Financial Statements
September 30, 2013

Nampa Development Corporation

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EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Management and Members of the Board of Commissioners
Nampa Development Corporation, a blended component
unit of the City of Nampa, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and the major fund information of Nampa Development Corporation (the Agency), a blended component unit of the City of Nampa, Idaho, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Agency, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
February 13, 2014

This discussion and analysis is provided by management in accordance with GASB requirements to assist the reader in identifying and reviewing key issues and financial activity for the fiscal year ending September 30, 2013. 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

- Total Assets increased from $11.96 million in fiscal year 2012 to $31.5 million in fiscal year 2013, primarily due to the construction of Library Square and the restricted cash from the 2013 Series Bonds. Total Liabilities increased from $23 million in fiscal year 2012 to $40.5 Million in fiscal year 2013 due to the construction of Library Square.

- Total Net Position increased by $2.05 Million in fiscal year 2013, due to an increase in property tax revenues that exceeded expenses.

- Total fund balances equal $20.06 Million, of which $2.84 million is reserved for debt service, $2.12 million is reserved for bond revenue allocation, and $15.1 million is available for subsequent year projects.

BACKGROUND

The Nampa Development Corporation is an Urban Renewal Agency (the Agency) of the City of Nampa (the City) 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 overall assessed value of real and personal properties within the Agency boundaries has increased since the inception of the Agency. As of January 1, 2006, the base year, assessed values of taxable property within the Urban Renewal Revenue Allocation Area totaled $293,694,693. The 2011 tax year increment value for Nampa was $157,830,541. That value has increased in 2012 tax year to $179,189,727. This increase represents a 2012 (fiscal year 2013) increase in increment value of $21,359,186 from (fiscal year 2012) and 2012 property tax revenue available for fiscal year 2013 of $3,843,980. Taxing districts involved include: Vallivue School District #139, Nampa School District #131, Canyon County, Ambulance District, Pest Control, City of Nampa, Canyon

Highway District #4, Nampa Fire District, College of Western Idaho, Canyon County Mosquito Abatement, and Nampa Highway District #1.[1]

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements focus both on the Agency as a whole (Agency-wide) and on the General Fund. 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 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 Position provides information on all of the Agency's assets and liabilities, with the difference between the two reported as net position (this report includes all current and historical assets). Historical trending of the Agency's net position 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 position during fiscal year 2013. 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.

Fund Financial Statements

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 Agency maintains one governmental fund at this time: the general fund.

Governmental funds use *modified accrual accounting*, which measures current economic resources and focuses on changes to the current financial resources. This information can be useful in evaluating a government's short term financial needs.

The Agency does not have any Proprietary or Fiduciary Funds.

Notes to the Financial Statements and Other Information

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to financial statements start on page 15.

[1] All assessed value and increment data is provided by the Canyon County Treasurer's Office.

Agency-Wide Financial Analysis

The following Table 1 reflects the condensed fiscal year 2012 and fiscal year 2013 Statement of Net Position. Prior year data is presented for comparison purposes.

Net position over time can serve as a useful indicator of changes in an entity's financial position. Net position increased by $2.05 million in fiscal year 2013, largely due to the receipt of more revenue in property taxes than required to cover interest and other expenses for the current year.

Statements of Net Position
as of September 30, 2012 and 2013

	Fiscal Year 2012	Fiscal Year 2013
Current and other assets	$ 9,456,245	$ 25,379,179
Capital assets	2,500,728	6,119,833
Total assets	11,956,973	31,499,012
Current liabilities	3,679,182	4,361,463
Noncurrent liabilities	19,348,422	36,159,431
Total liabilities	23,027,604	40,520,894
Net position		
Net investment in capital assets	542,741	2,598,628
Unrestricted	(11,613,372)	(11,620,510)
Total net position	$ (11,070,631)	$ (9,021,882)

The Statement of Activities provides a summary of the Agency's operation for the fiscal year ended September 30, 2013. Prior year data is presented for comparison purposes.

Statements of Activities
For years ended September 30, 2012 and 2013

	Fiscal Year 2012	Fiscal Year 2013
Revenues		
Program revenues		
Charges for services	$ 36,005	$ 34,467
Capital grants and contributions	65,250	-
General revenues		
Property taxes	3,242,749	3,885,814
Interest income	8,247	5,837
Miscellaneous	1,343	39,773
Total revenues	3,353,594	3,965,891
Expenses		
Urban renewal	921,108	643,571
Interest expense	1,002,446	1,273,571
Total expenses	1,923,554	1,917,142
Increase in Net Position Before Transfers	1,430,040	2,048,749
Transfers	(19,636,393)	-
Increase (Decrease) in Net Position	(18,206,353)	2,048,749
Net position-beginning	7,135,722	(11,070,631)
Net position-ending	$ (11,070,631)	$ (9,021,882)

Financial Analysis of the Agency's Funds

As of the fiscal year end, the Agency's ending combined fund balance is $20,064,274, an increase of $14,806,544 from the previous year. The fund balance increased due to the bonding associated with the construction of Library Square. Of the total ending fund balance, approximately 14.15% is restricted for the debt service reserve fund, approximately 10.57% is reserved for debt service payments and the remaining 75.28% is available to fund reserves and to fund expenditures in the next year.

General Fund Budgetary Highlights

Actual to budget comparisons are found following the Notes to the Financial Statements. There was an amendment to the fiscal year 2013 budget primarily to provide additional funding for bond issuance costs and unexpected contingencies due to soil contamination remediation for the construction of Library Square and to budget additional revenue sources from the bond proceeds and related premium. There was an overall variance between budgeted and actual expenditures of $16,846,939.

Capital Assets

Capital purchases in fiscal year 2013 for construction in progress related to the Library Square project totaled $3,619,105. This brings the total net capital assets at the end of fiscal year 2013 to $6,119,833.

Debt Administration

During fiscal year 2013, the Agency paid $1,903,636 in principal payments; of that amount $373,636 was to the City of Nampa and $1,530,000 was for the repayment of the 2010 and 2013 Revenue Bonds. The remaining balances are $1,584,351 due to the City of Nampa and $34,265,000 due on the 2010 and 2013 Revenue Bonds.

FISCAL YEAR 2013 ACTIVITIES

Projects in progress and/or completed in fiscal year 2013 meet the commitment to economic development within the geographic boundaries of the Urban Renewal District. Key activities of the Agency projects are identified below.

- Started redevelopment of the pivot block into Library Square. The new public development will feature a 62,000 square foot Library, 300+ parking stall garage, and a public plaza. In addition to these public elements, the Gardner Company will construct and own approximately 20,000 square feet of office space, and 14,000 square feet of retail space.
- Completed further evaluation of traffic patterns on 11th Ave. South for the URS SH45 Traffic Realignment Study.
- Completed the creation of a new urban renewal district and project plan for the Historic Mercy Hospital Project, located at the corner of 16th Ave. S. and 8th Street South.
- Completed the application process in partnership with the Downtown Nampa Business Association for the Idaho Main Street Program. Nampa was selected as one (1) of the three (3) communities within the State of Idaho to participate in the program through the Idaho Department of Commerce.
- Completed the RFP for the Re-Use Appraisal of the existing Library Building.
- Partnered with the City of Nampa to provide funding for the engineering design of the 16th Avenue overpass railing and provide cost estimates for the "Bike and Walk to Downtown Project"
- Partnered with the Downtown Nampa Business Association to provide funding for the Main Street Program and for the staffing of an AmeriCorps VISTA volunteer.

BOARD OF COMMISSIONERS

Director:	Term Expiration:
Martin Thorne, Chair	12/31/13
Ron VanAuker, Jr., Vice Chair	12/31/16
Pam White	Renewing with re-election on 12/31/13
Rodney Moore	12/31/15
Ned Kerr	12/31/16
Jennifer Deroin	12/31/17
Len Williams	12/31/17

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, City of Nampa, 411 3rd Street South, Nampa, ID 83651, or call (208) 468-5737.

Nampa Development Corporation
Statement of Net Position
September 30, 2013

Assets		
Cash and investments	$	661,112
Receivables		
Property taxes		3,472,751
Restricted cash		20,348,072
Bond issuance costs, net		896,762
Prepaids		482
Capital assets		
Construction in progress		3,682,575
Land and land improvements		2,437,258
Total assets		31,499,012
Liabilities		
Accounts payable		952,948
Accrued interest		132,229
Unearned revenues		3,276,286
Noncurrent liabilities		
Due within one year		1,624,306
Due in more than one year		34,535,125
Total liabilities		40,520,894
Net Position		
Net investment in capital assets		2,598,628
Unrestricted		(11,620,510)
Total net position	$	(9,021,882)

See Notes to Financial Statements

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental activities					
Urban Renewal	$ 643,571	$ 34,467	$ -	$ -	$ (609,104)
Interest on long-term liabilities	1,273,571	-	-	-	(1,273,571)
Total governmental activities	$ 1,917,142	$ 34,467	$ -	$ -	(1,882,675)
General revenues					
Property taxes					3,885,814
Earnings on investments					5,837
Miscellaneous					39,773
Total general revenues					3,931,424
Change in Net Position					2,048,749
Net Position, Beginning of Year					(11,070,631)
Net Position, End of Year					$ (9,021,882)

Nampa Development Corporation
Balance Sheet – Governmental Funds
September 30, 2013

Assets	
Cash	$ 661,112
Cash and cash equivalents - restricted	20,348,072
Taxes receivable - current	3,276,286
Taxes receivable - delinquent	196,465
Prepaid items	482
Total assets	$ 24,482,417
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$ 952,948
Unearned revenue	3,465,195
Total liabilities	4,418,143
Fund Balance	
Nonspendable	482
Restricted for	
Bond debt service fund	2,838,874
Bond revenue allocation fund	2,121,052
Urban renewal projects	15,103,866
Total fund balance	20,064,274
Total liabilities and fund balance	$ 24,482,417

Total fund balances for governmental funds		$ 20,064,274
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds		6,119,833
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 unearned revenue in the funds.		188,909
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 $4,232 and for revenue allocation bonds payable is $127,997.		(132,229)
Bond issuance costs are reported as expenditures in the governmental funds. These costs are amortized over the life of the bonds on the statement of net position. The cost is $399,450 and $571,759, and accumulated amortization is $61,455 and $12,992, for the 2010 and 2013 bond issuances, respectively.		896,762
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 position. Balances at year-end are:		
Bonds payable	(34,265,000)	
Unamortized bond discount	79,733	
Unamortized bond premium	(389,813)	
Notes payable	(1,584,351)	
		(36,159,431)
Total net position of governmental activities		$ (9,021,882)

Nampa Development Corporation

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended September 30, 2013

Revenues	
Property taxes	$ 3,939,661
Rents and charges for services	34,467
Interest	5,837
Miscellaneous	39,773
Total revenues	4,019,738
Expenditures	
Current	
Urban renewal	610,094
Capital outlay	3,619,105
Debt service	
Principal	1,903,636
Interest	1,227,479
Bond issue costs	571,759
Total expenditures	7,932,073
Other Financing Sources	
Bonds issued	18,320,000
Bond premium	398,879
Total other financing sources	18,718,879
Net Change in Fund Balance	14,806,544
Fund Balances, Beginning of Year	5,257,730
Fund Balances, End of Year	$ 20,064,274

Net Change in Fund Balances-Total Governmental Funds		$ 14,806,544
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. The Agency had no depreciation in the current period. This is the amount of capital outlay purchases that were capitalized in the current period:		3,619,105
The government 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 position, 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 net effect of these differences in the treatment of long-term debt and related items is as follows:		
Revenue allocation bonds issued	(18,320,000)	
Bond premium	(398,879)	
Bond issuance costs	571,759	
Repayment of bond principal	1,530,000	
Amortization of bond discount	(4,832)	
Amortization of bond premium	9,066	
Amortization of bond issuance costs	(33,477)	
Interest expense - revenue allocation bonds	(53,738)	
Repayment of note principal	373,636	
Interest expense - note payable	3,412	
		(16,323,053)
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 unearned and unavailable tax revenues. They are, however, recorded as revenues in the Statement of Activities.		(53,847)
Changes in Net Position of Governmental Activities		$ 2,048,749

Note 1 - Summary of Significant Accounting Policies

The Nampa Development Corporation, an Urban Renewal Agency (the Agency) of the City of Nampa (the City),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. Under governmental accounting principles, the Agency is considered a blended component unit of the City.

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 Agency'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, 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.

Government-wide and Fund Financial Statements

The *government-wide financial statements* (the statement of net position and the statement of activities) display information about the Agency as a whole. These statements include all financial activities of the Agency.

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 general fund. The emphasis of fund financial statements is on major governmental funds. 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 considers property taxes available if they are collected within 30 days after year end. A 90 day 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 unearned revenue on its governmental fund financial statements. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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.

Cash and Cash Equivalents

The Agency considers all highly liquid investments, with a maturity of one year or less when purchased to be cash equivalents.

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.

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 position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) if purchased or constructed. Assets with an individual cost of more than $5,000 for equipment and $25,000 for buildings and improvements are capitalized. 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.

Risk Management

The Agency is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The Agency participates in a public entity risk pool, Idaho Counties Risk Management Program (ICRMP), for general liability insurance. The Agency's exposure to loss from its participation in ICRMP is limited only to the extent of their deductible.

Bonded Indebtedness

In the government-wide column of the financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Revenue Allocation Bonds

Nampa Development Corporation Revenue Allocation Bonds, Series 2010 were issued to finance the acquisition and construction of a public safety facility and related improvements, to provide a reserve fund and to pay costs of issuance of the Bonds. Principal and interest on the bonds are payable solely from future tax revenues of the Agency.

Nampa Development Corporation Revenue Allocation Bonds, Series 2013 were issued to finance the construction of a library square project, to provide a reserve fund and to pay costs of issuance of the Bonds. Principal and interest on the bonds are payable solely from future tax revenues of the Agency.

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.

Fund Accounting

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance – amounts constrained to specific purposes by the Agency itself, using its highest level of decision-making authority (i.e., Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Agency takes the same highest level action to remove or change the constraint.

- Assigned fund balance – amounts the Agency intends to use for a specific purpose. Intent can be expressed by the Commissioners or by an official or body to which the Commissioners delegate the authority.

- Unassigned fund balance – amounts that are available for any purpose.

Recently Issued and Adopted Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011, and was implemented in fiscal year 2013. The adoption of GASBS No. 62 did not have any impact on the Agency's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement is effective for periods beginning after December 15, 2011, and was implemented in fiscal year 2013. As a result, the statement of net assets was renamed the statement of net position. There were no other impacts on the Agency's financial statements as a result of implementation.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012, and will be implemented in fiscal year 2014. Management is currently evaluating the impact of the adoption of this Statement on the Agency's financial statements.

Note 2 - Cash and Cash Equivalents

At September 30, 2013, the carrying amount of the Agency's deposits was $21,009,184.

At September 30, 2013, cash consisted of:

Deposits with financial institutions	$ 661,112
Total cash - unrestricted	$ 661,112
Cash equivalents - restricted	
Money market funds	$ 20,348,072
Total cash equivalents - restricted	$ 20,348,072

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.

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.

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 principal 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.

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. The Agency does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The bank ledger balance for cash deposits at September 30, 2013, consists of non-interest bearing checking accounts balance of $3,448, a money market account balance of $257,309 and a repurchase agreement account balance of $1,047,726. The non-interest bearing checking account is covered by FDIC Insurance and $250,000 of the money market account balance is covered by FDIC insurance. The $1,047,726 repurchase agreement account balance is not covered by FDIC insurance but is collateralized by government securities rated AA or better. The Restricted cash equivalents, which are not covered by FDIC insurance and not collateralized, consisted of $15,388,146 held by Bank of New York in a bond construction fund, $2,838,874 held by Bank of New York in debt reserve funds, and $2,121,052 held by Bank of New York in a revenue allocation fund.

Note 3 - Restricted Assets

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. Restricted assets in the Agency are restricted pursuant to the bonds issued to finance a public safety facility and library square. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 4 - Property, Plant and Equipment

Capital asset activity for the year ended September 30, 2013 was as follows:

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,437,258	$ -	$ -	$ 2,437,258
Construction in progress	63,470	3,619,105	-	3,682,575
Total capital assets, not being depreciated	2,500,728	3,619,105	-	6,119,833
Governmental activities capital assets	$ 2,500,728	$ 3,619,105	$ -	$ 6,119,833

Note 5 - Unearned Revenues

Unearned revenues at September 30, 2013 are summarized as follows:

	Unavailable	Unearned
Property taxes	$ 188,909	$ 3,276,286

Property taxes not collected within 30 days of year-end are not considered “available” and recognition of revenue is deferred. The unearned property taxes receivable above have been reduced by the rebate due to the School District #139.

Note 6 - Changes in Long-Term Liabilities

Long-term debt outstanding as of September 30, 2013 consisted of the following:

Note Payable

$3,885,969 Note Payable due to the City of Nampa for land purchases. Due in annual installments of $361,928 to $450,000 through 2017; interest at 2.5% to 3.5%.	$ 1,584,351

Bond Payables

$18,000,000 Series 2010 Revenue Allocation Bonds Payable due in annual installments of $525,000 to $1,825,000 through 2030; interest at 2.4% to 6.0%, including unamortized bond discount of $79,733. Bonds maturing on March 1, 2021, are redeemable on any interest payment date beginning March 1, 2020, at par plus accrued interest.	16,860,267
$18,320,000 Series 2013 Revenue Allocation Bonds Payable due in annual installments of $590,000 to $4,235,000 through 2031; interest at 2.4% to 5.0%, including unamortized bond premium of $389,813. Bonds maturing on and after September 1, 2025, are redeemable on September 1, 2024, at 102.5% of par plus accrued interest.	17,714,813
	$ 36,159,431

The following is a summary of long-term liability activity of the Agency for the fiscal year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 17,475,000	$ 18,320,000	$ (1,530,000)	$ 34,265,000	$ 1,240,000
Bond discount	(84,565)	-	4,832	(79,733)	-
Bond premium	-	398,879	(9,066)	389,813	-
Note payable - City of Nampa	1,957,987	-	(373,636)	1,584,351	384,306
Long-term liabilities	$ 19,348,422	$ 18,718,879	$ (1,907,870)	$ 36,159,431	$ 1,624,306

The Agency has pledged a portion of future tax increment revenues to repay $18,000,000 in revenue allocation bonds issued in September 2010 to finance a public safety facility, and $18,320,000 in revenue allocation bonds issued in April 2013 to finance the library square project. The bonds are payable solely from incremental tax revenues and net parking revenues generated from the library square project. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $53,313,765, payable through September 2031. For the current year, $1,530,000 of principal was paid and $1,171,865 of interest was paid.

The annual requirements to amortize all debt outstanding at September 30, 2013 are as follows:

Year ending September 30	Governmental Activities Principal	Interest
2014	$ 1,624,306	$ 1,630,201
2015	1,699,999	1,585,376
2016	1,746,599	1,540,546
2017	1,713,447	1,487,799
2018	1,400,000	1,436,297
2019-2023	7,850,000	6,337,339
2024-2028	10,060,000	4,123,415
2029-2031	9,755,000	1,014,258
	$ 35,849,351	$ 19,155,231

Total interest cost incurred during 2013 was $1,273,571.

Note 7 - Commitments

The Agency has a cumulative commitment to construction of the library square project totaling $18,511,441 with a remaining amount of $16,480,443 to be expended as of September 30, 2013.

Required Supplementary Information
September 30, 2013

Nampa Development Corporation

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Revenues				
Property taxes	$ 3,253,355	$ 4,085,831	$ 3,939,661	$ (146,170)
Rents and charges for services	30,000	30,000	34,467	4,467
Interest	2,500	5,500	5,837	337
Miscellaneous	-	39,773	39,773	-
Total revenues	3,285,855	4,161,104	4,019,738	(141,366)
Expenditures				
Current				
Urban renewal	543,280	659,221	610,094	49,127
Capital outlay	2,020,000	20,067,416	3,619,105	16,448,311
Debt service				
Principal	1,300,000	1,920,351	1,903,636	16,715
Interest	962,157	1,556,917	1,227,479	329,438
Bond issue costs	-	575,107	571,759	3,348
Total expenditures	4,825,437	24,779,012	7,932,073	16,846,939
Other Financing Sources				
Bonds issued	-	18,320,000	18,320,000	-
Bond premium	-	402,227	398,879	(3,348)
Total other financing sources	-	18,722,227	18,718,879	(3,348)
Net Change in Fund Balance	$ (1,539,582)	$ (1,895,681)	14,806,544	$ 16,702,225
Fund Balances, Beginning of Year			5,257,730	
Fund Balances, End of Year			$ 20,064,274	

See Notes to Required Supplementary Information

Note 1 - 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, 2013.

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.

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

To Management and Members of the Board of Commissioners
Nampa Development Corporation, a blended component
unit of the City of Nampa, Idaho

We have audited, 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, the financial statements of the governmental activities and the major fund information of the Nampa Development Corporation (the Agency), a blended component unit of the City of Nampa, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Nampa Development Corporation's basic financial statements, and have issued our report thereon dated February 13, 2014.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 yet been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Eide Bailly LLP

Boise, Idaho
February 13, 2014