

NAMPA DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NAMPA, IDAHO)

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NAMPA DEVELOPMENT CORPORATION

2008 ANNUAL REPORT

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Management and Members of the Board of Directors
Nampa Development Corporation, a blended component
Unit of the City of Nampa, Idaho

We have audited the accompanying financial statements of the governmental activities of Nampa Development Corporation, a blended component unit of the City of Nampa, Idaho, as of and for the year ended September 30, 2008, which collectively comprise Nampa Development Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nampa Development Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present on the Nampa Development Corporation and do not purport to, and do not, present fairly the financial position of the City of Nampa, Idaho, as of September 30, 2008, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Nampa Development Corporation, as of September 30, 2008, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 06, 2009, on our consideration of Nampa Development Corporation'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

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and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
July 06, 2009

***Nampa Development Corporation
Management's Discussion and Analysis
Fiscal Year 2008***

This discussion and analysis is provided by management in accordance with Governmental Accounting Standards Board (GASB) requirements to assist the reader in identifying and reviewing key issues and financial activity for the fiscal year ending September 30, 2008. Since this discussion and analysis focuses on the current fiscal year's activities and is a summary analysis, the reader is encouraged to review the financial statements which follow this section to acquire the full information contained in this report.

FINANCIAL HIGHLIGHTS

- From the Statement of Net Assets: Total Assets increased from \$817,000 in FY 2007 to \$7.4 million in FY 2008. Total Liabilities increased by \$6 million, primarily due to the increase in deferred revenues by \$1.7 million to \$2.5 million in 2008, as well as advances and a loan from the City of Nampa totaling \$4.4 million.

- From the Statement of Revenues, Expenditures, and Changes in Fund Balances: FY 2008 was the first year the NDC received tax revenues, totaling \$1.1 million. A loan from the City of Nampa in the amount of \$3.5 million allowed NDC to purchase property for the future site of the Public Safety Building and parcels for the Nampa Public Library. Total expenditures of \$4.5 million and the loan proceeds increased the fund balance from \$(290,902) in 2007 to \$(174,859) in 2008.

BACKGROUND

The Nampa Development Corporation (NDC) is an Urban Renewal Agency (the "Agency") organized on October 16, 2006 under the Idaho Urban Renewal Law, Chapter 20, and Title 50 of the Idaho Code. The Agency was established to oversee redevelopment efforts in deteriorated areas of the community. The Economic Development Redevelopment Plan adopted by the Agency on October 26, 2006 was established to revitalize downtown, develop the North Nampa industrial area and improve commercial arterials. Anticipated projects include a central library, North Nampa industrial infrastructure, a central police station, Nampa Caldwell Boulevard improvements, Franklin Boulevard right of way improvements, and freeway interchange improvements. The Redevelopment Plan will be completed by December 31, 2030, at which time the Agency's assets will revert to City ownership.

REVENUES AND PROPERTY VALUES

Tax increment financing is the primary source of revenue for the Agency. The amount of revenue received from property taxes is determined by the value of taxable property in excess of the base year, multiplied by the current tax levy rates in effect from the various

taxing districts within the Urban Renewal boundaries. If the market value of property increases, in part due to investments made by the Agency, the proceeds from the property tax may increase even with no increase in the tax levy rates. The setting of rates is the responsibility of local governmental entities within allowable limits of state law.

The market value of all real and personal properties within the Urban Renewal Agency boundaries has increased since the inception of the District. As of January 1, 2006, the base year, market values of taxable property within the Urban Renewal Revenue Allocation Area totaled \$293,694,693. The 2007 Market values for fiscal 2008 within the same area have increased to a total of \$347,017,561. This increase in market value represents a 2007 increment value of \$53,322,868 and 2007 property tax revenue available for fiscal 2008 of \$1,114,956. Taxing districts involved include: Vallivue School District #139, Nampa School District #131, Canyon County, Ambulance District, Pest Control, City of Nampa, Fairview Cemetery District, and Nampa Highway Dist #1.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements focus on both the Agency as a whole (Agency-wide) and on the major individual funds. Viewing governmental activity both as a whole and by individual major fund gives the reader a broader perspective, increases the Agency's accountability, and provides a fuller picture of the financial health and activities of the Agency.

The Agency's basic financial statements are composed of three parts: 1) Agency-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Agency-Wide Financial Statements

The Agency-wide financial statements are designed to more closely parallel the reporting used in private-sector businesses, in that all governmental and business-type activities are reported using the same basis of accounting (accrual), and that the statements include a total column to provide information on the Agency as a whole. These statements should better answer the question "As a whole, is the Agency financially better off or worse off than it was a year ago?"

The Statement of Net Assets provides information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets (this report includes all current and historical assets). Historical trending of the Agency's net assets can provide a useful indicator as to whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities provides information showing changes made to the Agency's net assets during fiscal year 2008. Financial activity shown on this statement is reported on an accrual basis (at the time the underlying event causing the change occurs, rather than at the time the cash flows happen). Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Table 2 provides a summary of the Agency's operation for the fiscal year ended September 30, 2008. Prior year data is presented for comparison purposes.

Table 2
Statement of Activities
As of September 30, 2007 and 2008

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
Revenues:		
General Revenues		
Property Taxes	\$ -	\$ 1,133,884
Miscellaneous		63
Total Revenues	<u>-</u>	<u>1,133,947</u>
Expenses:		
Urban Renewal	257,056	556,799
Interest Expense		12,062
Total Expenses	<u>257,056</u>	<u>568,861</u>
Increase in Net Assets	(257,056)	565,086
Net Assets – beginning	-	(257,056)
Net Assets – ending	<u>\$ (257,056)</u>	<u>\$ 308,030</u>

Financial Analysis of the Agency's Funds

As of the fiscal year end, the Agency's ending combined fund balance totaled (\$174,859), an increase of \$116,043 from the previous year.

Actual to budget comparisons are found following the Notes to the Financial Statements. The Agency approved one revision to the original FY08 budget, which added an increase of \$1,824,473 to the general fund expenditures. The budget amendment included an increase in property tax revenue and an advance from the City of Nampa used to fund projects. There was an overall variance between budgeted and actual expenditures of \$1,904,802. This variance resulted from an unbudgeted \$3.5 million dollar loan made to the Nampa Development Corporation from the City of Nampa to purchase property for a new public safety building and library.

Capital Assets

At fiscal year end, the Agency's investment in capital assets, consisted of \$3,529,905 in land, and \$459,938 for construction in progress, totaling \$3,989,843. Capital purchases for a future library totaled \$2,036,591 and capital purchases for a future public safety building totaled \$1,934,001.

Debt Administration

During fiscal year 2008, the Agency borrowed \$3,511,369 from the City of Nampa for land purchases. This amount represents the total amount of long-term debt due at the end of the fiscal year.

FISCAL YEAR 2008 ACTIVITIES

Fiscal Year 2008 was the first year the Agency received revenue from tax increment financing. Projects were initiated to meet the commitment to economic development within the geographic boundaries of the District. Key activities of the Agency projects are identified below.

- Met contractual obligations of the Agency with a payment to the Vallivue School District, rebating their portion of the tax increment financing.
- Funded legal fees associated with the operations of the Agency and the judicial confirmation process to enable the Agency to bond for land acquisition and the construction of the Public Safety Building.
- Began funding a downtown traffic study, the study will be completed in fiscal year 2009.
- Developed conceptual site plan for the new library structure.
- Design and engineering work was completed for the new Public Safety Building.

ECONOMIC FACTORS

The tax increment revenues for the Agency are tied to growth. As the economy has slowed, so the projected tax revenues will also slow. However, the current tax revenues of approximately \$2.5 million per year form a stable base. The only debt that NDC has incurred at this time is due to the City of Nampa over the next 7 years at the schedule printed in Note 6 in the Financial Statements. NDC continues to acquire properties as they become available for the purposes outlined in the Economic Development Redevelopment Plan. The Agency also is developing planning and construction documents for the various projects within the Plan.

A parallel development in the economic slowdown is a court challenge to urban renewal districts in the State of Idaho. Pending the outcome of this challenge, alternate financing options are being considered for the projects within the Plan. It is entirely possible that the court case will be resolved as the economy begins to grow, and NDC will be able to fully implement the various projects within the Plan.

BOARD OF COMMISSIONERS

<u>Director:</u>	<u>Term Expiration:</u>
Pam White	12/31/09
Martin Thorne	12/31/09
David Ferdinand	12/31/10
Curtis Homer	12/31/11
Stephen Kren	12/31/11
Dan Nogales	12/31/11
Nick Treinen	12/31/12

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Agency's finances. If you have any questions about this report or need any additional information, contact the Department of Finance, Central Services Building, 224 11th Avenue South, Nampa, ID 83651, or call (208) 468-5737.

NAMPA DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental Activities
ASSETS	
Cash and investments	\$ 878,581
Receivables:	
Property taxes	2,534,073
Land and other nondepreciable capital assets	3,989,843
Total assets	<u>7,402,497</u>
LIABILITIES	
Accounts payable	147,780
Accrued interest	12,062
Accrued liabilities	927
Deferred revenues	2,515,145
Advances from the City of Nampa	907,184
Noncurrent liabilities:	
Due within one year	200,000
Due in more than one year	3,311,369
Total liabilities	<u>7,094,467</u>
NET ASSETS	
Invested in capital assets, net of related debt	478,474
Unrestricted	(170,444)
Total net assets	<u>\$ 308,030</u>

The notes to the financial statements are an integral part of this statement.

NAMPA DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Total</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Urban Renewal	\$ 556,799	\$ -	\$ -	\$ -	\$ (556,799)
Interest on long-term liabilities	<u>12,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,062)</u>
Total governmental activities	<u>\$ 568,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(568,861)</u>
General revenues:					
Property taxes levied for:					
General purposes					1,133,884
Miscellaneous					<u>63</u>
Total general revenues					<u>1,133,947</u>
Change in net assets					565,086
Net assets - beginning					<u>(257,056)</u>
Net assets - ending					<u>\$ 308,030</u>

The notes to the financial statements are an integral part of this statement.

NAMPA DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<u>GENERAL</u>
ASSETS	
Cash	\$ 878,581
Taxes receivable - current	2,515,145
Taxes receivable - delinquent	18,928
Total assets	<u><u>\$ 3,412,654</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 147,780
Accrued liabilities	927
Deferred revenue	2,531,622
Advances from City of Nampa	907,184
Total liabilities	<u><u>3,587,513</u></u>
Fund Balances:	
Unreserved:	
Undesignated, reported in:	
General fund	<u>(174,859)</u>
Total fund balances	<u>(174,859)</u>
Total liabilities and fund balances	<u><u>\$ 3,412,654</u></u>

The notes to the financial statements are an integral part of this statement.

NAMPA DEVELOPMENT CORPORATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total fund balances for governmental funds \$ (174,859)

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. 3,989,843

Some of the Agency's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 16,477

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for notes payable is \$12,062. (12,062)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Notes payable - City of Nampa (3,511,369)

Total net assets of governmental activities \$ 308,030

The notes to the financial statements are an integral part of this statement.

NAMPA DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>GENERAL</u>
REVENUES	
Property taxes	\$ 1,117,407
Miscellaneous	63
Total revenues	<u>1,117,470</u>
EXPENDITURES	
Current:	
Urban Renewal	556,799
Capital outlay	3,955,997
Total expenditures	<u>4,512,796</u>
Excess (deficiency) of revenues over expenditures	<u>(3,395,326)</u>
OTHER FINANCING SOURCES (USES):	
Note payable issuance	<u>3,511,369</u>
Net change in fund balances	116,043
Fund balances at October 1	<u>(290,902)</u>
Fund balances at September 30	<u><u>\$ (174,859)</u></u>

The notes to the financial statements are an integral part of this statement.

NAMPA DEVELOPMENT CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances-total governmental funds \$ 116,043

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an individual cost of more than \$5,000 for equipment and \$25,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital outlay 3,955,997

The governmental funds report the proceeds of long-term debt as financing sources, while repayment of the principal of long-term debt is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The change in the compensated absences affects the long term liability balance and does not affect the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Notes payable issuance	(3,511,369)	
Interest expense - notes payable	<u>(12,062)</u>	
		(3,523,431)

Because some property taxes will not be collected for several months after the Agency's fiscal year end they are not considered available revenues in the governmental funds, but are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.

16,477

Change in net assets of governmental activities \$ 565,086

The notes to the financial statements are an integral part of this statement.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nampa Development Corporation (NDC) an Urban Renewal Agency (the “Agency”) was organized on October 16, 2006 under the Idaho Urban Renewal Law, Chapter 20, and Title 50 of the Idaho Code. The Agency was established to oversee redevelopment efforts in deteriorated areas of the community. The Economic Development Redevelopment Plan adopted by the Agency on October 26, 2006 was established to revitalize downtown, develop the North Nampa industrial area and improve commercial arterials. Anticipated projects include a central library, North Nampa industrial infrastructure, a central police station, Nampa Caldwell Boulevard improvements, Franklin Boulevard right of way improvements, and freeway interchange improvements. The Redevelopment Plan will be completed by December 31, 2030, at which time the Agency’s assets will revert to City ownership. The Agency under governmental accounting principles is considered a blended component unit of the City of Nampa.

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

The accounting and reporting policies of the Agency relating to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

Financial Reporting Entity

For financial reporting purposes, in conformity with GASB Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, the Agency is included as a blended component unit in the City of Nampa, Idaho’s financial statements. Blended component units, although legally separate entities, are, in substance part of the government's operations. The Agency provides urban renewal services to the City and its citizens. These statements present only the funds of the Agency and are not intended to present the financial position and results of operations of the City of Nampa, Idaho in conformity with generally accepted accounting principles.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the Agency as a whole. These statements include all financial activities of the Agency. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line item. Program revenues include 1) fees and charges paid by customers and other recipients of goods or services offered by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the Agency's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Agency has no non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Revenue from property taxes is recognized in the fiscal year for which taxes are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

considers property taxes available if they are collected within 30 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The Agency reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when revenues are received by the Agency before it has legal claim to them, as when event revenues are received or accrued prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Agency has a legal claim to the resources, the revenue is recognized.

Fund Accounting

The Agency reports the following major governmental funds:

- **General Fund** - the Agency's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Property Taxes

In accordance with Idaho law, property taxes are levied in dollars in September for each calendar year. Levies are made on or before the second Monday of September. One-half of the real property taxes are due on or before the 20th of December. The remaining one-half is due on or before June 20th of the following year. A lien is filed on property three years from the date of delinquency.

The Agency has no direct taxing power. The amount of revenue received from property taxes is determined by the amount of taxable property value and by the aggregate tax rate that the taxing entities within the Revenue Allocation Area set. The Agency receives the taxes collected on the increased valuation of property in the Revenue Allocation Area since January 1, 2006. There is a legal obligation to rebate back to the Vallivue School District a portion of the levy on a semi-annual basis.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

All capital assets are capitalized at cost (or estimated historical cost) if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Depreciation is provided on the straight-line basis over their estimated lives. Interest incurred during construction is not capitalized on general fixed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental fund types.

Use of Estimates

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

2. CASH & INVESTMENTS

Cash: At September 30, 2008 the carrying amount of the Nampa Development Corporation's deposits was \$878,581. These funds were held in the City of Nampa's bank accounts until November 2008, when a separate bank account was established by the Nampa Development Corporation.

At September 30, 2008 cash consisted of:

Deposits with financial institutions	878,581
Total	<u>\$ 878,581</u>

Investments: At September 30, 2008 the Nampa Development Corporation does not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact 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 Agency does not have a policy addressing interest rate risk. At September 30, the Agency's funds were held by the City of Nampa which does have a policy addressing interest rate risk. One of the ways the

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

City manages its exposure to interest rate risk is by purchasing a combination of long and short-term investments. The City keeps funds needed for operations in short-term liquid investments while maintaining a stable longer term investment portfolio with duration matched to expected completion of capital projects. In accordance with its investment policy, the City manages its exposure to interest rate risk by limiting the weighted average maturity of its portfolio to one year or less.

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. The Agency does not have a policy addressing credit risk. At September 30, the Agency's funds were held by the City of Nampa which does have a policy addressing credit rate risk. All investments required to be rated had a rating of AAA by a nationally recognized rating agency. It is the City's policy to limit its investments to those that have a rating of A grade or higher by Fitch Ratings, Moody Investors Services, or Standard and Poor's, or be default risk-free such as government securities.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principle that governments should provide note disclosure when five percent of the entity's total investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure.

The Agency does not have a policy addressing the limitations on the amount that can be invested in any one issuer. At September 30, the Agency's funds were held by the City of Nampa which does have a concentration of credit risk policy. In accordance with its investment policy the City will diversify its investments by security and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

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-

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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. The Agency does not have a policy restricting the amount of deposits and investments subject to custodial credit risk. At September 30, the Agency's funds were held by the City of Nampa which does have a policy addressing concentration of credit risk. City policy states that securities will be held by an independent third party custodian selected by the City as evidenced by safekeeping receipts in the City's name in order to minimize custodial credit risk.

The City minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to City of Nampa ownership and be held in the City's name. All commercial paper, agency bonds and money market funds, except as noted above, are held in custody by Wells Fargo or U. S. Bank. in the City's name.

3. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 3,529,905	\$ -	\$ 3,529,905
Construction in progress	33,846	426,092	-	459,938
Total capital assets, not being depreciated	33,846	3,955,997	-	3,989,843
Governmental activities capital assets, net	\$ 33,846	\$ 3,955,997	\$ -	\$ 3,989,843

4. DEFERRED REVENUES

Deferred revenues transferred to the City on September 30, 2008 are summarized as follows:

	Unavailable	Unearned
Property Taxes	\$ 16,477	\$ 2,515,145

Property taxes not collected within 30 days of year end are not considered "available" and recognition of revenue is deferred.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

5. CHANGES IN LONG-TERM LIABILITIES

Long-term debt outstanding as of September 30, 2008 consisted of the following:

Note Payable

\$3,511,369 Note Payable due to the City of Nampa for land purchases. Due in annual installments of \$200,000 to \$750,000 through 2015; interest at 2.5%.

The following is a summary of long-term liability activity of the Agency for the fiscal year ended September 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable - City of Nampa	\$ -	\$ 3,511,369	\$ -	\$ 3,511,369	\$ 200,000

The annual debt service requirements to maturity are as follows:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 200,000	\$ 87,784
2010	200,000	82,784
2011	750,000	77,784
2012	750,000	59,034
2013	750,000	40,284
2014-2015	861,369	24,318
	<u>\$ 3,511,369</u>	<u>\$ 371,988</u>

6. COMMITMENTS

The Agency had outstanding or planned construction projects as of September 30, 2008. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	Spent to Date	Commitment Remaining
Public Safety Building -Design	\$ 382,429	\$ 1,192,571
Goodman Oil Property	19,250	374,600
Total	<u>\$ 401,679</u>	<u>\$ 1,567,171</u>

Required Supplementary Information:

NAMPA DEVELOPMENT CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 783,521	\$ 1,107,994	\$ 1,117,407	\$ 9,413
Miscellaneous			63	63
Total revenues	783,521	1,107,994	1,117,470	9,476
EXPENDITURES				
Current:				
Urban Renewal			556,799	(556,799)
Capital outlay	783,521	2,607,994	3,955,997	(1,348,003)
Total expenditures	783,521	2,607,994	4,512,796	(1,904,802)
Excess (deficiency) of revenues over expenditures	-	(1,500,000)	(3,395,326)	(1,895,326)
OTHER FINANCING SOURCES (USES):				
Proceeds from note payable		1,500,000	3,511,369	2,011,369
Net change in fund balance	-	-	116,043	116,043
Fund balance at October 1			(290,902)	(290,902)
Fund balance at September 30	\$ -	\$ -	\$ (174,859)	\$ (174,859)

NAMPA DEVELOPMENT CORPORATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2008

LEGAL COMPLIANCE - BUDGET

The Nampa Development Corporation follows these procedures in establishing the budgetary data reflected in the financial statements:

1. An Agency shall, by September 1 of each calendar year, adopt and publish, as described in Section 50-1002, Idaho Code, a budget for the next fiscal year. The Agency prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made, including interest and principal due on the bonded debt, itemizing and classifying the proposed expenditures by department, fund, or service, as nearly as may be practicable, and specifying any fund balance accumulated under Section 50-1005A, Idaho Code. To support such proposed expenditures, the Agency shall prepare an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared, classifying such receipts by source as nearly as may be possible and practicable.
2. The proposed budget is published in the local newspaper.
3. A public hearing is conducted to obtain citizen comments.
4. The budget is formally adopted through approval by the Board of Commissioners and published in the local newspaper.
5. The Agency may amend its adopted budget using the same procedures as used for the adoption of the budget. The original budget was amended for the fiscal year ended September 30, 2008.
6. Management has the authority to amend budgets within individual funds without seeking approval of the governing body. The detail at which appropriations are legally adopted extends to the fund level.
7. Budgets for funds are adopted on a basis consistent with GAAP. The level of control (level at which expenditures may not exceed budget) is the fund.



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Management and Members of the Board of Directors
**Nampa Development Corporation, a blended component
Unit of the City of Nampa, Idaho**

We have audited the accompanying financial statements of the governmental activities of Nampa Development Corporation, a blended component unit of the City of Nampa, Idaho, as of and for the year ended September 30, 2008, which collectively comprise Nampa Development Corporation's basic financial statements and have issued our report thereon dated July 06, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nampa Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nampa Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nampa Development Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Nampa Development Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Nampa Development Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Nampa Development Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Nampa Development Corporation's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nampa Development Corporation's financial statements are free of 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.

We noted certain matters that we reported to management of Nampa Development Corporation in a separate letter dated July 06, 2009.

This report is intended solely for the information and use of the City Council, the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
July 06, 2009