

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

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NAMPA DEVELOPMENT CORPORATION

2012 ANNUAL REPORT

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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

We have audited the accompanying financial statements of the governmental activities and its major fund 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, 2012, which collectively comprise the Agency'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 an opinion on these financial statements based on our audit.

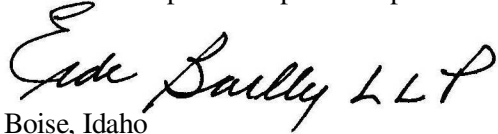
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 only 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, 2012, and the changes in its financial position 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 and its major fund of Nampa Development Corporation, as of September 30, 2012, and the respective changes in financial position 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 February 22, 2013, 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 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* and should be considered in assessing the results of our audit.

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.

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

Boise, Idaho
February 22, 2013

*Nampa Development Corporation
Management's Discussion and Analysis
Fiscal Year 2012*

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, 2012. 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 decreased from \$32.36 million in FY 2011 to \$11.96 million in FY 2012, primarily due to the transfer of assets to the City of Nampa. Total Liabilities decreased from \$25.22 million in FY 2011 to \$23 Million in FY 2012.
- Total Net Assets decreased by \$18.2 Million in fiscal year 2012, due to the transfer of assets equaling \$19.6 Million to the City of Nampa.
- Total fund balances equal \$5.26 Million, of which \$1.8 million is restricted for debt service, \$1.02 million is restricted for bond revenue allocation, and \$2.44 million is available for subsequent year projects.

BACKGROUND

The Nampa Development Corporation (NDC) is an Urban Renewal Agency (the "Agency") of the City of Nampa 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 Urban Renewal Agency boundaries has increased since the inception of the District. 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 assessed values for fiscal 2012 have increased to \$426,044,394. This increase in assessed value represents a 2011 increment value of \$157,830,541 and 2011 property tax revenue available for fiscal 2012 of \$3,295,784. 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 Dist #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 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 2012. 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.

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

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.

Agency-Wide Financial Analysis

The following Table 1 reflects the condensed FY 2011 and FY 2012 Statement of Net Assets. Prior year data is presented for comparison purposes.

Net assets over time can serve as a useful indicator of changes in an entity's financial position. Net assets decreased by \$18.2 million in fiscal year 2012, largely due to the transfer of the completed Hugh Nichols Public Safety Building to the City of Nampa. This reflected a transfer of assets equal to \$19.64 Million. The building was constructed with the proceeds of bond funds received in FY 2010. The long term plan for the Agency is to construct two civic structures and ultimately transfer the ownership and corresponding asset value to the City of Nampa.

Statement of Net Assets as of September 30, 2011 and 2012

	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>
Current and other assets	\$ 13,612,668	\$ 9,456,245
Capital assets	18,744,371	2,500,728
Total assets	<u>32,357,039</u>	<u>11,956,973</u>
Current liabilities	4,602,727	3,679,182
Noncurrent liabilities	20,618,590	19,348,422
Total liabilities	<u>25,221,317</u>	<u>23,027,604</u>
Net assets:		
Invested in capital assets, net of related debt	3,890,420	542,741
Unrestricted	3,245,302	(11,613,372)
Total net assets	<u>\$ 7,135,722</u>	<u>\$ (11,070,631)</u>

The Statement of Activities provides a summary of the Agency's operation for the fiscal year ended September 30, 2012. Prior year data is presented for comparison purposes.

Statement of Activities
For years ended September 30, 2011 and 2012

	Fiscal Year 2011	Fiscal Year 2012
Revenues:		
Program revenues:		
Charges for services	\$ 35,267	\$ 36,005
Capital grants and contributions	-	65,250
General revenues:		
Property taxes	3,107,658	3,242,749
Interest Income	20,634	8,247
Miscellaneous	356,140	1,343
Total Revenues	3,519,699	3,353,594
Expenses:		
Urban Renewal	491,332	921,108
Interest Expense	1,026,852	1,002,446
Total Expenses	1,518,184	1,923,554
Increase in Net Assets Before Transfers	2,001,515	1,430,040
Transfers	-	(19,636,393)
Increase (Decrease) in Net Assets	2,001,515	(18,206,353)
Net assets-beginning	5,134,207	7,135,722
Net assets-ending	\$ 7,135,722	\$ (11,070,631)

Financial Analysis of the Agency's Funds

As of the fiscal year end, the Agency's ending combined fund balance totaled \$5,257,730, a decrease of \$3,186,556 from the previous year. The fund balance decreased due to the capital outlay expenditures associated with the completion of construction on the public safety building. Of the total ending fund balance, approximately 34% is restricted for the debt service reserve fund, approximately 19% is restricted for debt service payments and the remaining 46% 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 FY12 budget primarily to provide additional funding for the construction of the public safety building as the construction schedule spanned two fiscal years. There was an overall variance between budgeted and actual expenditures of \$753,022.

Capital Assets

At fiscal year end, the Agency's investment in capital assets consisted of \$2,437,258 in land. Capital purchases to date for a future library total \$63,470. NDC exchanged the Hugh Nichols Public Safety Building for one city-owned block in downtown Nampa for the purpose of building a public library and private development.

Debt Administration

During fiscal year 2012, the Agency paid \$1,275,000 in principal payments, of that amount \$750,000 was to the City of Nampa and \$525,000 was for the repayment of the 2010 Revenue Bonds. The remaining balances are \$1,957,987 due to the City of Nampa and \$17,475,000 due on the 2010 Revenue Bonds.

FISCAL YEAR 2012 ACTIVITIES

Projects were completed in fiscal year 2012 to meet the commitment to economic development within the geographic boundaries of the Urban Renewal District. Key activities of the Agency projects are identified below.

- Completion of construction for the new Hugh Nichols Public Safety Building. The facility is a 60,000 square foot building and parking structure comprising one entire city block. Upon completion of the structure the City of Nampa Police, Fire Administration, and Information Technology Departments moved in to occupy the space. The asset was transferred to the City of Nampa in August, 2012.
- Initiated funding for a second phase to the downtown traffic analysis to evaluate one way vs two way streets within downtown and begin the concept plan for the realignment of State Highway 45.
- Completed the selection process to procure a development partner for the public private partnership to redevelop the property bounded by 11th Avenue South, 12th Avenue South, 2nd Street South, and 3rd Street South. The site will become home to a new Nampa Library, the second major project identified in the Redevelopment Plan, a new parking structure, public plaza, and private retail and office development.

ECONOMIC FACTORS

The tax increment revenues for the Agency are tied to growth. As the economy has slowed, so has the projected revenue growth. Current tax revenues have held fairly stable over the last three years of approximately \$3 million per year. The total assessed values within the district decreased from 2009 to 2010 and again in 2011, however the corresponding levy rates have increased to form a stable budget. In 2012 we did begin to see new construction take place within the revenue allocation area. The Gardner Company completed a new 120,000 square foot medical office building that will be added to the tax rolls in Fiscal Year 2013. There were also multiple small retail and restaurant sites constructed in the district in 2012.

In February of 2012 the NDC selected the Gardner Company to complete the 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 public plaza. In addition to these public elements, the Gardner Company will construct and own approximately 20,000 square foot of office space and 14,000 square foot of retail space. The private component will have an estimated value of \$5 Million. All new private development on this site will increase revenues for the Agency.

BOARD OF COMMISSIONERS

<u>Director:</u>	<u>Term Expiration:</u>
Pam White	Renewing with re-election on 12/31/13
Martin Thorne	Renewing with re-election on 12/31/13
David Ferdinand	12/31/12
Rodney Moore	12/31/15
Lori Tolmie	12/31/16
Dan Nogales	12/31/16
Len Williams	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, City of Nampa 411 3rd Street South, Nampa, ID 83651, or call (208) 468-5737.

NAMPA DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,473,422
Receivables:	
Property taxes	3,794,252
Restricted cash	2,830,091
Bond issuance costs, net	358,480
Capital assets (net of accumulated depreciation):	
Construction in progress	63,470
Land and land improvements	2,437,258
Total assets	<u>11,956,973</u>
LIABILITIES	
Accounts payable	47,907
Accrued interest	81,903
Deferred revenues	3,549,372
Noncurrent liabilities:	
Due within one year	907,295
Due in more than one year	18,441,127
Total liabilities	<u>23,027,604</u>
NET ASSETS	
Invested in capital assets, net of related debt	542,741
Unrestricted	<u>(11,613,372)</u>
Total net assets	<u><u>\$ (11,070,631)</u></u>

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

NAMPA DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

<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	\$ 921,108	\$ 36,005	\$ -	\$ 65,250	\$ (819,853)
Interest on long-term liabilities	<u>1,002,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,002,446)</u>
Total governmental activities	<u>\$ 1,923,554</u>	<u>\$ 36,005</u>	<u>\$ -</u>	<u>\$ 65,250</u>	<u>(1,822,299)</u>
General revenues:					
Property taxes					3,242,749
Earnings on investments					8,247
Miscellaneous					1,343
Transfers to the City of Nampa					<u>(19,636,393)</u>
Total general revenues and transfers					<u>(16,384,054)</u>
Change in net assets					(18,206,353)
Net assets - beginning					<u>7,135,722</u>
Net assets - ending					<u>\$ (11,070,631)</u>

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

NAMPA DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>GENERAL</u>
ASSETS	
Cash	\$ 2,473,422
Cash and cash equivalents - restricted	2,830,091
Taxes receivable - current	3,549,372
Taxes receivable - delinquent	244,880
Total assets	<u>\$ 9,097,765</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 47,907
Deferred revenue	3,792,128
Total liabilities	<u>3,840,035</u>
Fund Balance:	
Restricted for:	
Bond debt service fund	1,800,000
Bond revenue allocation fund	1,017,360
Urban renewal projects	2,440,370
Total fund balance	<u>5,257,730</u>
Total liabilities and fund balance	<u>\$ 9,097,765</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, 2012

Total fund balances for governmental funds	\$ 5,257,730
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.	2,500,728
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.	242,756
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 \$7,644 and for revenue allocation bonds payable is \$74,259.	(81,903)
Bond issuance costs are reported as expenditures in the governmental funds. These costs are amortized over the life of the bond on the statement of net assets. The cost is \$399,450 and accumulated amortization is \$40,970.	358,480
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:	
Bonds payable	(17,475,000)
Unamortized bond discount	84,565
Notes payable	<u>(1,957,987)</u>
	(19,348,422)
Total net assets of governmental activities	<u><u>\$ (11,070,631)</u></u>

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, 2012

	<u>GENERAL</u>
REVENUES	
Property taxes	\$ 3,272,110
Rents and charges for services	36,005
Interest	8,247
Miscellaneous	1,343
Total revenues	<u>3,317,705</u>
EXPENDITURES	
Current:	
Urban Renewal	600,302
Capital outlay	3,627,821
Debt service:	
Principal	1,275,000
Interest	1,001,138
Total expenditures	<u>6,504,261</u>
Net change in fund balance	(3,186,556)
Fund balances at October 1	<u>8,444,286</u>
Fund balances at September 30	<u><u>\$ 5,257,730</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 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances-total governmental funds \$ (3,186,556)

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:

Capital outlay purchases capitalized 3,470,924

Donated capital assets are not reported as revenue in the funds 65,250

Loss on disposal of capital assets (143,424)

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 net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of bond principal	525,000	
Amortization of bond discount	(4,832)	
Amortization of bond issuance costs	(20,485)	
Interest expense - revenue allocation bonds	596	
Repayment of note principal	750,000	
Interest expense - notes payable	<u>2,928</u>	
		1,253,207

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. (29,361)

Capital assets transferred to the City of Nampa (19,636,393)

Change in net assets of governmental activities \$ (18,206,353)

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

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2012

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 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, 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, 2012

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.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 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.

The Agency has implemented Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement redefines the elements of fund balance in governmental funds and more clearly describes the different types of governmental funds.

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.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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.

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 assets. Bond premiums and discounts, as well as issuance costs, 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.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2012

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.

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 Agency implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

2. CASH & CASH EQUIVALENTS

At September 30, 2012 the carrying amount of the Agency's deposits was \$5,303,513.

At September 30, 2012 cash consisted of:

Deposits with financial institutions	\$ 2,473,422
Total cash - unrestricted	<u>\$ 2,473,422</u>
Cash equivalents - restricted	
Money market funds	\$ 2,830,091
Total cash equivalents - restricted	<u>\$ 2,830,091</u>

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

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012 consists of a non-interest bearing checking account balance of \$244, a money market account balance of \$256,728 and a repurchase agreement account balance of \$2,216,450. The \$244 non-interest bearing checking account is covered by FDIC Insurance and \$250,000 of the money market account balance is covered by FDIC insurance and \$6,728 is uninsured. The \$2,216,450 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 collateralized by government securities, consisted of \$8 held by Wells Fargo in a Bond Construction Fund, \$1,800,000 held by Wells Fargo in a debt reserve fund and \$1,017,360 held by Wells Fargo in a revenue allocation fund.

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. 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.

4. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended September 30, 2012 was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,578,089	\$ 65,250	\$ (2,206,081)	\$ 2,437,258
Construction in progress	14,166,282	3,470,924	(17,573,736)	63,470
Total capital assets, not being depreciated	<u>18,744,371</u>	<u>3,536,174</u>	<u>(19,779,817)</u>	<u>2,500,728</u>
Governmental activities capital assets, net	<u>\$ 18,744,371</u>	<u>\$ 3,536,174</u>	<u>\$(19,779,817)</u>	<u>\$ 2,500,728</u>

The Agency transferred \$19,636,393 in capital assets to the City of Nampa. Included in this transfer was \$17,430,312 for the public safety building and \$1,532,353 for the public safety building land. Also transferred was the Lloyd Square property located downtown totaling \$673,728. In exchange the Agency received one city owned block in downtown Nampa.

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

5. DEFERRED REVENUES

Deferred revenues at September 30, 2012 are summarized as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property Taxes	\$ 242,756	\$ 3,549,372

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 School District #139.

6. CHANGES IN LONG-TERM LIABILITIES

Long-term debt outstanding as of September 30, 2012 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%.

Bonds Payable

\$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 \$84,565. Bonds maturing on March 1, 2021 are redeemable on any interest payment date beginning March 1, 2020 at par plus accrued interest.

The following is a summary of long-term liability activity of the Agency for the fiscal year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 18,000,000	\$ -	\$ (525,000)	\$ 17,475,000	\$ 535,000
Bond discount	(89,397)	-	4,832	(84,565)	-
Note Payable - City of Nampa	2,707,987	-	(750,000)	1,957,987	372,295
Long-term liabilities	\$ 20,618,590	\$ -	\$ (1,270,168)	\$ 19,348,422	\$ 907,295

NAMPA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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. The bonds are payable solely from incremental tax revenues. 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 \$28,756,704, payable through September 2030. For the current year, \$525,000 of principal was paid and \$933,253 of interest was paid.

The annual requirements to amortize all debt outstanding at September 30, 2012 are as follows:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 907,295	\$ 972,435
2014	935,358	943,899
2015	984,992	916,693
2016	1,061,590	889,025
2017	1,013,752	852,719
2018-2022	2,960,000	3,853,163
2023-2027	6,385,000	2,537,750
2028-2030	5,100,435	474,166
	<u>\$ 19,348,422</u>	<u>\$ 11,439,850</u>

Total interest cost incurred during 2012 was \$1,002,446.

7. SUBSEQUENT EVENTS

The Agency restructured the Note Payable due to the City of Nampa on November 19, 2012. The results of the restructure and changes in terms are reflected in Note 6 - Changes in Long-Term Liabilities.

NAMPA DEVELOPMENT CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 3,064,160	\$ 3,281,233	\$ 3,272,110	\$ (9,123)
Rents and charges for services	30,000	30,000	36,005	6,005
Interest	7,000	7,000	8,247	1,247
Miscellaneous	-	101,250	1,343	(99,907)
Total revenues	3,101,160	3,419,483	3,317,705	(101,778)
EXPENDITURES				
Current:				
Urban Renewal	556,190	578,950	600,302	(21,352)
Capital outlay	2,500,000	4,379,231	3,627,821	751,410
Debt service:				
Principal	1,275,000	1,275,000	1,275,000	-
Interest	1,024,102	1,024,102	1,001,138	22,964
Total expenditures	5,355,292	7,257,283	6,504,261	753,022
Net change in fund balance	(2,254,132)	(3,837,800)	(3,186,556)	651,244
Fund balance at October 1			8,444,286	
Fund balance at September 30			\$ 5,257,730	

NAMPA DEVELOPMENT CORPORATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012

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, 2012.
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.



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 Commissioners
Nampa Development Corporation, a blended component
Unit of the City of Nampa, Idaho

We have audited the financial statements of the governmental activities and its major fund 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, 2012, which collectively comprise Nampa Development Corporation's basic financial statements and have issued our report thereon dated February 22, 2013. 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

Management of the Agency, is responsible for establishing and maintaining effective 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 the Nampa Development Corporation's internal control over financial reporting.

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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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". The signature is written in black ink and is positioned above the printed text of the firm's name.

Boise, Idaho
February 22, 2013