



Financial Statements  
September 30, 2014

# Nampa Development Corporation

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## **Independent Auditor's Report**

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, 2014, 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 Agency'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 Agency'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.

## **Opinion**

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, 2014, 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.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, the Agency adopted the provisions of GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*. As discussed in Note 8 to the financial statements, the Agency has retroactively restated the previously reported net position to account for bond issuance costs in accordance with this Statement. The adoption of this statement also resulted in the reclassification of items previously reported in liabilities as deferred revenue. These items are now reported in deferred inflows of resources as unavailable revenues. Our opinion is not modified with respect to this matter.

## **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 02, 2015, 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.



Boise, Idaho  
February 02, 2015

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, 2014. 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 \$30.6 million in fiscal year 2013 to \$30.65 million in fiscal year 2014, primarily due to excess revenue over expenses. Total liabilities decreased from \$37.2 million in fiscal year 2013 to \$36.0 million in fiscal year 2014 due to the payments made on the 2010 and 2013 bonds, along with the payment made against the land loans.
- Total net position improved by \$1.59 million in fiscal year 2014 for the reasons stated above.
- Total fund balances equal \$6.27 million, of which \$2.84 million is restricted for debt service, \$1.36 million is restricted for bond revenue allocation, and \$2.07 million is restricted for subsequent year projects.

#### *BACKGROUND*

The Nampa Development Corporation 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 included 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 central police station has been completed and the library will be completed in 2015. The Redevelopment Plan will be completed by December 31, 2030, at which time the Agency's assets will revert to City ownership.

In 2012, a new urban renewal district was created and the project plan for the Historic Mercy Hospital was adopted in 2013. This plan was established to preserve the architectural and historic asset of the community, and provide renewed investment in a neighborhood where an abandoned structure has become a nuisance. Anticipated projects include water line upgrades, streetscape and on-street parking improvements, and a historic facade restoration. The plan shall terminate no later than December 31, 2033.

#### *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 2012 tax year increment value for Nampa was \$179,189,727. That value has decreased in 2013 tax year to \$171,605,311. This represents a 2013 (fiscal year 2014) decrease in increment value of \$7,584,416 from fiscal year 2013, and 2013 property tax year revenue available for fiscal year 2014 of \$3,374,137. 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.<sup>1</sup>

### *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 funds 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, deferred outflows, liabilities and deferred inflows, with the difference between them 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 2014. 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.

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

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 Agency-wide and fund financial statements. The notes to financial statements start on page 15.

**Agency-Wide Financial Analysis**

The following Table 1 reflects the restated fiscal year 2013 and fiscal year 2014 Statements 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 \$1.59 million in fiscal year 2014, largely due to an increase in incremental property taxes as a result of the construction of the Library Square Project, which includes the construction of a civic structure (library), a public parking garage, and private development. The long term plan for the Agency is to complete construction of this project and ultimately transfer the ownership and corresponding asset value to the City of Nampa, with the exception of the portion that is owned by the private developer.

**Statements of Net Position  
as of September 30, 2013 and 2014**

	<u>Fiscal Year 2013, as Restated</u>	<u>Fiscal Year 2014</u>
Current and other assets	\$ 24,482,417	\$ 10,782,050
Capital assets	6,119,833	19,869,976
Total assets	<u>30,602,250</u>	<u>30,652,026</u>
Current liabilities	1,085,177	1,552,094
Noncurrent liabilities	36,159,431	34,516,898
Total liabilities	<u>37,244,608</u>	<u>36,068,992</u>
Deferred inflows of resources	<u>3,276,286</u>	<u>2,904,379</u>
Net position		
Net investment in capital assets	2,598,628	4,105,501
Unrestricted	(12,517,272)	(12,426,846)
Total net position, as restated	<u>\$ (9,918,644)</u>	<u>\$ (8,321,345)</u>

The Statement of Activities (Table 2) provides a summary of the Agency's operation for the fiscal year ended September 30, 2014. Prior year data is presented for comparison purposes.

**Statements of Activities**  
**For years ended September 30, 2013 and 2014**

	<b>Fiscal Year 2013 Restated</b>	<b>Fiscal Year 2014</b>
Revenues		
Program revenues		
Charges for services	\$ 34,467	\$ 36,721
General revenues		
Property taxes	3,885,814	3,396,933
Interest income	5,837	2,567
Miscellaneous	39,773	44,932
Total revenues	3,965,891	3,481,153
Expenses		
Urban renewal	643,571	271,793
Interest expense	1,273,571	1,612,061
Total expenses	1,917,142	1,883,854
Increase in Net Position	2,048,749	1,597,299
Net position-beginning, as restated	(11,967,393)	(9,918,644)
Net position-ending	\$ (9,918,644)	\$ (8,321,345)

**Financial Analysis of the Agency's Funds**

As of the fiscal year end, the Agency's ending combined fund balance is \$6,277,140, a decrease of \$13,787,134 from the previous year. The fund balance decrease is due to the bonding associated with the construction of Library Square, and the stage of construction which has reduced the amount within the Construction Fund. Of the total ending fund balance, approximately 45.23% is restricted for the debt service reserve, approximately 21.69% is reserved for debt service payments and the remaining 33.08% 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. The "Original" and "Final" columns in "Schedule of Revenues, Expenditures, and Changed in Fund Balances – Budget and Actual – General Fund" are the published and adopted final budget numbers. A budget amendment was not necessary as the actual expenditures did not exceed the final budgeted amounts. The actual total expenditures came in at \$2.6 million less than budgeted.

**Capital Assets**

At fiscal year end, the Agency's investment in capital assets consisted of \$2,377,258 in land, which is a reduction of \$60,000 from the original investment in fiscal year 2012. The \$60,000 reduction is from the sale of a plot of land. Capital purchases for the fiscal year ending in 2014 for construction in progress totaled \$13,810,143. This brings the total net capital assets at the end of fiscal year 2014 to \$19,869,976.

## Debt Administration

During fiscal year 2014, the Agency paid \$1,625,608 in principal payments; of that amount \$385,608 was to the City of Nampa and \$1,240,000 was for the repayment of the 2010 and 2013 Revenue Bonds. The remaining balances are \$1,198,743 due to the City of Nampa and \$33,025,000 due on the 2010 and 2013 Revenue Bonds.

### *FISCAL YEAR 2014 ACTIVITIES*

Projects in progress and/or completed in fiscal year 2014 meet the commitment to economic development within the geographic boundaries of the Urban Renewal District. Key activities of the Agency projects are identified below.

- Continued with construction and redevelopment of the pivot block into Library Square.
  - Completed approval of Revised Design Build Contract, Revised Disposition and Development Agreement, Revised Master Development Agreement, and Revised Common Area Maintenance Agreements for Library Square
  - Completed a re-evaluation of the re-use appraisal in June 2014
  - Completed the recording of the deed for conveyance of Parcels #2 & #4 of Library Square in July 2014
  - Completed Estoppel Certificate in July 2014
  - Recorded the Master Declaration in August of 2014
  - Started construction on the Vertical Elevator and Lobby structure
  - Started construction of the two private office/retail buildings
  - Completed the One-Way Couplet
  - Started construction on the Plaza and water feature
  - Library Square's estimated completion time is February 2015
- Completed the Request for Bids for Cleaning, maintenance and monitoring of the Downtown Public Parking Garage.
- Completed the Parking Garage Management plan and adopted the fee structure.
- Continued to work with the developers for the Historic Mercy Hospital Project. Historic Mercy Hospital was accepted onto the National Historic Register in August 2014 and is in the process of filing for historic tax credits. The project is located at the corner of 16th Ave. S. and 8th Street South.
- Continued working in partnership with the Downtown Nampa Business Association on the Idaho Main Street Program.
- Downtown Nampa Streetscape Plan
  - Started the public involvement and outreach in an effort to re-engage the downtown business owners and property owners, along with the community as a whole in the development of revisions to the current streetscape plan.
  - Started the 1st Phase of revisions to the streetscape plan, which is part of the overall re-development of the downtown as listed within the urban renewal plan
- Re-Use Study of the existing Library Building.
  - In partnership with the Historic Preservation Commission, completed the RFP for the study of re-use of the existing Library building.
- Worked with several potential projects looking to locate within the Urban Renewal Boundaries.

*BOARD OF COMMISSIONERS*

<u>Director:</u>	<u>Term Expiration:</u>
Randy Haverfield, Chair	12/31/17
Paul Raymond, Vice Chair	12/31/17
Pam White	12/31/17
Stephen Kren	12/31/15
David Bills	12/31/15
Bruce Skaug	12/31/15

*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 3<sup>rd</sup> Street South, Nampa, ID 83651, or call (208) 468-5737.

Nampa Development Corporation  
Statement of Net Position  
September 30, 2014

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Assets	
Cash and cash equivalents	\$ 1,401,191
Receivables	
Property taxes	3,094,347
Restricted cash	6,269,550
Accounts receivable	16,962
Capital assets	
Construction in progress	17,492,718
Land and land improvements	<u>2,377,258</u>
Total assets	<u>30,652,026</u>
Liabilities	
Accounts payable	1,423,379
Accrued interest	128,715
Noncurrent liabilities	
Due within one year	1,699,046
Due in more than one year	<u>32,817,852</u>
Total liabilities	<u>36,068,992</u>
Deferred inflows of resources	
Unavailable - property taxes	<u>2,904,379</u>
Total deferred inflows of resources	<u>2,904,379</u>
Net Position	
Net investment in capital assets	4,105,501
Unrestricted	<u>(12,426,846)</u>
Total net position	<u><u>\$ (8,321,345)</u></u>

Nampa Development Corporation  
Statement of Activities  
Year Ended September 30, 2014

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities					
Urban renewal	\$ 271,793	\$ 36,721	\$ -	\$ -	\$ (235,072)
Interest on long-term liabilities	<u>1,612,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,612,061)</u>
Total governmental activities	<u>\$ 1,883,854</u>	<u>\$ 36,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,847,133)</u>
General revenues					
Property taxes					3,396,933
Earnings on investments					2,567
Miscellaneous					<u>44,932</u>
Total general revenues					<u>3,444,432</u>
Change in Net Position					1,597,299
Net Position, Beginning of Year, as Restated					<u>(9,918,644)</u>
Net Position, End of Year					<u>\$ (8,321,345)</u>

Nampa Development Corporation  
 Balance Sheet – Governmental Funds  
 September 30, 2014

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Assets	
Cash	\$ 1,401,191
Cash and cash equivalents - restricted	6,269,550
Taxes receivable - current	2,904,378
Taxes receivable - delinquent	189,969
Accounts receivable	<u>16,962</u>
Total assets	<u><u>\$ 10,782,050</u></u>
Liabilities, Deferred Inflows, and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 1,423,379</u>
Deferred inflows of resources	
Unavailable - property taxes	<u>3,081,531</u>
Fund Balance	
Restricted for	
Bond debt service	2,838,973
Bond revenue allocation	1,361,309
Urban renewal projects	<u>2,076,858</u>
Total fund balance	<u>6,277,140</u>
Total liabilities, deferred inflows, and fund balance	<u><u>\$ 10,782,050</u></u>

Nampa Development Corporation  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2014

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Total fund balances for governmental funds		\$ 6,277,140
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Capital assets used in governmental funds are not financial resources and therefore, are not reported in the funds.		19,869,976
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 unavailable revenue in the funds.		177,152
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 \$3,366 and for revenue allocation bonds payable is \$125,349.		(128,715)
<p>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:</p>		
Bonds payable	(33,025,000)	
Unamortized bond discount	74,901	
Unamortized bond premium	(368,056)	
Notes payable	(1,198,743)	
		(34,516,898)
Total net position of governmental activities		\$ (8,321,345)

Nampa Development Corporation  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2014

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Revenues	
Property taxes	\$ 3,408,690
Rents and charges for services	36,721
Interest	2,567
Miscellaneous	44,932
	<u>3,492,910</u>
Expenditures	
Current	
Urban renewal	211,793
Capital outlay	13,810,143
Debt service	
Principal	1,625,608
Interest	1,632,500
	<u>17,280,044</u>
	(13,787,134)
	<u>20,064,274</u>
	<u>\$ 6,277,140</u>

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, 2014

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Net change in fund balances-total governmental funds \$ (13,787,134)

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: 13,810,143

In the statement of activities, the loss on the sale of land is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of land sold when proceeds are not received. (60,000)

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:

Repayment of bond principal	1,240,000	
Amortization of bond discount	(4,832)	
Amortization of bond premium	21,757	
Interest expense - revenue allocation bonds	2,648	
Repayment of note principal	385,608	
Interest expense - note payable	866	
		1,646,047

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. (11,757)

Changes in net position of governmental activities \$ 1,597,299

## **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.

### **Fund Accounting**

The Agency reports the following major governmental fund:

- **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 three months 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.

### **Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position and the fund balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position or fund balance that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only has two types of items that qualify for reporting in this category relating to property taxes.

The government-wide statement of net position reports the unavailable property tax revenue as a deferred inflow of resources. The balance of the deferred inflow of resources as of September 30, 2014, will be recognized as a revenue and increase in net position at the start of the next fiscal year. This treatment is a result of the property tax calendar in the State of Idaho.

The final item reported as deferred inflow of resources arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable property tax revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

### **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. Issuance costs are recognized in the period the bonds are issued.

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 in nonspendable form (such as inventory or prepaid accounts) 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.

The Board of Commissioners adopted a Fund Balance Policy that recommends a spending order of restricted, committed, assigned and then unassigned unless the Board approves otherwise.

### **Recently Issued and Adopted Accounting Pronouncements**

In March 2012, the GASB issued Statement No. 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 was implemented in fiscal year 2014. As a result of implementing this Statement, the Agency restated beginning net position to write-off bond issuance costs as required by the Statement (see Note 8) and certain liabilities were reclassified as deferred inflow of resources.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 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, 2014, the bank balance of the Agency's deposits was \$9,167,808. The Agency's deposits consisted of money markets and short term cash equivalents.

#### **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 Agency'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, 2014, consists of non-interest bearing checking accounts balance of \$1,000, a money market account balance of \$257,725 and a repurchase agreement account balance of \$2,645,020. The money market account balance is covered by FDIC insurance up to \$250,000. The \$2,645,020 repurchase agreement account balance is not covered by FDIC insurance but is collateralized by government securities rated AA or better. The Restricted cash equivalents consisted of \$2,069,268 held by Bank of New York in a bond construction fund, \$1,355,822 held by Bank of New York in a revenue allocation fund, and \$2,838,874 held by Bank of New York in debt reserve funds. The debt reserve funds are covered by FDIC insurance up to \$250,000. The remaining restricted cash equivalents are not collateralized or insured.

### **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, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,437,258	\$ -	\$ (60,000)	\$ 2,377,258
Construction in progress	<u>3,682,575</u>	<u>13,810,143</u>	<u>-</u>	<u>17,492,718</u>
Total capital assets, not being depreciated	<u>6,119,833</u>	<u>13,810,143</u>	<u>(60,000)</u>	<u>19,869,976</u>
Governmental activities capital assets	<u>\$ 6,119,833</u>	<u>\$ 13,810,143</u>	<u>\$ (60,000)</u>	<u>\$ 19,869,976</u>

**Note 5 - Unavailable Revenues**

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the governmental fund financial statements. The following revenues are measureable but do not represent available expendable resources for the governmental fund financial statements for the fiscal year ended September 30, 2014:

Property taxes	<u>\$ 3,081,531</u>
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**Note 6 - Changes in Long-Term Liabilities**

Long-term debt outstanding as of September 30, 2014 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 \$426,609 to \$353,088 through 2017; interest at 2.5% to 3.5%. \$ 1,198,743

**Bond Payables**

\$18,000,000 Series 2010 Revenue Allocation Bonds Payable due in annual installments of \$400,000 to \$1,825,000 through 2030; interest at 2.4% to 6.0%, including unamortized bond discount of \$74,901. Bonds maturing on March 1, 2021, are redeemable on any interest payment date beginning March 1, 2020, at par plus accrued interest. 16,315,099

\$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 \$368,056. Bonds maturing on and after September 1, 2025, are redeemable on September 1, 2024, at 102.5% of par plus accrued interest. 17,003,056

\$ 34,516,898

The following is a summary of long-term liability activity of the Agency for the fiscal year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 34,265,000	\$ -	\$ (1,240,000)	\$ 33,025,000	\$ 1,280,000
Bond discount	(79,733)	-	4,832	(74,901)	-
Bond premium	389,813	-	(21,757)	368,056	-
Note payable - City of Nampa	1,584,351	-	(385,608)	1,198,743	419,046
Long-term liabilities	<u>\$ 36,159,431</u>	<u>\$ -</u>	<u>\$ (1,642,533)</u>	<u>\$ 34,516,898</u>	<u>\$ 1,699,046</u>

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 \$50,484,257, payable through September 2031. For the current year, \$1,240,000 of principal was paid and \$1,589,508 of interest was paid.

The annual requirements to amortize all debt outstanding at September 30, 2014 are as follows:

Year ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 1,699,046	\$ 1,586,329
2016	1,746,609	1,540,536
2017	1,713,088	1,487,786
2018	1,400,000	1,436,297
2019	1,445,000	1,393,838
2020-2024	8,205,000	5,978,911
2025-2029	10,625,000	3,557,993
2030-2031	7,390,000	544,270
	34,223,743	\$ 17,525,960
Bond discount	(74,901)	
Bond premium	368,056	
	\$ 34,516,898	

Total interest cost incurred during 2014 was \$1,612,061.

#### **Note 7 - Commitments**

The Agency has a cumulative commitment to construction of the Library Square Project totaling \$18,185,630 with a remaining amount of \$3,741,401 to be expended as of September 30, 2014.

#### **Note 8 - Restatement**

The Agency implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities* as of September 30, 2014. Bond issuance costs were previously capitalized on the statement of net position and amortized on the statement of activities. As a result of the Statement implementation, bond issuance costs that were previously capitalized and amortized, will appropriately be expensed in the year of debt issuance. The total impact of adopting this statement is a reduction to the net position, beginning of year, by \$896,762 as noted below:

Net Position, Beginning of Year, as Previously Stated	\$ (9,021,882)
Less adjustment to remove deferred issuance costs as of September 30, 2013	(896,762)
Net Position, Beginning of Year, as Restated	\$ (9,918,644)



Required Supplementary Information  
September 30, 2014

# Nampa Development Corporation

Nampa Development Corporation  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund  
Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 3,867,092	\$ 3,867,092	\$ 3,408,690	\$ (458,402)
Rents and charges for services	30,000	30,000	36,721	6,721
Interest	2,500	2,500	2,567	67
Miscellaneous	-	-	44,932	(44,932)
Total revenues	3,899,592	3,899,592	3,492,910	(496,546)
Expenditures				
Current				
Urban renewal	614,876	614,876	211,793	403,083
Capital outlay	16,000,000	16,000,000	13,810,143	2,189,857
Debt service				
Principal	1,524,269	1,524,269	1,625,608	(101,339)
Interest	1,730,238	1,730,238	1,632,500	97,738
Total expenditures	19,869,383	19,869,383	17,280,044	2,589,339
Net Change in Fund Balance	\$ (15,969,791)	\$ (15,969,791)	(13,787,134)	\$ 2,092,793
Fund Balances, Beginning of Year			20,064,274	
Fund Balances, End of Year			\$ 6,277,140	

**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, 2014.
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 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, 2014, 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 02, 2015. An explanatory paragraph was included in the auditor’s report to emphasize the implementation of GASB 65.

**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 Agency’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Boise, Idaho  
February 02, 2015