a result of increased coverage for business interruption and increasing property values.
- Website costs: The website was updated to be compliant with WCAG Level 2 AA compliance.
- Sales costs: Costs have increased due to higher contract marketing expenses and increased sales efforts at national conferences and trade shows to increase convention numbers.
- Consulting costs: Higher consulting costs were incurred to enhance operational efficiencies and integrate the financial systems into the ERP system.

Staffing

The Centre is managed by an Executive Director, Director of Finance, Director of Human Resources, Director of Sales, Director of Marketing, Assistant Executive Director, Director of Operations, and the Director of Food and Beverage. The Centre employs full-time and part-time staff to meet its varying needs for staffing based on event numbers, organized into the above departments. Investments in training and development of employees is a priority and results in a guest satisfaction rating of a 4.84/5.0. 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 2019, part-time equivalents increased from 97 to 108, as additional staff was hired in sales, event management and operations, security, and human resources. With low unemployment and rising wages within the service industry, staffing and related expenses continue to be a challenge. Boise Centre has developed its Wowgistics™ program, which was trademarked in 2020, to maintain a desirable workplace, and help with recruitment and retention.

Transfers

Due to historical as well as budgeted operating losses before depreciation, certain operating and capital requirements for Boise Centre are funded by the District. Operating transfers in 2019 were \$0.7 million lower as cash, accounts receivables, and inventories decreased, while event deposits increased and interest expense decreased. Lease payment transfers were significantly higher in 2019 as bond payments were made from transfers, rather than bond proceeds used in 2018. Capital transfers for the proprietary fund increased substantially. Please refer to the Capital Asset section on the following page.

Transfers			
In 000s	2019	2018	Change
Operating Transfers	\$1,317	\$2,019	\$(702)
Lease Payment Transfers	1,650	293	1,357
Proprietary Fund Capital	2,783	804	1,979
Government Fund Capital	0	1,713	(1,713)
Total Transfers to Proprietary Fund	\$5,750	\$4,829	\$921

GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

Significant Budget Variances

General Fund (District)

Revenues

District lodging room taxes are \$0.7 million above prior year, and 7% above budget due to a 3% increase in lodging demand and higher average daily rate, with stable occupancy percentages

Operating and Expansion Expenses

Operating and expansion expenses for the District were 41% below budget due to lower guest experience expenses.

Transfers

Transfers were under budget due to lower cash needs by Boise Centre for operating, combined with uncompleted or postponed capital projects. Operating losses for the Boise Centre were also lower than budgeted.

Proprietary Fund (Boise Centre)

Revenues

The Centre gross operating revenues were higher than budget by \$0.3 million, a 4% positive variance, due to higher revenue per event. The positive variances were in audio visual equipment rental income and operations income, as internet services were expanded and additional investments in audio visual equipment generated more revenues.

Cost of Sales

Direct labor and costs, which are largely variable costs, were over budget due to higher revenues. The gross margin was 220 basis points above budget, or 12% over budget.

- As a percentage of sales, direct labor was within budget.
- As a percentage of sales, direct costs were underbudget (actual of 22% compared to budget of 23%) due to lower audio-visual equipment rental expenses, as a result of increases in rental inventory.

Operating Expenses

Operating expenses were 7% below budget, with positive variances noted in all expense areas. Decreases in communication expenses offset increased insurance costs while legal fees were over budget due to revisions to company policies and contracts.

Transfers

Please refer to comments above under Governmental Fund, Proprietary Fund and the footnotes for further discussion of transfers.

Capital Assets

Boise Centre employs a rolling 20-year capital plan, which is updated annually. While the capital plan is subject to change, depending upon cash flow demands, the capital plan reflects anticipated improvements and replacements. The plan is intended to maintain the facilities with modern design aesthetics, state of the art technology and security to optimize the guests' experience, and full-service catering and beverage services to deliver world-class experiences.

In 2019, major capital projects included \$1.4 million to remodel the entries to the facility for Boise Centre West, as recommended by the Department of Homeland Security, to ensure a higher level of safety and security. The changes enable better control of accessibility, using new technology for electronic controls and camera systems. Additionally, the original chiller from 1990 was replaced. The last service hallway remodel was completed in September 2019 and increases efficiencies. Other projects included new kitchen equipment, operations equipment and exterior signage.

GREATER BOISE AUDITORIUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2019

Long-Term Debt

Boise Centre has a capital lease for the lease purchase of the ballroom portion of Boise Centre East. The building is currently owned by the Capital City Development Corporation and financed through the issuance of lease revenue bonds (Series 2016 due 12/15/2036 issued for the Greater Boise Auditorium District). The bonds were upgraded in 2019 from an "A" to an "A+" by Standards & Poor's Rating Services due to the stable outlook, and the strength and stability of the pledged revenue, as well as the general credit quality associated with the collection and distribution of the pledged revenue.

The District is also performing ahead of projections outlined in the bond offering:

	2019 Bond <u>Projections</u>	2019 Actual <u>Results</u>	Variance Positive <u>(Negative)</u>
(In 000's)			
Total Revenues	12,206	16,469	4,263
Total Expenses	11,379	13,389	2,010
Change in Net Position	827	3,080	2,253

Conditions with Expected Future Impact

Economic fundamentals are stable in Boise and the surrounding areas. The City of Boise remains the economic cornerstone in the Treasure Valley. Smooth running airports are also integral to attracting larger conventions. Airlines announced new direct flights in 2020 to the following locations: Atlanta, Los Angeles, San Diego, Denver, San Jose, Sacramento and additional flights to Phoenix. The addition of a direct flight to Atlanta, GA will begin in July 2020, improving access and opening up new markets in the southeast.

According to Price Waterhouse Cooper's 2020 US Travel and Hospitality Industry Outlook, after almost 11 years of consecutive growth, most indicators suggest that market conditions are generally expected to remain flat in 2020. However, given the recent situation with the coronavirus, this is no longer the case. In mid-March 2020, Boise Centre events started cancelling or rescheduling. This will significantly impact the revenues for the Boise Centre and the District. Local hoteliers indicate that their occupancy rates have fallen from the 72% reported in 2019 to 10-15%. Event organizers and attendees want to come to Boise, Idaho, and many events have been or will be rescheduled for the summer months, which typically has low utilization. However, if the "Stay At Home" orders continue, these events will need to be rescheduled further out, and there may not be availability within the fourth quarter 2020 booking calendar to accommodate all of the events, which will further impact revenues for 2020. This also impacts District lodging tax receipts. Despite the uncertain nature of this virus, management is actively pursuing strategies to ensure that Boise Centre remains present in the market, staff is retained and the building maintained to provide our excellent standard of service and quality when events begin again.

While the District continues to investigate potential projects for investment, there are currently no commitments for any new projects.

In March 2020, Standards & Poors revised their bond rating outlook based on the impact of the coronavirus to the industry. The notice is in anticipation that one in three bonds secured by tax revenue pledges (hotel, sales tax, income tax, etc.) will be negatively affected. The industry outlook has been revised from stable to negative due to the acute and dramatic influence of the coronavirus on the hospitality sector. The District has a \$6 million stabilization fund, as well as additional available liquidity to handle the economic downturn.

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, 2019

	Primary Government		
	Business-		Total
	Governmental Activities	Type Activities	
ASSETS			
Cash and cash equivalents	\$ 14,952,858	\$ 470,009	\$ 15,422,867
Investments	7,959,491	-	7,959,491
Receivables:			
Taxes receivable	763,121	-	763,121
Accounts receivable, net	-	926,866	926,866
Interest receivable	37,433	-	37,433
Inventories	-	74,449	74,449
Prepaid expenses	1,000	286,842	287,842
Cash, restricted	250,000	-	250,000
Other assets	-	5,601	5,601
Parking reservation rights, net	-	120,631	120,631
Website development, net	-	24,478	24,478
Capital assets, net	-	49,841,112	49,841,112
	<u>23,963,903</u>	<u>51,749,988</u>	<u>75,713,891</u>
LIABILITIES			
Accounts payable	3,604	71,092	74,696
Accrued expenses	4,908	342,159	347,067
Event deposits	-	670,421	670,421
Capital lease payable:			
Due within one year	-	1,021,986	1,021,986
Due in more than one year	-	20,178,915	20,178,915
	<u>8,512</u>	<u>22,284,573</u>	<u>22,293,085</u>
NET POSITION			
Net investment in capital assets	-	28,640,211	28,640,211
Restricted	250,000	-	250,000
Unrestricted	<u>23,705,391</u>	<u>825,204</u>	<u>24,530,595</u>
Total Net Position	<u>\$ 23,955,391</u>	<u>\$ 29,465,415</u>	<u>\$ 53,420,806</u>

The Notes to the Financial Statements are an integral part of these statements.

GREATER BOISE AUDITORIUM DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended November 30, 2019

	Program Revenues	Net (Expense) Revenue and Changes in Net Position			
		Primary Government			
		Charges for Services	Governmental Activities	Business- Type Activities	Total
	Expenses				
FUNCTIONS/PROGRAMS					
Primary government					
Governmental activities	\$ 148,037	\$ -	\$ (148,037)	\$ -	\$ (148,037)
Business-type activities					
Convention activities	<u>13,240,642</u>	<u>7,711,718</u>	<u>-</u>	<u>(5,528,924)</u>	<u>(5,528,924)</u>
Total primary government	<u>\$ 13,388,679</u>	<u>\$ 7,711,718</u>	<u>(148,037)</u>	<u>(5,528,924)</u>	<u>(5,676,961)</u>
GENERAL REVENUES					
District taxes		8,391,297		-	8,391,297
Interest income		332,595		-	332,595
Loss on disposition		-	(944)		(944)
Other		-	34,151		34,151
Transfers, net		<u>(5,750,000)</u>	<u>5,750,000</u>		<u>-</u>
Change in net position		2,825,855	254,283		3,080,138
NET POSITION, beginning of year		<u>21,129,536</u>	<u>29,211,132</u>		<u>50,340,668</u>
NET POSITION, end of year	\$ 23,955,391		\$ 29,465,415		\$ 53,420,806

The Notes to the Financial Statements are an integral part of these statements.

GREATER BOISE AUDITORIUM DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND
For the Year Ended November 30, 2019

ASSETS

Cash and cash equivalents	\$ 15,202,858
Investments	7,959,491
Receivables:	
Taxes receivable	763,121
Interest receivable	37,433
Prepaid expenses	1,000
Total Assets	\$ 23,963,903

LIABILITIES

Accounts payable	\$ 3,604
Accrued expenses	4,908
	8,512

FUND BALANCE

Restricted, contingency funds	250,000
Committed:	
Stabilization fund	6,000,000
Centre transfers	5,564,324
Future projects	6,000,000
Unassigned	6,141,067
	23,955,391
Total liabilities and fund balance	\$ 23,963,903

Reconciliation of Balance Sheet - Governmental Fund to Statement of Net Position

Fund balance - governmental funds	\$ 23,955,391
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 report in the governmental fund balance.	-
Net position - governmental activities	\$ 23,955,391

The Notes to the Financial Statements are an integral part of these statements.

GREATER BOISE AUDITORIUM DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended November 30, 2019**

REVENUES

District taxes, net of refunds	\$ 8,391,297
Investment earnings	332,595
	<hr/>
	8,723,892

EXPENDITURES

Operating and administrative expenses	148,037
Capital outlay	-
	<hr/>
	148,037

EXCESS OF REVENUES OVER EXPENDITURES

8,575,855

OTHER FINANCING USES

Operating and capital transfers	(5,750,000)
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Excess of revenues over expenditures and other financing uses

2,825,855

FUND BALANCE, beginning of year

21,129,536

FUND BALANCE, end of year

\$ 23,955,391

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

Net change in fund balance - governmental funds \$ 2,825,855

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.

Governmental activities transferred capital assets, which is not
recognized in governmental funds.

Change in net position - governmental activities \$ 2,825,855

GREATER BOISE AUDITORIUM DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND
For the Year Ended November 30, 2019

ASSETS

Cash and cash equivalents	\$ 470,009
Receivables, net of allowance	926,866
Prepaid expenses	204,064
Inventories	74,449
Other assets	5,601
Total Current Assets	<u>1,680,989</u>
Prepaid expenses - long-term	82,778
Parking reservation rights, net	120,631
Website development, net	24,478
Capital assets, net	49,841,112
	<u>50,068,999</u>
Total Assets	<u>51,749,988</u>

LIABILITIES

Accounts payable	71,092
Accrued expenses	342,159
Event deposits	670,421
Capital lease payable - current portion	1,021,986
Total Current Liabilities	<u>2,105,658</u>

Capital lease payable - long-term

20,178,915

NET POSITION

Net investment in capital assets	28,640,211
Unrestricted	<u>825,204</u>
Total Net Position	<u>\$ 29,465,415</u>

GREATER BOISE AUDITORIUM DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUND
For the Year Ended November 30, 2019**

OPERATING REVENUES

Conventions and meetings	\$ 7,711,718
Cost of sales:	
Direct labor	(3,837,753)
Direct costs	<u>(1,657,116)</u>
Gross margin	<u>2,216,849</u>

OPERATING EXPENSES

Labor	1,572,850
Employee related	132,960
Office and general	291,276
Marketing and sales	1,280,117
Utilities	243,471
Building	572,407
Professional fees	<u>121,602</u>
	<u>4,214,683</u>

OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION

Depreciation and amortization	<u>(2,872,358)</u>
	<u>(4,870,192)</u>

NONOPERATING REVENUES (EXPENSES)

Other income, net	34,151
Loss on disposition	(944)
Interest expense	<u>(658,732)</u>
	<u>(625,525)</u>

Loss before Operating and Capital Transfers

Operating transfers	2,967,263
Capital transfers	<u>2,782,737</u>

CHANGE IN NET POSITION

NET POSITION, beginning of year	<u>29,211,132</u>
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NET POSITION, end of year	<u>\$ 29,465,415</u>
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The Notes to the Financial Statements are an integral part of these statements.

GREATER BOISE AUDITORIUM DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended November 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 7,852,009
Payments to suppliers	(4,437,148)
Payments to and on behalf of employees	<u>(5,333,846)</u>
Net cash used by operating activities	<u>(1,918,985)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers	2,967,263
Other revenue	34,151
Net cash used by noncapital financing activities	<u>3,001,414</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase or acquisition of capital assets	(2,630,872)
Proceeds from sale of capital assets	1,215
Payments related to capital lease	(1,650,406)
Capital transfers	<u>2,782,737</u>
Net cash used by capital and related financing activities	<u>(1,497,326)</u>

Net change in cash and cash equivalents (414,897)

Cash and cash equivalents, beginning of year 884,906

Cash and cash equivalents, end of year \$ 470,009

GREATER BOISE AUDITORIUM DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended November 30, 2019

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

Operating loss	\$ (4,870,192)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization expense	2,872,358
Changes in assets and liabilities, net	
Receivables	30,990
Prepaid expenses	(104,403)
Other assets	19,048
Inventories	12,530
Accounts payable and accrued expenses	11,383
Event deposits	<u>109,301</u>
Net cash used by operating activities	<u>\$ (1,918,985)</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	\$ <u>658,732</u>
Noncash investing, capital and financing activities	
Transfers of capital assets from governmental fund	\$ <u>-</u>
Loss on disposition of capital assets	\$ <u>2,159</u>

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

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, 2019

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. See Note 9 for discussions on the portion of cash that is restricted.

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

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, 2019, 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, 2019, there was no interfund balance outstanding.

Other assets

Other assets in the Proprietary Fund include amounts paid for deposits on future projects.

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.

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

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets, net - continued

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. Effective January 1, 2020, subsequent to November 30, 2019, the policy was changed to include sick and holiday time as part of the annual leave calculation. The policy change resulted in an additional \$71,789 in accrued annual leave payable that will be recorded in the fiscal year ending November 30, 2020.

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.

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.

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

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

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 \$328,402 for 2019.

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

NOTE 3. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows as of November 30, 2019:

Cash and cash equivalents	\$15,422,867
Investments	7,959,491
Cash, restricted (see Note 9)	<u>250,000</u>
	<u>\$23,632,358</u>

Cash and investments reflected above are classified as the following for disclosures as of November 30, 2019:

Cash deposits	\$15,672,867
Investments	<u>7,959,491</u>
	<u>\$23,632,358</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 custodian per financial institution. Cash deposits exceeding FDIC limits were \$14,635,975 as of November 30, 2019. All cash deposits in excess of FDIC limits were maintained with collateralized deposits held in the name of the District.

The board committed funds of \$17,564,324 for future projects, 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.

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, 2019:

Investment Type	Fair Value	Weighted Average	Investment Maturities (in Years)		
			Less than 1	1 - 5	More than 5
Federal agency bonds and notes	\$ 549,351	0.42	\$ 549,351	\$ -	\$ -
Idaho municipal obligations	100,555	0.76	100,555	-	-
U.S. treasury obligations	7,309,585	1.03	3,883,841	3,425,744	-
	<u>\$ 7,959,491</u>		<u>\$ 4,533,747</u>	<u>\$ 3,425,744</u>	<u>\$ -</u>

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

NOTE 3. CASH AND INVESTMENTS - Continued

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, 2019:

Investment Type	Fair Value	Quality Ratings			
		Aaa	Aa2	AA+	Unrated
Federal agency bonds and notes	\$ 549,351	\$ -	\$ -	\$ 549,351	\$ -
Idaho municipal obligations	100,555	-	100,555	-	-
U.S. treasury obligations	7,309,585	6,311,845	-	-	997,740
	<u>\$ 7,959,491</u>	<u>\$ 6,311,845</u>	<u>\$ 100,555</u>	<u>\$ 549,351</u>	<u>\$ 997,740</u>

Concentration of credit risk

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

Issuer	Fair Value	Percentage of Total Investments
Federal Home Loan Bank Bond	\$ 549,351	6.90%
United States Treasury	\$ 7,309,585	91.83%

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:

Investment Type	Maximum % per Investment Type	Maximum % per Individual Security	Maximum Maturity	Minimum Rating
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.

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

NOTE 4. FAIR VALUE MEASUREMENTS - Continued

The District has the following recurring fair value measurements, which are stated at quoted fair market value (Level 1), as of November 30, 2019:

Federal agency bonds and notes	\$ 549,351
Idaho municipal obligations	100,555
U.S. treasury obligations	<u>7,309,585</u>
	<u>\$ 7,959,491</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, 2019.

NOTE 6. CAPITAL ASSETS, NET

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

	<u>2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>2019</u>
Not depreciated:				
Projects in progress	\$ 150,506	\$ 2,942	\$ (150,506)	\$ 2,942
Depreciated:				
Building and improvements	36,244,129	1,918,185	(3,153)	38,159,161
Furniture and equipment	6,116,355	860,610	-	6,976,965
Capital lease	<u>22,604,090</u>	<u>-</u>	<u>-</u>	<u>22,604,090</u>
	<u>65,115,080</u>	<u>2,781,737</u>	<u>(153,659)</u>	<u>67,743,158</u>
Less accumulated depreciation:				
Buildings and improvements	(10,423,624)	(1,375,186)	634	(11,798,176)
Furniture and equipment	(2,990,618)	(714,861)	-	(3,705,479)
Capital lease	<u>(1,641,035)</u>	<u>(757,356)</u>	<u>-</u>	<u>(2,398,391)</u>
	<u>(15,055,277)</u>	<u>(2,847,403)</u>	<u>634</u>	<u>(17,902,046)</u>
Capital assets, net	<u>\$50,059,803</u>	<u>\$ (65,666)</u>	<u>\$ (153,025)</u>	<u>\$49,841,112</u>

NOTE 7. INTERFUND TRANSFERS

The following amounts were transferred from the Governmental Fund to the Proprietary Fund for the year ended November 30, 2019:

Operating transfers:

Funds transferred for operations	\$ 1,316,857
Funds transferred for capital lease payments	<u>1,650,406</u>
	<u>\$ 2,967,263</u>

Funds transferred for capital

\$ 2,782,737
<u>\$ 5,750,000</u>

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

NOTE 8. FUND BALANCE – GOVERNMENTAL FUND

Committed funds

The Board of Directors has committed, through formal action, the following as of November 30, 2019:

Funds committed for stabilization fund	\$ 6,000,000
Funds committed for future projects	6,000,000
Funds committed for Centre transfers	<u>5,564,324</u>
	<u>\$ 17,564,324</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 9. 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.

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, 2019, the marketing expense paid under the contract was \$655,224. Subsequent to fiscal year end, the Centre entered into the 2020 agreement for a commitment of up to \$710,919.

Capital Lease Payable

On April 29, 2016, Capital City Development Corporation (CCDC) authorized the issuance of Lease Revenue Bonds, Series 2016 (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 2016 bonds were issued at a fixed rate range from 3.00% to 5.00%.

In December 2015, 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 2016 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, 2016, the District is obligated to pay an annually appropriated lease payment not to exceed \$1,723,975 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 30th.) 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 cash. The lease expired on November 30, 2019, but was renewed for a one year term, ending November 30, 2020.

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS For the Year Ended November 30, 2019

NOTE 9. COMMITMENT AND CONTINGENCIES - Continued

The lease may be renewed for a total of twenty consecutive one-year terms commencing December 1 and ending November 30, expiring November 2036.

The District also has an option to purchase the expansion project following full payment or defeasance of the Series 2016 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, 2018 was \$22,192,575. Principal payments for the year ended November 30, 2019 totaled \$991,674.

The future anticipated minimum lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,021,986	\$ 698,006	\$ 1,719,992
2021	1,060,675	661,150	1,721,825
2022	1,098,845	624,959	1,723,804
2023	1,135,865	587,502	1,723,367
2024	1,170,703	550,393	1,721,096
2025-2029	6,484,598	2,118,434	8,603,032
2030-2034	7,677,604	933,465	8,611,069
2035-2036	<u>1,550,625</u>	<u>26,069</u>	<u>1,576,694</u>
	<u><u>\$ 21,200,901</u></u>	<u><u>\$ 6,199,978</u></u>	<u><u>\$ 27,400,879</u></u>

NOTE 10. 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 \$183,214 for the year ended November 30, 2019.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions for potential recognition or disclosure through April 16, 2020, which is the date the accompanying financial statements were available to be issued.

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended November 30, 2019

NOTE 11. SUBSEQUENT EVENTS - Continued

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this filing, the District has been operational on a restricted basis. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GREATER BOISE AUDITORIUM DISTRICT
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND
For the Year Ended November 30, 2019

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
District taxes, net	\$ 7,859,000	\$ 7,859,000	\$ 8,391,297	\$ 532,297
Other income	<u>187,200</u>	<u>187,200</u>	<u>332,595</u>	<u>145,395</u>
	<u>8,046,200</u>	<u>8,046,200</u>	<u>8,723,892</u>	<u>677,692</u>
EXPENDITURES				
Insurance	10,200	10,200	6,251	3,949
Professional fees	88,500	88,500	81,199	7,301
Membership dues	6,000	6,000	6,000	-
Office expense	92,840	92,840	19,527	73,313
Investment expense and fees	25,200	25,200	22,235	2,965
Expansion costs	<u>30,000</u>	<u>30,000</u>	<u>12,825</u>	<u>17,175</u>
	<u>252,740</u>	<u>252,740</u>	<u>148,037</u>	<u>104,703</u>
EXCESS OF EXPENDITURES OVER REVENUES	7,793,460	7,793,460	8,575,855	782,395
OTHER FINANCING USES				
Operating and capital transfers	<u>(6,844,246)</u>	<u>(7,440,624)</u>	<u>(5,750,000)</u>	<u>1,690,624</u>
EXCESS OF EXPENDITURES OVER REVENUES AND OTHER FINANCING USES	<u>\$ 949,214</u>	<u>\$ 352,836</u>	<u>2,825,855</u>	<u>\$ 2,473,019</u>
FUND BALANCE, beginning of year			<u>21,129,536</u>	
FUND BALANCE, end of year			<u>\$ 23,955,391</u>	

GREATER BOISE AUDITORIUM DISTRICT

NOTES TO BUDGETARY COMPARISON SCHEDULE – GOVERNMENTAL FUND
For the Year Ended November 30, 2019

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, 2019

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Conventions and meetings	\$ 7,392,960	\$ 7,392,960	\$ 7,711,718	\$ 318,758
Cost of sales:				
Direct labor	(3,729,404)	(3,729,404)	(3,837,753)	(108,349)
Direct costs	(1,692,997)	(1,702,247)	(1,657,116)	45,131
Gross margin	<u>1,970,559</u>	<u>1,961,309</u>	<u>2,216,849</u>	<u>255,540</u>
OPERATING EXPENSES				
Labor	1,599,966	1,599,966	1,572,850	27,116
Employee related	171,997	174,397	132,960	41,437
Office and general	351,229	341,979	291,276	50,703
Marketing and sales	1,364,785	1,362,385	1,280,117	82,268
Utilities	258,979	258,979	243,471	15,508
Building	670,847	670,847	572,407	98,440
Professional fees	121,674	121,674	121,602	72
	<u>4,539,477</u>	<u>4,530,227</u>	<u>4,214,683</u>	<u>315,544</u>
OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION	(2,568,918)	(2,568,918)	(1,997,834)	571,084
Depreciation and amortization	(2,943,071)	(2,943,071)	(2,872,358)	70,713
NONOPERATING REVENUES (EXPENSES)				
Other income, net	40,212	40,212	34,151	(6,061)
Loss on disposition	-	-	(944)	(944)
Interest expense	<u>(732,300)</u>	<u>(732,300)</u>	<u>(658,732)</u>	<u>73,568</u>
LOSS BEFORE OPERATING AND CAPITAL TRANSFERS	(6,204,077)	(6,204,077)	(5,495,717)	708,360
Operating transfers	4,290,546	4,290,546	2,967,263	(1,323,283)
Capital transfers	<u>2,553,700</u>	<u>3,150,078</u>	<u>2,782,737</u>	<u>(367,341)</u>
CHANGE IN NET POSITION	<u>\$ 640,169</u>	<u>\$ 1,236,547</u>	254,283	<u>\$ (982,264)</u>
NET POSITION, beginning of year			<u>29,211,132</u>	
NET POSITION, end of year			<u>\$ 29,465,415</u>	

Pulliam & Associates, Chartered

Certified Public Accountants

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, 2019, 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 16, 2020.

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.

Pullen & Associates, Chtd.

Boise, Idaho
April 16, 2020



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