

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

**CALDWELL EAST
URBAN RENEWAL AGENCY**

CALDWELL EAST URBAN RENEWAL AGENCY

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Members of the Board of Commissioners
Caldwell East Urban Renewal Agency
Caldwell, Idaho

We have audited the accompanying financial statements of the governmental activities of Caldwell East Urban Renewal Agency (the Agency), a component unit of the City of Caldwell, as of and for the year ended September 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Caldwell East Urban Renewal Agency'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Caldwell East Urban Renewal Agency, as of September 30, 2009, and the respective changes in financial position thereof 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 January 13, 2010 on our consideration of the Caldwell East Urban Renewal 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Eide Bailly LLP

Boise, Idaho
January 13, 2010

**CALDWELL EAST URBAN RENEWAL AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

Commissioners of the Caldwell East Urban Renewal Agency (the Agency), a component unit of the City of Caldwell, offer readers of these financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended September 30, 2009.

It is a privilege for the Caldwell East Urban Renewal Agency to provide you with our Annual Report for fiscal year ended September 30, 2009. This report has been compiled in compliance with Idaho Code Section 50-2006 in which the Agency *“is required to file, with the local governing body, on or before March 31 of each year, a report of its activities for the preceding calendar year. Such report is to include a complete financial statement setting forth its assets, liabilities, income and operating expense as of the end of the calendar year.”*

In addition to the above stated requirement of Idaho Urban Law, Sections 50-1010 and 67-450B in the Idaho Code further require the Agency to *“cause a full and complete audit of its financial statements to be made each fiscal year.”* In response to this annual fiscal year audit requirement, independent auditor Eide Bailly LLP has completed the 2009 fiscal year audit for the Urban Renewal Agency of the City of Caldwell. This audit is available in the office of the City Clerk, 411 Blaine Street, Caldwell, Idaho.

The results of the 2009 fiscal year audit for the Agency are included within the financial statements, footnotes and audit opinion presented in this annual report.

FINANCIAL HIGHLIGHTS

- The liabilities of the Agency exceeded its assets at September 30, 2009 by \$12,437,753. This resulted from the issuance of \$16,300,000 in long-term revenue bonds in previous years. Bond proceeds were transferred to the City of Caldwell sewer fund and used to pay for sewer projects directly related to growth issues within agency boundaries. Cash and cash equivalents of \$2,594,029 may be used to meet the Agency’s ongoing obligations to citizens and creditors.
- As of September 30, 2009, the Agency’s special revenue fund reported ending fund balance of \$5,172,723. Of this amount \$2,190,754 is unreserved and available for spending and \$2,981,969 has been designated for specific future uses. Unreserved fund balance for the Special Revenue Fund was 35.4% of total fund expenditures and transfers to the City of Caldwell.
- The Agency’s total debt obligation is \$19,982,177.

Caldwell East Urban Renewal Agency - Net Assets

	Governmental Activities	
	2009	2008
Other Assets	\$ 12,613,205	\$ 12,343,792
Capital Assets	1,710,468	1,460,468
Total Assets	14,323,673	13,804,260

**CALDWELL EAST URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

	Governmental Activities	
	<u> </u>	<u> </u>
Short-Term Liabilities	8,429,124	7,813,037
Long-Term Liabilities	<u>18,332,302</u>	<u>20,030,649</u>
Total Liabilities	26,761,426	27,843,686
Invested in Capital Assets	1,710,468	1,460,468
Restricted by bond covenants	2,981,969	2,989,653
Unrestricted	<u>(17,130,190)</u>	<u>(18,489,547)</u>
Total Net Assets	<u>\$ (12,437,753)</u>	<u>\$ (14,039,426)</u>

Caldwell East Urban Renewal Agency - Statements of Activities

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>		
General revenues:		
Property taxes		
general purpose	\$ 5,849,245	\$ 5,492,378
Unrestricted investment earnings	94,258	200,752
Unrestricted unrealized gain (loss) on investments	832	(11,338)
Miscellaneous	4,226	60,519
Internal transfers	<u>-</u>	<u>(7,346,514)</u>
Total revenues (transfers)	5,948,561	(1,604,203)
<u>Expenses:</u>		
Urban renewal agency	3,640,559	3,113,064
Interest on long-term debt	<u>706,329</u>	<u>813,486</u>
Total expenses	<u>4,346,888</u>	<u>3,926,550</u>
Net (expense)	<u>\$ 1,601,673</u>	<u>\$ (5,530,753)</u>

BACKGROUND

The Agency was organized and approved by Caldwell City Council on December 21, 1998 under Idaho Code, Title 50; Chapter 20 entitled "Idaho Urban Renewal Agency Law of 1965." The Agency was established to promote development and redevelopment efforts in an undervalued portion of the City and in the City's area of impact within Canyon County. The goals of the Agency include a plan to transform this underdeveloped area into a desirable location for prospective homeowners, small businesses, and corporate development. Letters of support from taxing districts within the urban renewal area were submitted as evidence of support for the organization of the Agency during the public hearing on December 21, 1998. Later in 1999, Canyon County organized a similar Urban Renewal Agency covering lands within the City of Caldwell's, (the "City") area of impact that were designated in the City's Urban Renewal Agency. This action paved the way for communication between the City and County on urban renewal matters in the impact area.

**CALDWELL EAST URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

On December 21, 1998, the Caldwell City Council approved the Urban Renewal "Plan." This Plan described the proposed activities of the Urban Renewal Agency including the adoption of a *revenue allocation (tax increment)* financing provision. With the adoption of this tax increment financing provision, the County Commissioners and County Treasurer allocate incremental increases in tax revenues annually between the Agency and other taxing districts located within the boundaries of the revenue allocation area.

On September 29, 2003, the Agency amended Plan boundaries and the revenue allocation area to include the downtown corridor between 10th St. and 5th St. from the Union Pacific Railroad right-of-way to Dearborn and public and private land within the following boundary: beginning at the intersection of Ustick Road and Florida Avenue "point of beginning", thence north on Florida Avenue to the Caldwell Highline Canal, thence northwesterly along the Highline Canal to Indiana Avenue, thence south to the southern boundary of Fair Oaks Subdivision, thence west along said boundary to Illinois Avenue extended, thence south on Illinois Avenue extended to Ustick Road, thence east on Ustick Road to the point of beginning. These amendments add a project to the scope of the Workable Program/Implementation Plan within the downtown corridor. The project is commonly referred to as the "Indian Creek Day-lighting and Restoration Project". The amendments also add some detail to Plan provisions dealing with recreational, park and swimming facilities and expand the revenue allocation area so that revenue allocation funding can be used to facilitate financing of the project.

PROPERTY VALUE AND TAX INCREMENT FINANCING

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, the proceeds from the property tax may increase even with no increase in the tax levy rate.

The net taxable value of properties outside urban renewal boundaries in the City decreased \$116,868,120 or 7.8%, over the 2008 base of \$1,492,249,718, (2008 base adjusted for county assessor changes). Consistent with this growth, the market value of real and personal properties within the urban renewal boundaries in the City decreased \$5,579,133 or 1.7%, from the 2008 base of \$332,854,323, (2008 base adjusted for county assessor changes). Combined market value loss in the City and Urban Renewal totaled \$122,447,253 or 6.7%.

As of January 1, 1998, the base year, market values of taxable property within urban renewal boundaries totaled \$60,492,278. The market values within this same area have now been adjusted to a total of \$387,767,468. This increase in market values established an incremental value of \$327,275,190 at September 30, 2009 and property tax revenue (estimated for the fiscal year 2009) equal to \$6,072,994 a decrease of \$20,681, or 1.0%.

The total property tax receipts for fiscal year ended September 30, 2009, were \$5,851,783 as reported in the audited financial statements.

ACTIVITIES & COMMITMENTS

The Agency remains committed to economic development and residential stability within its geographic boundaries in the City. Some of the specific activities, including accomplishments and board actions, are listed below.

- The agency participated in the first redevelopment project along Indian Creek by assisting the City in purchasing the final key property for the City Hall catalyst project.

**CALDWELL EAST URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

- The Agency funded an additional \$75,000 for the YMCA's wellness program. This effort provided 50% membership assistance to employers that encourage employees to participate in the Y's wellness study. Simplot Corporation will participate in the wellness initiative this year.
- The Agency continued talks with TVCC to expand class offerings after the economic decline drove investors from the market and foiled developer plans to build an education building at Sky Ranch Business Park. Economic stimulus money may be provided to enable private developers to again consider constructing an education building in the downtown core.

FINANCIAL OVERVIEW

The 2009 audit included with this annual report covers the period from October 1, 2008 through September 30, 2009. As of September 30, 2009, the carrying amount of all deposits totaled \$5,575,998. Cash in bank was \$1,987,935 and money at the local government investment pool totaled \$606,094. Of the bank balance, \$1,747,359 is held in an operating account and is fully covered by the Transaction Account Guarantee Program and \$250,000 is held in a certificate of deposit and is also FDIC insured. Cash equivalents totaling \$2,981,969 is held by a bond trustee in Money Market Funds and U. S. Treasury Notes and are collateralized in accordance with bond documents.

The Agency's financial commitment to the Caldwell Family YMCA continued with a \$1,000,000 payment made in February 2009, bringing cumulative payments to \$5,000,000 as of September 30, 2009. Other financial commitments include \$300,000 as a series of installment payments to a total of \$900,000 payable to the City's Street fund for engineering costs associated with Exit #29 reconstruction. Total debt service payments during the calendar year included \$1,463,668 in principal and \$706,329 in interest made in connection with three (3) revenue allocation bonds and two (2) revenue allocation notes.

BUDGET

The Agency is required to submit and operate under a budget approved by the board. The 2009 budget for the Agency was approved in a public meeting and appears on page 21.

BOARD OF COMMISSIONERS

Title 50, Chapter 20 of Idaho Code requires the Mayor to appoint a Board of Commissioners. Commissioners may be appointed for terms up to five years. On January 5, 2009, City Council appointed Councilman Hopper to a one-year term to expire January 1, 2010. On January 6, 2009 the board of commissioners approved Leona Fouts' letter of continuation and Steve Rule's reappointment letter to one-year terms to expire January 1, 2010. ElJay Waite is currently serving as Chairman of the Board of Commissioners, with Garret Nancolas as Vice Chairman and Leona Fouts as Secretary.

**CALDWELL EAST URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

All members of the Board of Commissioners as September 30, 2009 are listed below.

<u>COMMISSIONER</u>	<u>TERM EXPIRATION</u>
ElJay Waite	January 1, 2010
Garret Nancolas	January 1, 2010
Leona Fouts	January 1, 2010
Rob Hopper	January 1, 2010
Steve Rule	January 1, 2010
Amy Rojas	January 1, 2010
Jennifer Barrus	January 1, 2010

FINANCIAL STATEMENTS

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.

CALDWELL EAST URBAN RENEWAL AGENCY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2009

	Special Revenue Fund	Adjustments (Note 2)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 2,594,029	\$ -	\$ 2,594,029
Receivables			
Taxes	6,450,911	-	6,450,911
Accounts	3,095	-	3,095
Notes	154,509	-	154,509
Restricted cash and cash equivalents	2,981,969	-	2,981,969
Deferred charges, net of amortization	-	428,692	428,692
Land and other assets not depreciated	-	1,710,468	1,710,468
	<u>12,184,513</u>	<u>2,139,160</u>	<u>14,323,673</u>
Total assets	<u>\$ 12,184,513</u>	<u>\$ 2,139,160</u>	<u>\$ 14,323,673</u>
LIABILITIES			
Vouchers and payroll payable	\$ 607,324	\$ -	\$ 607,324
Deferred revenue	6,384,466	(311,473)	6,072,993
Internal balances	20,000	-	20,000
Interest payable	-	78,932	78,932
Long-term liabilities			
Due within one year	-	1,649,875	1,649,875
Due after one year	-	18,332,302	18,332,302
	<u>7,011,790</u>	<u>19,749,636</u>	<u>26,761,426</u>
Total liabilities	<u>7,011,790</u>	<u>19,749,636</u>	<u>26,761,426</u>
FUND BALANCES/NET ASSETS			
Fund balances			
Reserved for special projects	2,981,969	(2,981,969)	-
Unreserved	2,190,754	(2,190,754)	-
Total fund balances	<u>5,172,723</u>	<u>(5,172,723)</u>	<u>-</u>
	<u>\$ 12,184,513</u>		
NET ASSETS			
Invested in capital assets		1,710,468	1,710,468
Restricted by bond covenants		2,981,969	2,981,969
Unrestricted		(17,130,190)	(17,130,190)
Total net assets		<u>(12,437,753)</u>	<u>(12,437,753)</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,139,160</u>	<u>\$ 14,323,673</u>

CALDWELL EAST URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Fund	Adjustments (Note 3)	Statement of Activities
EXPENDITURES/EXPENSES			
Urban renewal	\$ 3,594,341	\$ 46,218	\$ 3,640,559
Capital outlay	250,000	(250,000)	-
Debt service			
Principal	1,463,668	(1,463,668)	-
Interest	880,323	(173,994)	706,329
Total expenditures/expenses	<u>6,188,332</u>	<u>(1,841,444)</u>	<u>4,346,888</u>
GENERAL REVENUES AND TRANSFERS			
Property taxes	5,851,783	(2,538)	5,849,245
Interest	45,786	48,472	94,258
Unrealized gain	832	-	832
Miscellaneous	4,226	-	4,226
Transfers to City of Caldwell		-	
Total general revenues and transfers	<u>5,902,627</u>	<u>45,934</u>	<u>5,948,561</u>
EXCESS OF REVENUES OVER EXPENDITURES	(285,705)	285,705	-
CHANGE IN NET ASSETS	-	1,601,673	1,601,673
FUND BALANCE/NET ASSETS,			
BEGINNING OF YEAR	<u>5,458,428</u>	<u>(19,497,854)</u>	<u>(14,039,426)</u>
END OF YEAR	<u>\$ 5,172,723</u>	<u>\$ (17,610,476)</u>	<u>\$ (12,437,753)</u>

CALDWELL EAST URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Caldwell East Urban Renewal Agency (the Agency) was organized on December 21, 1998 under the Idaho Urban Renewal Law, Chapter 20, and Title 50 of the Idaho Code. The Agency was established to oversee redevelopment efforts in the Northeastern Caldwell areas, including housing rehabilitation, incentives for development of multi-family affordable housing, beautification of entryways, improvements to City infrastructure, and creation of new parks and a recreation complex. The redevelopment plan will be completed in 16 years, at which time the Agency's assets will revert to City ownership. The Agency under governmental accounting principles is considered a component unit of the City of Caldwell.

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 component unit in the City of Caldwell, Idaho's financial statements. 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 Caldwell, Idaho in conformity with generally accepted accounting principles.

Government-Wide And Fund Financial Statements

The government-wide column of the financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

NOTES TO FINANCIAL STATEMENTS

As allowed under GAAP, the Agency is reported as a “Single Purpose Entity”. This allows for the government-wide financial statements to be combined with the fund level financial statements.

Measurement Focus, Basis Of Accounting, And Financial Statement Presentation

The government-wide column of the financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund column of the financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 to 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major governmental funds:

Special Revenue Funds - The Agency is a special revenue fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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. For purposes of efficient cash flow management and the management of temporary investments, the Agency utilizes the Local Government Investment Pool for its cash.

Investments

State statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, commercial paper, corporate bonds, repurchase agreements, City coupon and local improvement district bonds.

Investments are stated at fair value as determined by quoted market prices, except for the certificates of deposit which are non-participating contracts, and are therefore carried at amortized costs. The Agency pools its investible funds to maximize interest income.

NOTES TO FINANCIAL STATEMENTS

Property Taxes Receivable And Deferred Revenue

Property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the Agency is on a September 30 fiscal year-end, property taxes levied during September for the succeeding year's collection are recorded as deferred revenue at the Agency's year-end and recognized as revenue in the following fiscal year. Canyon County bills and collects taxes for the Agency.

Capital Assets

Capital assets, which consist of land, are reported in the government-wide column of the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Risk Management

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

Budgets

In accordance with Title 50, Chapter 20 of the Idaho State Code, the Agency is required to prepare, approve and adopt an annual budget for filing with the local governing body, for informational purposes. A budget means an annual estimate of revenues and expenses for the following fiscal year of the agency.

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 column of the 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.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

Urban Renewal Agency Revenue Allocation Bonds, Series 2004A were issued to finance, in part, a variety of public and private infrastructure improvements which will improve existing conditions in the project area. Principal and interest on the bonds are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Bonds, Series 2005 were issued to finance the acquisition of land and the removal and relocation of occupants and obstructions in the area of Indian Creek in the City. Principal and interest on the bonds are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Bonds, Series 2006A were issued to finance, in part, a variety of public infrastructure improvements which will expand waster water collection lines and pumping capacity in the project area. Principal and interest on the bonds are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Notes, Series 2007 were issued to finance the acquisition of land and related improvements to improve and restore public open space around Indian Creek in the City. Principal and interest on the notes are payable solely from future tax revenues of the Agency.

Urban Renewal Agency Revenue Allocation Notes, Series 2008 were issued to finance the acquisition and construction of a portion of certain sewer treatment facilities and related improvements. Principal and interest on the notes are payable solely from future tax revenues of the Agency.

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE STATEMENT OF NET ASSETS

“Total fund balances” of the Agency’s governmental fund differs from “net assets” of the governmental activities reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statements of net assets versus the current financial resources focus of the governmental fund balance sheet. The main components of the differences are described below.

Fund balance – special revenue fund	\$ 5,172,723
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,710,468
Costs associated with the issuance of bonds are a use of financial resources and therefore are reported as expenditures in the governmental funds. However, these costs are amortized over the life of the bond on the statement of net assets. Accumulated amortization was \$133,991.	428,692
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	311,473
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(19,982,177)

NOTES TO FINANCIAL STATEMENTS

Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	<u>(78,932)</u>
Net assets of governmental activities	<u>\$ (12,437,753)</u>

NOTE 3 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES

The “net change in fund balances” for governmental funds differs from the “change in net assets” for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental funds. The effect of the differences is illustrated below.

Net change in fund balances – total governmental funds	\$ (285,705)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$250,000) exceeded depreciation expense (\$0).	250,000
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Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,538)
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Interest expense accrued but not paid reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	173,994
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Also, governmental funds report the effect of premiums and bond issuance costs when the debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.

Repayment of long-term debt	1,463,668	
Amortization of issuance costs	(46,218)	
Amortization of bond premium	<u>48,472</u>	<u>1,465,922</u>

Change in net assets	<u>\$ 1,601,673</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND CASH EQUIVALENTS

	<u>Cost</u>	<u>Fair Value</u>
Cash - unrestricted	\$ 1,987,935	\$ 1,987,935
Local Government Investment Pool	605,610	606,094
	<u>\$ 2,593,545</u>	<u>\$ 2,594,029</u>
Cash equivalents - restricted		
Money Market Funds	\$ 2,252,484	\$ 2,252,484
U. S. Treasury Notes	729,485	729,485
	<u>\$ 2,981,969</u>	<u>\$ 2,981,969</u>

Investments Authorized by the State of Idaho and the Agency's Investment Policy

Investment types that are authorized for the Agency by the Idaho Code and the Agency's investment policy are as follows:

1. Local and State Agency Bonds
2. U. S. Agency Bonds
3. U. S. Agency Securities
4. Certificates of Deposit

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. One of the ways the Agency manages its exposure to interest rate risk is by purchasing a combination of long and short-term investments. The Agency keeps funds needed for operations in short-term liquid investments while maintaining a stable longer-term investment portfolio with duration matched to expected completion of capital projects. When selecting longer-term maturities, the Agency's policy requires investments which provide for the stability of income and reasonable liquidity.

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 Local Government Investment Pool, Money Market Funds, Federal Agency Notes and U.S. Treasury Notes are AAA rated by Moody's and Standard and Poor. All other investments of the Agency are not rated and the Agency does not have a restrictive policy regarding rated investments.

NOTES TO FINANCIAL STATEMENTS

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 Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities 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 has no policy limiting on the amount it may invest 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 for custodial credit risk outside of the deposit and investment agreements.

The bank ledger balance for unrestricted cash deposits at September 30, 2009, is \$2,602,969. This ledger balance includes \$250,000 of deposits insured by FDIC and \$1,747,359 insured through the Transaction Account Guarantee Program, and \$605,610 of deposits invested in the Local Government Investment Pool. Restricted cash equivalents totaling \$2,981,969 is held by a bond trustee in Money Market Funds and U. S. Treasury Notes and are collateralized in accordance with bond documents.

The Agency minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to Caldwell East Urban Renewal Agency ownership and be held in the Agency's name. The U.S. Treasury Notes and Money Market Funds are held in custody by Wells Fargo in the Agency's name.

Investment in State Investment Pools

The Agency is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP). The LGIP is regulated by State of Idaho code under the oversight of the Treasurer of the State of Idaho. The fair value of the Agency's investment in the pools is reported in the accompanying financial statements at amounts based on the Agency's pro-rata share of the fair market value provided by the fund for the entire portfolio. The LGIP is Aaa rated.

The LGIP is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

NOTE 5 - 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, in part, a variety of public and private infrastructure improvements which will improve existing conditions in the project area.

NOTES TO FINANCIAL STATEMENTS

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 6 - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance Oct. 1, 2008	Additions	Deletions / Transfers	Balance Sept. 30, 2009
Governmental activities				
Capital assets, not depreciated:				
Land	\$ 1,460,468	\$ 250,000	\$ -	\$ 1,710,468

NOTE 7 - LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2009:

Governmental activities:

Revenue bonds:

\$3,735,000 Urban Renewal Revenue Allocation Bonds Series 2004A due in annual installments through March 2015 of \$300,000 to \$715,000; interest from 4.00% to 4.95% due semi-annually. Certificates maturing on or after March 1, 2012, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2011 or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption. \$ 2,340,000

\$8,300,000 Urban Renewal Revenue Allocation Bonds Series 2006A due in annual installments through March 2023 of \$140,000 to \$720,000; interest from 4.00% to 5.00% due semi-annually, including unamortized bond premium of \$590,578. Certificates maturing on or after March 1, 2017, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2016 or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption. 7,630,578

\$8,000,000 Urban Renewal Revenue Allocation Bonds Series 2008 due in annual installments through September 2023 of \$325,000 to \$720,000; interest from 3.10% to 4.25% due semi-annually, including unamortized bond premium of \$30,547. Certificates maturing on or after March 1, 2017, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2016 or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption. 7,650,547

NOTES TO FINANCIAL STATEMENTS

Revenue notes:

\$2,660,000 Revenue Allocation Notes Series 2005 due in annual installments through June 2012 of \$447,778, including interest at 4.28% 1,236,052

\$1,600,000 Revenue Allocation Notes Series 2007 due in semi-annual installments through September 2014 of \$100,000 to \$125,000, interest at 4.214% due semi-annually. 1,125,000

\$ 19,982,177

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$2,660,000 in revenue allocation notes issued in June 2005 to finance land acquisition and improvements in connection with the Indian Creek Day-lighting project. The notes are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 100 percent of the debt service requirements over the life of the notes. Total principal and interest remaining on the notes is \$1,343,335, payable through June 2012. For the current year, principal and interest paid were: \$ 447,778

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$1,600,000 in revenue allocation notes issued in March 2007 to finance construction of the Indian Creek Day-lighting project. The notes are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 100 percent of the debt service requirements over the life of the notes. Total principal and interest remaining on the notes is \$1,259,848, payable through September 2014. For the current year, principal and interest paid were: 248,623

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$3,735,000 in revenue allocation bonds issued in July 2004 to finance improvements to the City's waste water treatment plant including a new headwork facility, screening system and digester. 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 \$2,726,629, payable through March 2015. For the current year, principal and interest paid were: 398,015

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,300,000 in revenue allocation bonds and \$724,294 in re-offering premium issued in December 2006 to finance improvements to the City's waste water treatment plant including collection lines and related facilities. 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 \$10,306,588, payable through March 2023. For the current year, principal and interest paid were: 734,225

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,000,000 in revenue allocation bonds issued in February 2008 to finance improvements to the City's waste water treatment plant including a new

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

aeration basin and related facilities. 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 \$10,230,948, payable through September 2023. For the current year, principal and interest paid were:

	<u>515,350</u>
Total principal and interest paid in the current year	<u>\$ 2,343,991</u>
Total incremental tax revenues collected in current year	<u>\$ 5,851,783</u>

The annual requirements to amortize all debt outstanding at September 30, 2009, are as follows:

	Governmental Activities	
	Principal	Interest
2010	\$ 1,649,875	\$ 819,637
2011	1,751,776	752,852
2012	1,864,400	676,916
2013	1,495,000	595,753
2014	1,245,000	893,295
2015-2019	5,970,000	2,200,046
2020-2023	6,006,126	567,797
	<u>\$ 19,982,177</u>	<u>\$ 6,506,296</u>

Total interest cost incurred during 2009 was \$706,329.

The following is a summary of changes in long-term debt of the Agency for the year ended September 30, 2009:

	Long-Term Debt At Oct. 1, 2008	Debt Issued	Debt Retired	Long-Term Debt at Sept. 30, 2009	Due Within One Year
Governmental activities:					
Revenue Allocation Bonds 2004A	\$ 2,625,000	\$ -	\$ (285,000)	\$ 2,340,000	\$ 300,000
Revenue Allocation Notes 2005	1,614,720	-	(378,668)	1,236,052	394,875
Revenue Allocation Bonds 2006A	7,445,000	-	(405,000)	7,040,000	425,000
Revenue Allocation Notes 2007	1,320,000	-	(195,000)	1,125,000	205,000
Revenue Allocation Bonds 2008	7,820,000	-	(200,000)	7,620,000	325,000
Bond Premium	669,597	-	(48,472)	621,125	-
Governmental activities long-term liabilities	<u>\$21,494,317</u>	<u>\$ -</u>	<u>\$ (1,512,140)</u>	<u>\$ 19,982,177</u>	<u>\$1,649,875</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – OTHER COMMITMENTS

The agency will provide up to \$7,200,000 of funding for an education building to house community college operations in downtown Caldwell in 2010 and 2011. Treasure Valley Community College will be the major tenant in the building. The project should be completed by October 2010. The building will be deeded to the city as part of downtown redevelopment. The agency will also provide assistance with parking for the college but precise cost estimates have yet to be determined.

The agency will contribute \$1,000,000 to the capital construction fund for the Caldwell Family YMCA in February 2010.

The agency will contribute up to \$200,000 for streetscape improvements downtown in 2010.

CALDWELL EAST URBAN RENEWAL AGENCY

REQUIRED SUPPLEMENTARY INFORMATION

CALDWELL EAST URBAN RENEWAL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL- SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual, General	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 5,900,000	\$ 5,900,000	\$ 5,851,783	\$ (48,217)
Interest	80,000	80,000	45,786	(34,214)
Unrealized gain on investments	-	-	832	832
Miscellaneous	-	-	4,226	4,226
Total revenues	<u>5,980,000</u>	<u>5,980,000</u>	<u>5,902,627</u>	<u>(77,373)</u>
EXPENDITURES				
Current				
Urban Renewal Agency	12,079,930	12,079,930	3,594,341	8,485,589
Capital outlay	-	-	250,000	(250,000)
Debt service				
Principal	1,463,668	1,463,668	1,463,668	-
Interest	880,323	880,323	880,323	-
Total expenditures	<u>14,423,921</u>	<u>14,423,921</u>	<u>6,188,332</u>	<u>8,235,589</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(8,443,921)</u>	<u>(8,443,921)</u>	<u>(285,705)</u>	<u>8,158,216</u>
OTHER FINANCING SOURCES (USES)				
Revenue allocation notes and bonds issued	<u>9,500,000</u>	<u>9,500,000</u>	<u>-</u>	<u>(9,500,000)</u>
Total other financing sources	<u>9,500,000</u>	<u>9,500,000</u>	<u>-</u>	<u>(9,500,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,056,079</u>	<u>\$ 1,056,079</u>	<u>(285,705)</u>	<u>\$ (1,341,784)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>5,458,428</u>	
FUND BALANCE, END OF YEAR			<u>\$ 5,172,723</u>	

**CALDWELL EAST URBAN RENEWAL AGENCY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009**

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

In accordance with Title 50, Chapter 20 of the Idaho State Code, the Agency is required to prepare, approve and adopt an annual budget for filing with the local governing body, for informational purposes. A budget means an annual estimate of revenues and expenses for the following fiscal year of the Agency.

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

The Board of Commissioners prepares a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

Public workshops are conducted at City Hall to obtain taxpayer comments.

The budget is passed by resolution no later than the first Tuesday of each year.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the special revenue funds. All annual appropriations lapse at fiscal year-end. Revisions that alter the total expenditure appropriation must be approved by the Board of Commissioners. State law does not allow fund expenditures to exceed fund appropriations.

CALDWELL EAST URBAN RENEWAL AGENCY

OTHER SUPPLEMENTARY INFORMATION



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*

Members of the Board of Commissioners
Caldwell East Urban Renewal Agency
Caldwell, Idaho

We have audited the accompanying financial statements of the governmental activities of Caldwell East Urban Renewal Agency, as of and for the year ended September 30, 2009, which collectively comprise the Caldwell East Urban Renewal Agency's basic financial statements and have issued our report thereon dated January 13, 2010. 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 Caldwell East Urban Renewal Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Caldwell East Urban Renewal Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Caldwell East Urban Renewal Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Caldwell East Urban Renewal Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Caldwell East Urban Renewal Agency's financial statements that is more than inconsequential will not be prevented or detected by the Caldwell East Urban Renewal Agency's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caldwell East Urban Renewal Agency'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 and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

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

Boise, Idaho
January 13, 2010