NAMPA DEVELOPMENT CORPORATION

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

REPORT ON AUDIT OF

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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NAMPA DEVELOPMENT CORPORATION

2011 ANNUAL REPORT

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EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities of Nampa Development Corporation (NDC), a blended component unit of the City of Nampa, Idaho, as of and for the year ended September 30, 2011, which collectively comprise NDC'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, 2011, 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.

As described in Note 1 to the financial statements, NDC adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Nampa Development Corporation, as of September 30, 2011, 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 27, 2012, 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.

Eide Bailly LLP

Boise, Idaho
February 27, 2012

Nampa Development Corporation
Management's Discussion and Analysis
Fiscal Year 2011

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, 2011. 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 $29.77 million in FY 2010 to $32.36 million in FY 2011. Total Liabilities increased from $24.63 million in FY 2010 to $25.22 in FY 2011. Total Assets and Liabilities were impacted by the singular activity of new construction of the Public Safety Building.

- Total Net Assets increased by $2.00 million in fiscal year 2011, due to increase in capital investment and in cash. Total fund balance decreased by $10.7 million to $8.4 million, of which $1.8 million is reserved for debt service, $3.8 million is reserved for bond construction, $1.0 million is reserved for bond revenue allocation and $1.8 million is available for subsequent year projects.

BACKGROUND

As an Urban Renewal Agency of the City of Nampa (City), The Nampa Development Corporation (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.

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 assessed value of all real and personal properties within the Urban Renewal Agency boundaries has increased since the inception of the District, one of the few areas within Canyon County to do so. 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 2010 assessed values for fiscal 2011 have increased since the District's inception to $459,109,757. This increase in assessed value represents a 2010 increment value of $165,415,064 and 2010 property tax revenue available for fiscal 2011 of $3,213,246. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements focus on both 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 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 2011. Financial activity shown on this statement is reported on an accrual basis (at the time the underlying event causing the change occurs, rather than at the time the cash flows happen). Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a self-balancing set of accounts that is used to keep track of specific revenues and expenditures related to certain activities or objectives. The Agency maintains one governmental fund at this time: the general fund.

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

The Agency does not have any Proprietary or Fiduciary Funds.

Notes to the Financial Statements and Other Information

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

Agency-Wide Financial Analysis

The following Table 1 reflects the condensed FY 10 and FY 11 Statement of Net Assets. Prior year data is presented for comparison purposes. The decrease in Current and other assets of $9.65 million and increase in Capital assets of $12.23 are due to the construction of the Public Safety Building. The increase in Current and other liabilities of $1.33 million is due primarily to the increase in accounts payable for construction costs. The decrease in Noncurrent liabilities of $0.74 million is due to the payment of principal. For these reasons, Total Liabilities increased overall by $0.59 million.

Net assets over time can serve as a useful indicator of changes in an entity's financial position. Net assets increased by $2.00 million in fiscal year 2011, largely due to the receipt of more revenue in property taxes than required to cover interest and other expenses for the current year.

Table 1
Statement of Net Assets
for Governmental Activities

	Fiscal Year 2010	**Fiscal Year 2011**
Current and other assets	$ 23,256,381	$ 13,612,668
Capital assets	6,508,817	18,744,371
Total assets	29,765,198	32,357,039
Current and other liabilities	3,266,551	4,602,727
Noncurrent liabilities	21,364,440	20,618,590
Total liabilities	24,630,991	25,221,317

Net assets:		
Invested in capital assets, net of related debt	2,732,577	3,890,420
Unrestricted	2,401,630	3,245,302
Total net assets	$ 5,134,207	$ 7,135,722

Table 2 provides a summary of the Agency's operation for the fiscal year ended September 30, 2011. Prior year data is presented for comparison purposes.

Table 2
Statement of Activities
As of September 30, 2010 and 2011

	Fiscal Year 2010	**Fiscal Year 2011**
Revenues:		
Charges for Services	$ 31,422	$ 35,267
General Revenues:		
Property Taxes	3,438,876	3,107,658
Interest Income	2,689	20,634
Miscellaneous	1,436	356,140
Total Revenues	3,474,423	3,484,432
Expenses:		
Urban Renewal	657,629	456,065
Interest Expense	130,796	1,026,852
Total Expenses	788,425	1,482,917
Increase in Net Assets	2,685,998	2,001,515
Net Assets – beginning	2,448,209	5,134,207
Net Assets – ending	$ 5,134,207	$ 7,135,722

Financial Analysis of the Agency's Funds

As of the fiscal year end, the Agency's ending combined fund balance totaled $8,444,286, a decrease of $10,696,660 from the previous year, due to the investment in capital assets. Of the total ending fund balance, approximately 21.3% is reserved for bond debt service, 44.9% is reserved for bond construction, 12.1% is reserved for bond revenue allocation and the remaining 21.7% 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 overall variance between budgeted and actual expenditures of $4,735,132. This variance resulted from a timing difference in construction.

Capital Assets

At fiscal year end, the Agency's investment in capital assets consisted of $4,578,089 in land with no increase from the prior year; and $14,166,282 for construction in progress, an increase of $12,235,554 from the prior year, for a total investment of $18,744,371. Capital purchases to date for a future library total $2,041,772; capital purchases to date for the public safety building total $15,635,163; and other capital purchases of land and improvements total $1,067,436. For more detailed information, see Note 4.

Debt Administration

During fiscal year 2011, the Agency paid $750,682 in principal payments, leaving a total loan amount of $2,707,987 due to the City of Nampa. During fiscal year 2010, the Agency issued bonds for $18,000,000 to finance the construction of a public safety facility. No payment of principal was made during fiscal year 2011 on these bonds. The total amount of long-term debt due at the end of the fiscal year is $20,618,590. For more detailed information, see Note 6.

FISCAL YEAR 2011 ACTIVITIES

Projects were constructed in fiscal year 2011 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.

- Construction continued on the 65,000 square foot LEED Certified Hugh Nichols Public Safety Building and its adjacent parking structure.
- NDC continued discussions and preliminary preparation to release a Request for Qualifications for the downtown Pivot Block and Library redevelopment project.
- At the beginning of FY2011 NDC reviewed and approved the Phase I of the URS traffic study and recommended an alternative traffic route for south Nampa traffic connecting with I-84 to the City of Nampa for inclusion in the city-wide traffic study.

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 of approximately $3.2 million form a stable base. The debt that NDC has at this time is a loan due to the City of Nampa to pay the costs of land acquisition and a bond issued for $18 million to construct the new public safety building. NDC continues to acquire properties as they become available for the purposes outlined in the Economic Development Redevelopment Plan.

As a key component of this Redevelopment Plan, the Agency extended a request for qualifications for development of the pivot block in downtown Nampa. This has generated interest from credible parties. The submissions for the request for qualifications are due to the agency in January 2012 with the final selection for a master developer occurring in the summer of 2012. The new private investment generated by the redevelopment of the pivot block is anticipated to help provide financing capacity to construct the new public library.

BOARD OF COMMISSIONERS

Director:	Term Expiration:
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
Curtis Homer	12/31/11
Stephen Kren	12/31/11
Dan Nogales	12/31/11
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, Central Services Building, 224 11th Avenue South, Nampa, ID 83651, or call (208) 468-5737.

NAMPA DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities
ASSETS	
Cash and investments	$ 9,988,636
Receivables:	
Property taxes	3,245,067
Bond issuance costs, net	378,965
Land and other nondepreciable capital assets	18,744,371
Total assets	32,357,039
LIABILITIES	
Accounts payable	1,550,514
Accrued interest	85,427
Deferred revenues	2,966,786
Noncurrent liabilities:	
Due within one year	1,275,000
Due in more than one year	19,343,590
Total liabilities	25,221,317
NET ASSETS	
Invested in capital assets, net of related debt	3,890,420
Unrestricted	3,245,302
Total net assets	$ 7,135,722

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

NAMPA DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental activities:					
Urban Renewal	$ 491,332	$ 35,267	$ -	$ -	$ (456,065)
Interest on long-term liabilities	1,026,852				(1,026,852)
Total governmental activities	$ 1,518,184	$ 35,267	$ -	$ -	(1,482,917)
	General revenues:				
	Property taxes				3,107,658
	Earnings on investments				20,634
	Miscellaneous				356,140
	Total general revenues				3,484,432
	Change in net assets				2,001,515
	Net assets - beginning				5,134,207
	Net assets - ending				$ 7,135,722

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

NAMPA DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

		GENERAL
ASSETS		
Cash	$	2,424,575
Cash and cash equivalents - restricted		7,564,061
Taxes receivable - current		2,966,786
Taxes receivable - delinquent		278,281
Total assets	$	13,233,703
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	1,550,514
Deferred revenue		3,238,903
Total liabilities		4,789,417
Fund Balance:		
Resricted for:		
Bond debt service fund		1,800,000
Bond construction fund		3,788,531
Bond revenue allocation fund		1,021,090
Unassigned		1,834,665
Total fund balance		8,444,286
Total liabilities and fund balance	$	13,233,703

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, 2011

Total fund balances for governmental funds		$ 8,444,286
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.		18,744,371
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.		272,117
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 $10,572 and for revenue allocation bonds payable is $74,855.		(85,427)
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 $20,485.		378,965
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	(18,000,000)	
Unamortized bond discount	89,397	
Notes payable	(2,707,987)	
		(20,618,590)
Total net assets of governmental activities		$ 7,135,722

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, 2011

	GENERAL
REVENUES	
Property taxes	$ 3,337,863
Rents and charges for services	35,267
Interest	20,634
Miscellaneous	356,140
Total revenues	3,749,904
EXPENDITURES	
Current:	
Urban Renewal	470,847
Capital outlay	12,235,554
Debt service:	
Principal	750,682
Interest	989,481
Total expenditures	14,446,564
Net change in fund balance	(10,696,660)
Fund balances at October 1	19,140,946
Fund balances at September 30	$ 8,444,286

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, 2011

Net change in fund balances-total governmental funds		$ (10,696,660)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an individual cost of more than $5,000 for equipment and $25,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital outlay		12,235,554
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:		
Amortization of bond discount	(4,832)	
Amortization of bond issuance costs	(20,485)	
Interest expense - revenue allocation bonds	(35,470)	
Repayment of note principal	750,682	
Interest expense - notes payable	2,931	
		692,826
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.		(230,205)
Change in net assets of governmental activities		$ 2,001,515

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

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Financial Reporting Entity

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

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.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Agency 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.

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.

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 Balance

Beginning with fiscal year 2011, 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.

2. CASH & CASH EQUIVALENTS

At September 30, 2011 the carrying amount of the Nampa Development Corporation's deposits was $9,988,636.

At September 30, 2011 cash consisted of:

Deposits with financial institutions	$ 2,424,575
Total cash - unrestricted	$ 2,424,575
Cash equivalents - restricted	
Money market funds	$ 7,564,061
Total cash equivalents - restricted	$ 7,564,061

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Agency does not have a policy addressing interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency does not have a policy addressing credit risk.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principal that governments should provide note disclosure when five percent of the entity's total investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Agency does not have a policy addressing the limitations on the amount that can be invested in any one issuer.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Agency does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The bank ledger balance for cash deposits at September 30, 2011 consists of a non-interest bearing checking account balance of $250, a money market account balance of $255,974 and a repurchase agreement account balance of $2,168,352. The $250 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 $5,974 is uninsured. The $2,168,352 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 $4,742,971 held by Wells Fargo in a Bond Construction Fund, $1,800,000 held by Wells Fargo in a debt reserve fund and $1,21,090 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, 2011 was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 4,578,089	$ -	$ -	$ 4,578,089
Construction in progress	1,930,728	12,235,554	-	14,166,282
Total capital assets, not being depreciated	6,508,817	12,235,554	-	18,744,371
Governmental activities capital assets, net	$ 6,508,817	$ 12,235,554	$ -	$ 18,744,371

5. DEFERRED REVENUES

Deferred revenues at September 30, 2011 are summarized as follows:

	Unavailable	Unearned
Property Taxes	$ 272,117	$ 2,966,786

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, 2011 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 $200,000 to $750,000 through 2015; interest at 2.5%.

Bonds Payable
$18,000,000 Series 2010 Revenue Allocation Bonds Payable due in annual installments beginning March 2012 of $525,000 to $1,825,000 through 2030; interest at 2.4% to 6.0%, including unamortized bond discount of $89,397. 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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	$ 18,000,000	$ -	$ -	$ 18,000,000	$ 525,000
Bond discount	(94,229)	-	4,832	(89,397)	-
Note Payable - City of Nampa	3,458,669	-	(750,682)	2,707,987	750,000
Long-term liabilities	$ 21,364,440	$ -	$ (745,850)	$ 20,618,590	$ 1,275,000

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 $30,214,957, payable through September 2030. For the current year no principal was paid and $903,014 of interest was paid.

The annual requirements to amortize all debt outstanding at September 30, 2011 are as follows:

Year Ending	Governmental Activities	
September 30	Principal	Interest
2012	$ 1,275,000	$ 1,001,138
2013	1,285,000	968,680
2014	1,300,000	934,457
2015	1,022,987	898,135
2016	635,000	865,615
2017-2021	2,580,000	3,985,141
2022-2026	5,985,000	2,894,905
2027-2030	6,535,603	825,371
	$ 20,618,590	$ 12,373,442

Total interest cost incurred during 2011 was $989,481.

7. COMMITMENTS

The Agency has a construction contract for construction of a public safety facility totaling $14,717,204 with a remaining amount of $2,924,346 to be expended. The Agency has a contract for design and construction administration of the public safety facility for $1,580,000 with a remaining amount of $75,880 to be expended. The Agency has a contract for the commissioning of the public safety facility totaling $94,958, with a remaining amount of $47,021.

NAMPA DEVELOPMENT CORPORATION

COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL
	ORIGINAL	FINAL	AMOUNTS	BUDGET
REVENUES				
Property taxes	$ 3,118,568	$ 3,118,568	$ 3,337,863	$ 219,295
Rents and charges for services	25,000	25,000	35,267	10,267
Interest	24,500	24,500	20,634	(3,866)
Miscellaneous			356,140	356,140
Total revenues	3,168,068	3,168,068	3,749,904	581,836
EXPENDITURES				
Current:				
Urban Renewal	652,523	652,523	470,847	181,676
Capital outlay	16,789,010	16,789,010	12,235,554	4,553,456
Debt service:				
Principal	750,000	750,000	750,682	(682)
Interest	990,163	990,163	989,481	682
Total expenditures	19,181,696	19,181,696	14,446,564	4,735,132
Net change in fund balance	(16,013,628)	(16,013,628)	(10,696,660)	5,316,968
Fund balance at October 1	17,285,234	17,285,234	19,140,946	1,855,712
Fund balance at September 30	$ 1,271,606	$ 1,271,606	$ 8,444,286	$ 7,172,680

See Notes to Required Supplementary Information

NAMPA DEVELOPMENT CORPORATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011

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 not amended for the fiscal year ended September 30, 2011.

6. Management has the authority to amend budgets within individual funds without seeking approval of the governing body. The detail at which appropriations are legally adopted extends to the fund level.

7. Budgets for funds are adopted on a basis consistent with GAAP. The level of control (level at which expenditures may not exceed budget) is the fund.

CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of the governmental activities of Nampa Development Corporation, a blended component unit of the City of Nampa, Idaho, as of and for the year ended September 30, 2011, which collectively comprise Nampa Development Corporation's basic financial statements and have issued our report thereon dated February 27, 2012. An explanatory paragraph was included in the auditor's report to emphasize the implementation of GASB 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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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 Directors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Boise, Idaho
February 27, 2012