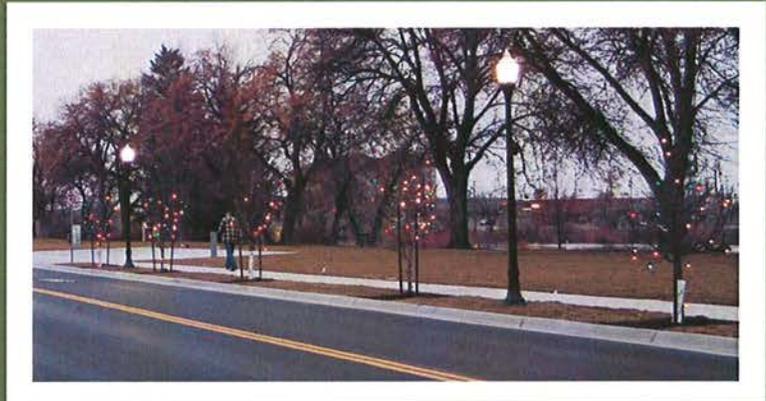


*To strengthen the tax base  
and promote the  
successful growth and  
development of the City of  
Idaho Falls ....*

# Idaho Falls Redevelopment Agency



## 2012 Annual Report



## EXECUTIVE SUMMARY

In 2012, the Idaho Falls Redevelopment Agency accomplished the following:

- Financed \$2.4 million of the costs of the reconstructing Memorial Drive. The City of Idaho Falls financed approximately \$1.1 million. This project included new storm drainage, water mains, a new road bed, lighting, landscaping, new curbs and gutters, sidewalks, and a round-about at E and Memorial Drive. Seal-coating will be done in 2013.
- Completed a parking study of the downtown area to review parking demand after the parking improvements were completed in the north portion of downtown. These improvements included the construction of seventy-two parking spaces for use by the public on the southwest corner of D Street and Park Avenue and the leasing of two smaller parking lots for daytime use by the public. The City of Idaho Falls removed the two hour parking limitations on much of D Street, E Street, and Park and Capital Avenues north of Constitution Way. In addition, the City of Idaho Falls installed center parking on Constitution Way. Bonneville County constructed a new parking lot north of the Court House. This study as well as a subsequent study in the summer of 2012 confirmed there is adequate parking in the downtown area.
- Reimbursed Taylor Crossing LLC and the Idaho Parks and Recreation Division for completing improvements on four hundred feet of Greenbelt north of Pancheri Bridge. These improvements included terracing, the development of a grassed trail system and picnic areas, and landscaping. The amount of the reimbursement was \$99,573.
- Agreed to reimburse D&A Commercial Warehousing for 50% or \$92,600, whichever is less, for the cost of constructing Simplot Circle from Utah Avenue to Porter Canal, including a bridge. It is anticipated this construction will begin in the summer of 2013.
- Worked with the staff of the Woodbury Corporation to assure at least eighteen parking spaces were earmarked for public use in the parking lot of the Marriott Inn. These spaces are next to the Greenbelt. The designation of public spaces was done to honor the existing city easement as well as assure the public received benefit from any Agency assistance provided to the Marriott Inn.
- Financed the construction of a sidewalk on the east side of Utah Avenue where there was a gap in pedestrian facilities near the intersection with Pioneer Road.

*To strengthen the tax base and promote the successful growth and development of the City of Idaho Falls by using, when necessary, tax increment financing to facilitate the construction of publicly owned infrastructure, giving due consideration to that which promotes and enhances the Snake River Greenbelt and encourages desirable land uses near that Greenbelt.*

Mission Statement, Idaho Falls Redevelopment Agency

## **ORGANIZATION AND MISSION**

The Idaho Falls Redevelopment Agency, originally created on July 6, 1966, was re-established by the Idaho Falls Mayor and Council on October 20, 1988. More than twenty years after its re-establishment, the Agency is charged with implementing three urban renewal plans: Snake River Urban Renewal Project Plan, River Commons Urban Renewal Plan, and Pancheri-Yellowstone Urban Renewal Plan. These three urban renewal districts encompass 688 acres in central Idaho Falls or approximately 5% of the city.

In the year 2012, the following individuals served on Board of Commissioners:

Robert Barnes, Chair  
Terri Gazdik  
Thomas Hally  
Lee Radford, Vice-Chair  
Linda Martin  
Lee Staker  
Brent Thompson

Ryan Armbruster of Elam and Burke serves as legal counsel to the Agency. Thane Sparks is the treasurer for the Agency, and Renee Magee is the executive director.

## **THE YEAR 2012**

### **Pancheri-Yellowstone Urban Renewal District**

The Pancheri-Yellowstone urban renewal district, with a term of 12 years, was created by the Mayor and Council of Idaho Falls in December, 2007. This area of 33 acres sandwiched between the Snake River and Yellowstone Highway and south of Pancheri Drive includes a former manufacturing facility, a lumber yard, and oil distribution businesses as well as open storage and vacant land. It has no public road system and is served by utilities which do not meet today's standards. In early 2008, the Agency entered into an owner participation agreement with Hotel Developers - Snake River LLC in which the Agency agreed to participate in Greenbelt improvements, utility relocation and trenching, and demolition. In late 2009, the Agency executed notes totaling \$129,289 for such work completed on the site of Candlewood Suites and the adjacent Greenbelt. As of December, 2011, the total incremental value in this newest district was \$7,769,591, the majority of which was due to the construction and opening of Candlewood Suites by Hotel Developers - Snake River LLC. As of September 30, 2011, the Agency had cash and receivables of \$237,398 in this district. If there is not a proposal for additional redevelopment in the next year or two, the Agency may terminate this district.

### **River Commons Urban Renewal District**

River Commons Urban Renewal District, a former gravel pit for Monroc, Inc., sits immediately south of Pancheri Drive and borders the Snake River. The district encompasses 211 acres and was created in 2004 at the request of the new owner of the property, Ball Ventures. The Agency entered into an owner participation agreement with Ball Ventures in March, 2005, and agreed to participate in the construction of Snake River Parkway and Pier View Drive, reconstruction of Milligan Road, power line and utility improvements, storm drainage and landscape improvements, and Greenbelt improvements with the exception of the pier. In January, 2009, the Agency entered into the Amended and Restated Limited Recourse Promissory Note for the principal amount of \$8,812,602. This note essentially completed the commitment under the owner participation agreement executed by the Agency and Ball Ventures in March, 2005. As of December, 2011, the former gravel pit had an increment value of \$29,182,836.

In 2012, the Agency committed \$865,000 to Ball Ventures and Thomas Development to assist in the construction of Whitewater Drive west of Bluff Street and Lochsa River Drive south of Whitewater. If development moves forward as planned, these two streets will serve new development with estimated construction costs of approximately \$15 million. One development will be for an office and assembly center north of Whitewater Drive and the other development will be an elderly housing complex south of Whitewater.

### **Snake River Urban Renewal District**

The Snake River Urban Renewal District is the City's oldest existing urban renewal district. It was created in 1988 and encompassed the area bounded on the north by State Highway 20, I-15 and Utah Avenue south of Broadway on the west, the Snake River on the east and Pancheri Drive on the south. In 1988, the revenue allocation area did not encompass the entire district. In 1992, both the district and revenue allocation area were expanded. The 1992 amended boundary

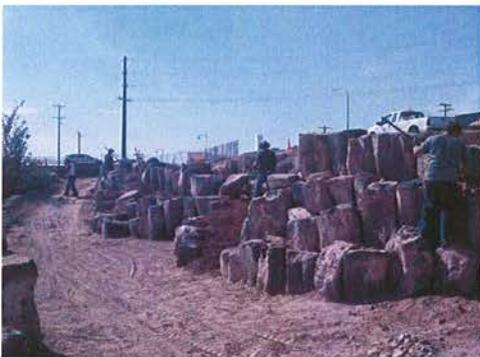
for both was State Highway 20 on the north, I-15 on the west, approximately Pancheri Drive on the south, and the Snake River on the east. In 2006, the area of the district was expanded to include the downtown area west of the Snake River. The district will terminate in 2018.

There are two active owner participation agreements within the Snake River Urban Renewal District. Through these agreements, a developer finances the costs of public improvements, generally off-site improvements, for a new development. He is repaid the cost of these public improvements with a portion of the taxes generated by the new development. In lieu of the Agency seeking a bond or a loan to pay for public improvements, the developer finances the costs of these improvements.

The oldest active agreement is with Renaissance Partners, LLP, and was executed in March, 2004. This agreement covers the expenses in relocating and demolishing Tiffany Metals (a salvage yard), United Parcel Service, American Fabrication, and Broadway Properties. Today, Wal-Mart, the Olive Garden, Famous Dave's Barbecue, Fairfield Inn, Wendy's, Arctic Circle, and two retail commercial strip centers occupy this area. The agreement also covered relocating a power line and improving Wardell Street, including the railroad crossing. In December, 2004, the Agency entered into a note with Renaissance Partners for the amount of \$4,042,000.

The second active owner participation agreement is with Taylor Crossing on the River, LLC. This agreement provides for notes to a maximum of \$6,335,204 to improve the Greenbelt from Broadway to Pancheri, construct Riverwalk Drive to connect Broadway to Pancheri east of Porter Canal, relocate ABF, reconstruct Simplot Circle, demolish the former Army Surplus building (where the Marriott Residence Inn is under construction), and provide the necessary public utilities and remove rock as necessary. To date, Taylor Crossing has entered into two notes with the Agency, both of which have been repaid from a portion of the tax increment generated by the Taylor Crossing development. The first note was for \$600,000 to relocate ABF and the second was \$200,000 to demolish the Army Surplus building. Recent payments to Taylor Crossing for Greenbelt improvements have been made under the agreement and from the tax increment generated to date. The total paid to Taylor Crossing under the agreement through December, 2012, is \$1,251,753.

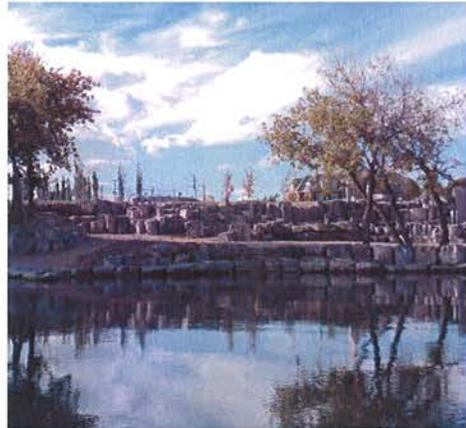
### Taylor Crossing on the River



In 2010, the Agency reimbursed Taylor Crossing \$286,954 for relocation of a portion of the Greenbelt path north of Pancheri Drive Bridge. The majority of the reimbursement covered the costs of removing brush and debris from the area, terracing the bank, and installing stone walls. In 2011, the Agency contributed an additional \$25,725 towards the stabilization of this area of the Greenbelt and committed \$100,000 towards the irrigation system and placement of sod. Idaho Falls Division of Parks and Recreation contributed the labor

to install the sprinkler system.

In 2012, the Agency and the Parks and Recreation Division completed the irrigation system, installing the sod, and planting many of the planned trees and shrubs. This work and the payment of \$67,573 to Taylor Crossing for its work, including the installation of electric conduits for future lighting and an electrical system, completed the commitment made by the Agency to Taylor Crossing for assistance in improving the Greenbelt north of Pancheri bridge. The Agency reimbursed the City Parks and Recreation Division \$32,000 for its work on this portion of the Greenbelt in 2013.



In 2011, Woodbury Corporation, a Salt Lake City based commercial real estate company, purchased the majority share of the unfinished Marriott Residence Inn on West Broadway near the Snake River. The permit to complete construction on the motel was issued in November, 2011. Woodbury Corporation completed the Marriott Inn in late summer of 2012 and the Certificate of Occupancy was issued in September, 2012. At this time, Agency staff met with representatives of the Woodbury Corporation to determine the location of two hour parking spaces for the public. These spaces are immediately west of the Greenbelt and are signed to encourage daytime use of the Greenbelt. The Agency assisted this project by reimbursing Taylor Crossing for the demolition of the former Army Surplus building on the site.

### Downtown Idaho Falls

After investigating the development of a parking structure with a private property owner in early 2010 and later an underground structure with Bonneville County, the Agency decided to construct a public parking lot mid-2010. The Agency acquired the property on the southwest corner of D Street and Park Avenue, demolished the two structures on the property, and financed the construction of a public parking lot on the parcel. In late 2011, the Agency deeded the lot to the City of Idaho Falls. The Agency also assisted Bonneville County with curb, gutter and sidewalk replacement in connection with the County's construction of a new parking lot north of the Court House.

In 2012, the dream of reconstructing Memorial Drive was realized. From about 1915 or earlier until the late 1950's or early 1960's, Memorial Drive had a landscaped median in the center of its eighty foot right-of-way. Due to the need for parking to serve the downtown merchants, the median was removed and parking was placed in the center of the right-of-way. Not only did the parking which backed into traffic pose a safety issue, but, by the late 1990's, Memorial Drive was in need of reconstruction. The crown was too high. Curbs and gutters, which move water to storm drains, were missing along much of Memorial Drive. The asphalt was rutting and shoving due to the number of overlays on the street.

During 2009, community leaders, including representatives of the City Council, County Commissioners, and Idaho Falls Downtown Development Corporation met with Pierson Land Works, a landscape architectural firm, to develop concepts for Memorial Drive. In August, the concept accepted by this group of community leaders was the subject of open houses at Community Night Out, Idaho Falls Public Library, and University Place. The comments from these open houses spurred the construction, leasing, and designation of additional long-term parking downtown. A bus turn-out and careful attention to the needs of the disabled in the design of the round-about were also design details in response to comments at these open houses.

In 2010, the Agency contracted with the City of Idaho Falls to design Memorial Drive. The engineering department held additional open houses on a design in November, 2011, and completed the design in early 2012. After the cost estimates were prepared, representatives of the Agency and City met to allocate the costs of Memorial Drive. In the spring of 2012, the Agency and City executed an agreement for construction management and the Agency pledged to spend approximately \$2.7 million to reconstruct Memorial Drive. The construction on Memorial Drive began on July 9, 2012, after the July 4<sup>th</sup> celebration was held on the Greenbelt in the Memorial Drive area. The project was completed in mid-November, 2012.



Today, Memorial Drive is a two lane street with parking on the east side. All modes of transportation have been recognized in its new design. It was constructed as a sharrow, a lane to be shared by motor vehicles and bicycles. Turn-outs are provided in each direction to accommodate buses. The pedestrian facilities have been improved by signage and narrowing the intersections to reduce the crossing distance. The lighting on the street matches the downtown lighting, creating a tie into the downtown. Electrical outlets have been provided to accommodate vendors and others using the Greenbelt for community events. As a result of narrowing the paved travel way, the Greenbelt has

been widened to provide additional space for community events.

**SUMMARY OF PROJECTS AND STUDIES COMPLETED BY AGENCY**

The following table summarizes the projects and studies completed by the Agency through 2012.

Description of Project	Monies Spent
Lindsay-Utah Avenue (street and utilities)	\$2,111,648
South Utah Avenue (street)	\$687,435
Wardell-Mercury improvements (street and utilities)	\$969,374
John Hole's pedestrian safety improvements	\$90,000
Snake River walkway improvements	\$41,360
South Utah construction and utilities	\$1,194,000
Pancheri-Utah Avenue intersection improvements (1/2 cost)	\$298,000
Relocation of power lines	\$1,388,614
Bridgeport Drive (Milligan Road) and utility improvements	\$395,615
Storm water facilities, landscaping, and demolition	\$297,200
Utility improvements	\$409,473
Days Inn demolition reimbursement	\$293,000
Yellowstone: installation median with trees in downtown	\$235,414
Snake River Parkway (north of Pancheri, south of Wal-Mart)	\$200,455
I-15 entrance welcome sign and landscaping including demolition	\$82,527
Downtown parking study completed by Carl Walker, Inc.	\$47,050
Reimbursement to Bonneville County for land on Legion Drive	\$150,000
Concept of Memorial Drive completed by Pierson Land Works	\$20,362
Terracing, landscaping on Snake River, Taylor Crossing	\$444,252
Purchase and completion of public parking lot on D Street	\$1,192,800
Memorial Drive Reconstruction (street and utilities)	\$2,413,568
<b>TOTAL PROJECTS</b>	<b>\$12,960,147</b>

The above public improvements were financed by bond proceeds, loans, or cash reserves.

**SUMMARY OF ‘INCREMENT VALUE’, IDAHO FALLS URBAN RENEWAL DISTRICTS, 2011**

The following table shows the “increment value” or increase in assessed value generated through urban renewal.

District	Net Taxable	Base	Increment Value
Snake River Amended	\$204,709,384	\$64,077,983	\$140,631,406
River Commons	\$29,468,676	\$285,840	\$29,182,836
Pancheri-Yellowstone	\$13,320,882	\$5,461,291	\$7,769,591

**LEGAL REQUIREMENTS AND ADDITIONAL DOCUMENTATION**

Under the Idaho Urban Renewal Law, an urban renewal 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, which shall include a complete financial statement setting forth its assets, liabilities, income and operating expense at the end of the calendar year. By virtue of certain amendments to the Idaho Urban Renewal Law adopted in 2002, the fiscal year of an urban renewal agency has been established as October 1 through September 30. Consequently, any formal financial statement is limited to a report through the end of the Agency’s fiscal year.

The Agency received a report dated January 25, 2013, of its audited financial statements from Rudd and Company. This report identifies the Agency’s assets, liabilities, income and expenses through September 30, 2012. A copy of the report is attached as an exhibit.

Beginning with the annual report for activities during 2012, the Agency will take public outreach measures soliciting public comment on the annual report. To solicit comment, the Agency will:

- Publish a display advertisement.
- Complete a press release to the media.
- Post the annual report and the meeting announcement on its page on the city website.

As to the 2011 annual report, the Agency did all of the above measures and convened its board meeting on March 15, 2012 to consider public comment on its 2011 annual report.

The Agency is also required to formally adopt its fiscal year budget by September 1 of each year. The Agency adopted its Fiscal Year 2013 budget on August 16, 2012. As required by the Idaho Urban Renewal Law and Local Economic Development Act, the Agency has filed its budget with the City of Idaho Falls. Copies of the budget are available through the Agency’s offices or the City Clerk.



RUDD & COMPANY<sup>SM</sup>

certified public accountants | business consultants

January 25, 2013

To the Board of Trustees  
Idaho Falls Redevelopment Agency

We have audited the financial statements of the governmental activities and each major fund of the Idaho Falls Redevelopment Agency for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Idaho Falls Redevelopment Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's **knowledge and experience about past and current events and assumptions about future events**. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of long-term liability in Note 4 to the financial statements where the details of outstanding debt are explained.

The disclosure of owner participation agreements in Note 6 to the financial statements where the details of owner participation agreements are explained.

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The disclosure of fund balance classification in Note 9 as defined by GASB 54 as it applies to the Agency is explained.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 18, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

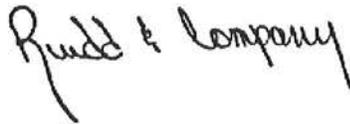
Idaho Falls Redevelopment Agency  
January 25, 2013  
Page 3

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of trustees and management of the Idaho Falls Redevelopment Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Rudd & Company". The signature is written in dark ink and is positioned to the right of the typed name.

Rudd & Company, *PLLC*



**RUDD & COMPANY** PLLC  
*certified public accountants | business consultants*

**IDAHO FALLS REDEVELOPMENT AGENCY  
(A Component Unit of the City of Idaho Falls, Idaho)**

**Financial Statements  
and Supplementary Information  
with  
Independent Auditors' Report**

**September 30, 2012**

*giving direction to your future*

**IDAHO FALLS REDEVELOPMENT AGENCY**

**Table of Contents**

**September 30, 2012**

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<b>Independent Auditors' Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-9
<b>Basic Financial Statements</b>	
Statement of Net Assets.....	11
Statement of Activities.....	12
Governmental Fund Types Balance Sheet.....	13
Governmental Fund Types Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
Reconciliation of Government Funds Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities.....	15
Notes to Financial Statements.....	16-24
<b>Required Supplementary Information</b>	
Snake River Allocation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual.....	26
River Commons Allocation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual.....	27
Pancheri-Yellowstone Allocation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget to Actual .....	28
<b>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</b> .....	29-30



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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Idaho Falls Redevelopment Agency  
Idaho Falls, Idaho

We have audited the accompanying financial statements of the governmental activities and each major fund of the Idaho Falls Redevelopment Agency (the Agency), a component unit of the City of Idaho Falls, Idaho, as of and for the year ended September 30, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Idaho Falls Redevelopment 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Idaho Falls Redevelopment Agency, as of September 30, 2012, 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 25, 2013, on our consideration of Idaho Falls Redevelopment 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 26 through 28 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.

*Rudd & Company*

January 25, 2013

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis**  
**September 30, 2012**

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This discussion and analysis of the Idaho Falls Redevelopment Agency's (the Agency) financial performance provides an overall review of the Agency's financial activities for the fiscal year ended September 30, 2012. The intent of the discussion and analysis is to look at the Agency's financial performances as a whole. Readers should also review the basic financial statements to enhance their understanding of the Agency's financial performance.

**Financial Highlights**

The Agency had a deficit of \$7,031,219 in net assets. This is an increase in the deficit of \$502,513 over the prior year.

The Agency ended the year with total cash and investments of \$5,233,407. This represents an increase of \$764,307 over the prior year.

During the current year, the Agency spent \$1,124,760 on capital related projects. These projects included work on Memorial Drive, the Greenbelt and sidewalk and parking improvements.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-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 themselves.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2012**

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**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the assets and liabilities of the Agency, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the net assets of the Agency changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both the Statement of Net Assets and the Statement of Activities present information as follows:

Governmental Activities. This includes all of the Agency's services, which are primarily supported by property taxes and interest income.

Business Type Activities. The Agency has no business type activities.

The government-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2012**

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**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains three individual governmental funds and has elected to treat each of them as major funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for each major fund.

The Agency adopts an annual budget for its special revenue funds. A budgetary comparison statement has been provided for the Snake River Allocation, the River Commons Allocation, and the Pancheri-Yellowstone Allocation special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 and 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-24 of this report.

**Financial Analysis of the Agency**

The following two tables provide condensed financial information on the Agency's net assets and changes in net assets for the fiscal years ended September 30, 2012 and 2011.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2012**

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**Government-wide Financial Analysis**

**Idaho Falls Redevelopment Agency's  
Net Assets**

	<b>Governmental Activities</b>	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current and other assets	\$ 5,543,538	\$ 4,885,107
Capital assets	-	1,177,625
	<u>5,543,538</u>	<u>6,062,732</u>
Total Assets		
<b>Liabilities</b>		
Current liabilities	451,457	339,861
Long-term liabilities	12,123,300	12,251,577
	<u>12,574,757</u>	<u>12,591,438</u>
Total Liabilities		
<b>Net Assets</b>		
Invested in capital assets, net of related debt	-	1,177,625
Unrestricted balance (deficit)	(7,031,219)	(7,706,331)
	<u>(7,031,219)</u>	<u>(7,706,331)</u>
Total Net Assets (Deficit)	<u>\$ (7,031,219)</u>	<u>\$ (6,528,706)</u>

As of September 30, 2012 and 2011, current assets including cash and investments and property tax receivables made up 100% and 80% of assets respectively. When the Agency purchases capital assets, they are ultimately donated to the City of Idaho Falls, Idaho.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2012**

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The \$(7,031,219) deficit in net assets at September 30, 2012 is expected to be eliminated by the future taxes the Agency is expected to receive.

**Idaho Falls Redevelopment Agency's**  
**Changes in Net Assets**

	<b>Governmental</b>	
	<b>Activities</b>	
	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
General Revenues		
Taxes	\$ 2,523,133	\$ 2,484,264
Other	<u>99,779</u>	<u>18,416</u>
Total General Revenues	<u>2,622,912</u>	<u>2,502,680</u>
<b>Expenses</b>		
General government	2,397,109	432,221
Interest on long-term debt	<u>728,316</u>	<u>285,530</u>
Total Expenses	<u>3,125,425</u>	<u>717,751</u>
Increase (Decrease) in Net Assets	<u>\$ (502,513)</u>	<u>\$ 1,784,929</u>

Property taxes received by the Agency are used to repay certain limited recourse promissory notes payable. These note payments will not be paid if property taxes are not sufficient to completely pay principal and interest on those obligations.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2012**

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

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental fund.** The focus of the Agency's *governmental funds* are to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Agency's financing requirements.

**Special revenue funds.** The special revenue funds are the chief operation funds of the Agency. At the end of the current fiscal year, committed and assigned fund balances were \$5,284,168.

The fund balances of the Agency's special revenue funds increased by \$1,028,320 during the current fiscal year. The main factor of this increase was the revenues collected from property taxes.

**Special Revenue Fund Budgetary Highlights.** The Agency did not amend the budget during 2012. The only significant variation between the budget amounts and actual results was related to projects approved for commencement during the year. Progress on approved projects was less than anticipated for the year, and capital expenditures were lower than budgeted amounts as a result.

**Capital Assets**

Capital assets such as streets, street improvements, water, sewer, and other capital improvements, which the Agency pays for, are ultimately donated to the City of Idaho Falls, Idaho.

Capital assets such as streets, street improvements, water, sewer, and other capital improvements, are ultimately donated to the City of Idaho Falls. During the current fiscal year, the Agency completed costs related to certain owner participation agreements, demolition and reconstruction of parking projects and sidewalk improvements. Prior year construction in progress of \$1,177,625 and current costs of \$135,108, were transferred to the City of Idaho Falls.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2012**

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**Long-term Debt**

At September 30, 2012, the Agency had total long-term debt of \$12,123,300, a decrease of \$128,277 over the prior year.

The Agency has no employees; therefore there are no compensated absences.

Outstanding debt at September 30, 2012 was as follows:

	<b>Governmental Activities</b>	
	<u>2012</u>	<u>2011</u>
<b>Snake River</b>		
Series 2004		
Limited Recourse Promissory Note	\$ 3,310,698	\$ 3,438,975
<b>River Commons</b>		
Series 2008		
Limited Recourse Promissory Note		
(amended and restated - January 16, 2009)	<u>8,812,602</u>	<u>8,812,602</u>
	<u>\$ 12,123,300</u>	<u>\$ 12,251,577</u>

**Requests for Information**

This financial report is designed to provide a general overview of the Idaho Falls Redevelopment Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Idaho Falls Redevelopment Agency, P.O. Box 50220, Idaho Falls, ID 83405.

**Basic Financial Statements**

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Statement of Net Assets**  
**September 30, 2012**

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	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and investments	\$ 5,233,407
Property tax receivable	<u>310,131</u>
Total Assets	<u>5,543,538</u>
<b>Liabilities</b>	
Accounts payable	70,680
Accrued interest payable	380,777
Long-term liabilities	
Due within one year	-
Due after one year	<u>12,123,300</u>
Total Liabilities	<u>12,574,757</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u>(7,031,219)</u>
Total Net Assets (Deficit)	<u>\$ (7,031,219)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Statement of Activities**  
**Year Ended September 30, 2012**

Functions/Programs	Expenses	Charges for services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating grants and contributions	Capital grants and contributions	Total Governmental activities
Governmental Activities					
Administrative	\$ 40,000	\$ -	\$ -	\$ -	\$ (40,000)
Insurance	3,453	-	-	-	(3,453)
Professional services	36,093	-	-	-	(36,093)
Office and other	15,178	-	-	-	(15,178)
Contribution of assets to the City of Idaho Falls	1,312,733	-	-	-	(1,312,733)
Contract services - City of Idaho Falls	989,652	-	-	-	(989,652)
Interest	728,316	-	-	-	(728,316)
	<u>\$ 3,125,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,125,425)</u>
General revenues					
Property taxes					2,523,133
Penalties and interest					89,413
Earnings on investments					10,366
					<u>2,622,912</u>
Change in net assets					(502,513)
Net assets (deficit) beginning of year					<u>(6,528,706)</u>
Net assets (deficit) end of year					<u>\$ (7,031,219)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Governmental Fund Types**  
**Balance Sheet**  
**September 30, 2012**

	<u>Snake River Allocation Fund</u>	<u>River Commons Allocation Fund</u>	<u>Pancheri- Yellowstone Allocation Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 4,612,858	\$ 394,465	\$ 226,084	\$ 5,233,407
Property tax receivable	<u>282,848</u>	<u>15,969</u>	<u>11,314</u>	<u>310,131</u>
Total Assets	<u>\$ 4,895,706</u>	<u>\$ 410,434</u>	<u>\$ 237,398</u>	<u>\$ 5,543,538</u>
<b>Liabilities</b>				
Accounts payable	\$ 70,643	\$ 37	\$ -	\$ 70,680
Deferred revenue	<u>177,890</u>	<u>6,999</u>	<u>3,801</u>	<u>188,690</u>
Total Liabilities	<u>248,533</u>	<u>7,036</u>	<u>3,801</u>	<u>259,370</u>
<b>Fund Balances</b>				
Committed	1,840,981	-	-	1,840,981
Assigned	<u>2,806,192</u>	<u>403,398</u>	<u>233,597</u>	<u>3,443,187</u>
Total Fund Balances	<u>4,647,173</u>	<u>403,398</u>	<u>233,597</u>	<u>5,284,168</u>
Total Liabilities and Fund Balances	<u>\$ 4,895,706</u>	<u>\$ 410,434</u>	<u>\$ 237,398</u>	<u>\$ 5,543,538</u>
Total government fund balances				\$ 5,284,168
Property taxes receivable expected to be collected this year but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds.				188,690
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.				
Promissory notes				(12,123,300)
Accrued interest				<u>(380,777)</u>
Net assets (deficit) of governmental activities				<u>\$ (7,031,219)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Governmental Fund Types**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended September 30, 2012**

	Snake River Allocation Fund	River Commons Allocation Fund	Pancheri- Yellowstone Allocation Fund	Total
<b>Revenues</b>				
Property taxes	\$ 2,223,180	\$ 408,386	\$ 113,862	\$ 2,745,428
Penalties and interest	89,413	-	-	89,413
Earnings on investments	9,581	526	259	10,366
<b>Total Revenues</b>	<b>2,322,174</b>	<b>408,912</b>	<b>114,121</b>	<b>2,845,207</b>
<b>Expenditures</b>				
Administrative	36,500	2,500	1,000	40,000
Insurance	3,453	-	-	3,453
Professional services	32,049	3,044	1,000	36,093
Office and other	14,577	301	300	15,178
Contract services -				
City of Idaho Falls	989,652	-	-	989,652
Debt service -				
interest	170,042	299,084	-	469,126
principal	128,277	-	-	128,277
Capital Outlay:				
Snaker River				
participation	67,573	-	-	67,573
Cost of construction	67,535	-	-	67,535
<b>Total Expenditures</b>	<b>1,509,658</b>	<b>304,929</b>	<b>2,300</b>	<b>1,816,887</b>
<b>Net Change in Fund Balances</b>	<b>812,516</b>	<b>103,983</b>	<b>111,821</b>	<b>1,028,320</b>
Fund Balance October 1, 2011	3,834,657	299,415	121,776	4,255,848
Fund Balance September 30, 2012	\$ 4,647,173	\$ 403,398	\$ 233,597	\$ 5,284,168

The Accompanying Notes are an Integral Part of the Financial Statements.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Reconciliation of the Governmental Funds**  
**Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities**  
**Year Ended September 30, 2012**

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Net change in fund balances - total governmental funds	\$ 1,028,320
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	128,277
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is not expensed, but ultimately contributed to the City of Idaho Falls.	135,108
Capital assets contributed to the City of Idaho Falls during the year are not recorded in the governmental funds report because capital outlays are only recorded as expenditures in the funds statements. However, these amounts are recorded in the statement of activities.	(1,312,733)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(259,190)
Because some property taxes will not be collected for several months after the Agency's fiscal year ends, they are not considered "available" revenues in the governmental funds.	<u>(222,295)</u>
Change in net assets of governmental activities	<u>\$ (502,513)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

## **IDAHO FALLS REDEVELOPMENT AGENCY**

### **Notes to Financial Statements**

**September 30, 2012**

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#### **1. Summary of Significant Accounting Policies**

##### **The Reporting Entity**

The Idaho Falls Redevelopment Agency (the Agency) was created in July, 1966 for the purpose of redeveloping and rehabilitating certain deteriorating areas in the City of Idaho Falls Idaho, and was re-established by a resolution from the Idaho Falls City Council dated October 20, 1988. The Agency is authorized under the provisions of the Idaho Urban Renewal Law of 1965 (Chapter 20, Title 50, Idaho Code).

The Agency is a component unit, as defined by generally accepted accounting principles, of the City of Idaho Falls, Idaho, because of its operational or financial relationship with the City. The City appoints the governing body of the Agency.

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for the state and local governments through its pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Agency are discussed below.

##### **Government-Wide and Fund Financial Statements**

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds) in combined statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Agency's activities and general administrative services are classified as governmental activities. The Agency has no business-type activities.

The financial transactions of the Agency are reported in individual funds in the combined financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Agency:

- The Special Revenue Funds consists of the Snake River Allocation Fund, the River Commons Allocation Fund and the Pancheri-Yellowstone Allocation Fund used to account for the property taxes received by the Agency and to disburse payments on the obligations of the Agency.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**1. Summary of Significant Accounting Policies (continued)**

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

*Accrual.* Governmental activities in the combined government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

*Modified Accrual.* The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

**Budget**

Budgets for the Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

**Cash and Investments**

Cash includes amounts in demand deposit accounts as well as short-term investments with a maturity date within three months of the date acquired by the Agency. Under state law, the Agency may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principle offices in Idaho. State statutes authorize the Agency to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

The Agency has elected to deposit cash in excess of immediate needs into the State of Idaho Local Government Investment Pool (LGIP). The LGIP was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The LGIP is managed by the State of Idaho Treasurer's office. An annual audit of LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the LGIP. All other cash is deposited with local banks in checking or savings accounts.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**1. Summary of Significant Accounting Policies (continued)**

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Agency does not have a policy for custodial credit risk outside of the deposit and investment agreements. The Agency is authorized to invest in the LGIP. This pooling is intended to improve administrative efficiency and increase investment yield. Investments are stated at cost which approximates fair value.

**Revenues and Property Taxes**

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. The Agency does not levy property taxes; however, it is entitled to the increase in property taxes levied by the taxing districts after January 1, 1989.

In accordance with Idaho State law, property taxes are levied in September for each calendar year. All of the personal taxes and half of the real property taxes are due by December 20. The second half of the real property taxes is due by June 20. Property taxes attach as an enforceable lien as of January 1 of the following year. Notice of foreclosure is filed by the county clerk three years from the date of delinquency.

**Expenditure**

Expenditures are recognized when the related fund liability is incurred. Administrative expenses reflect amounts paid or payable to the City of Idaho Falls. The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Capital Assets**

Capital assets such as streets, street improvements, water, sewer, and other capital improvements, which the Agency pays for, are ultimately donated to the City of Idaho Falls, Idaho.

**Insurance**

The Agency is exposed to certain risk of loss due to general liability, wrongful acts, faithful performance, and crime. The Agency has elected to transfer these risks through the purchase of insurance from a commercial enterprise.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**1. Summary of Significant Accounting Policies (continued)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Agency 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 the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through January 25, 2013, the date on which the financial statements were available to be issued. No subsequent events were identified which require disclosure.

**2. Cash and Investments**

**Deposits**

At September 30, 2012, the carrying amount of the Agency's deposits was \$679,196 and the respective bank balances totaled \$679,196. Of the bank balances, \$250,000 was insured or collateralized with pooled securities held by the pledging financial institutions in the name of the Agency.

**Custodial Credit Risk, Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2012, \$429,196 of the Agency's total deposits of \$679,196 were not covered by Federal deposit insurance or the Securities Investor Protection Corporation, and thus were exposed to custodial credit risk.

**Investments**

As of September 30, 2012, the Agency had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State Investment					
Pool - AAAF	\$ 4,554,211	\$ 4,554,211	\$ -	\$ -	\$ -
	<u>\$ 4,554,211</u>	<u>\$ 4,554,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**2. Cash and Investments (continued)**

**Custodial Credit Risk Investments**

As of September 30, 2012, the Agency's investments were covered by collateral held by the pledging financial institution's trust department or agent in the name of the Agency, and thus had no investments that were exposed to custodial credit risk.

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from changes in interest rates, the agency structures its portfolio so that securities mature to meet cash requirements for ongoing operations. The state investment pool is a short-term investment fund, participants have overnight availability to their funds and the weighted average maturity of investments at September 30, 2012, was 114 days.

**Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the Agency's policy to limit investments to the safest types and to diversify the Agency's investment portfolio so that potential losses on securities will be minimized. The Agency follows Idaho statute that outlines qualifying investment options.

Reconciliation of cash and investments reported on the Statement of Net Assets and amounts classified as deposits for footnotes purposes:

Cash and investments as reported on the Statement of Net Assets	\$ 5,233,407
Cash and investments classified as investments	<u>(4,554,211)</u>
Total deposits	<u>\$ 679,196</u>

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**3. Capital Assets**

Capital assets such as streets, street improvements, water, sewer, and other capital improvements, are ultimately donated to the City of Idaho Falls. During the current fiscal year, the Agency completed costs related to certain owner participation agreements, demolition and reconstruction of parking projects and sidewalk improvements. Prior year construction in progress of \$1,177,625 and current costs of \$135,108, were transferred to the City of Idaho Falls.

**4. Long-term Liabilities**

Governmental long-term liability activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Snake River Allocation:</b>				
Promissory note 2004	\$ 3,438,975	\$ -	\$ (128,277)	\$ 3,310,698
<b>River Commons Allocation:</b>				
Promissory note 2008 (amended and restated January 16, 2009)	8,812,602	-	-	8,812,602
	<u>\$ 12,251,577</u>	<u>\$ -</u>	<u>\$ (128,277)</u>	<u>\$ 12,123,300</u>

**Snake River Allocation:**

The Agency signed a \$4,042,000 Participant Limited Recourse Promissory Note, Series 2004 on November 15, 2004. The note matures on December 31, 2018, and the interest rate is 5.0%.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**4. Long-term Liabilities (continued)**

**River Commons Allocation:**

The Agency signed a \$6,906,310 Limited Recourse Promissory Note, Series 2008 on July 17, 2008. The note matures on December 31, 2029, and the interest rate is 6.25%. On January 16, 2009 the Agency approved an amendment and restatement of this note to include an additional \$1,946,292 for a total note balance of \$8,812,602. All other terms remained the same.

The above notes are not callable, unless in default, and are not subject to prepayment penalty if redeemed. The Agency has agreed to pay the note holders 75% of the tax increment monies which the Agency receives after deductions for the school credit, as set forth in the law, commencing upon receipt of tax increment monies received from the sites (as defined in the OPA's) for the period outlined in the agreement or until the principal is retired, whichever occurs first. The Agency's obligation to the note holders shall only be to pay above-described percentages or the amount of tax increment monies received by the Agency, notwithstanding said amount may be reduced, curtailed, or limited in any way, and there shall be no compounding of interest or amounts added to the principal in the event the tax increment monies are reduced, curtailed or limited in any way.

Because the tax increment monies to be received subsequent to these contracts cannot be reasonably estimated, debt service requirements through the next five years, have not been disclosed.

**5. Economic Dependency**

The Agency is currently involved with 3 major developers as a part of the Snake River Commons districts.

**6. Owner Participation Agreements**

The Agency entered into an owner participation agreement (OPA) with BV Lending, LLC in March of 2005 wherein the Agency agreed to participate in the cost of certain public improvements referred to as the River Commons project in an amount not to exceed \$8,852,602. Construction costs of \$8,852,602 were incurred and expensed in previous fiscal years.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**6. Owner Participation Agreements (continued)**

The Agency entered into an owner participation agreement (OPA) with Taylor Crossing wherein the Agency agreed to participate in the cost of certain public improvements up to a maximum of \$6,335,000. Construction costs of \$1,251,753 were incurred and expensed in the current and previous fiscal years. The Agency paid an additional \$67,573 in construction costs during the current fiscal year. The balance of the outstanding OPA commitment at September 30, 2012 is still contingent upon future eligible and approved public improvements.

**7. Memorial Drive Improvement Project Commitment**

The Agency entered into a design, engineering, and cost estimating service agreement with the City of Idaho Falls regarding the Memorial Drive Improvement Project. Under this agreement, the Agency is responsible for reimbursing the City for direct personnel expenses related to engineering design services, including surveying, as well as cost estimating and preparation of bid documents. The City of Idaho Falls will be the project manager for construction. The Agency has committed \$2.5 million to the Memorial Drive Improvement project. During the current fiscal year, the Agency made progress payments to the City of \$989,652.

**8. Related Party**

The Agency is a component unit of the City of Idaho Falls, Idaho. The City provides administrative services to the Agency on an annual basis. The City has also entered into a design, engineering, and cost estimating service agreement with the Agency as described in note 7. During the current fiscal year, the Agency paid the City \$40,000 for administrative services and \$989,652 under the Memorial Drive improvement project agreement. The Agency transferred capital assets of \$1,312,733 to the City.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2012**

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**9. Fund Balances**

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

**Nonspendable fund balance** – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

**Restricted fund balance** – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation.

**Committed fund balance** – amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government’s highest level of decision making authority. In the case of the Agency it is by Board action.

**Assigned fund balance** – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned fund balance** – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental fund, it may be necessary to report a negative residual balance as unassigned.

	<b>Snake River Allocation Fund</b>	<b>River Commons Allocation Funds</b>	<b>Pancheri- Yellowstone Allocation Fund</b>	<b>Total</b>
Fund Balances:				
Committed				
Memorial Drive Project	\$ 1,510,348	\$ -	\$ -	\$ 1,510,348
Taylor Crossing	330,633	-	-	330,633
Assigned	<u>2,806,192</u>	<u>403,398</u>	<u>233,597</u>	<u>3,443,187</u>
Total Fund Balances	<u>\$ 4,647,173</u>	<u>\$ 403,398</u>	<u>\$ 233,597</u>	<u>\$ 5,284,168</u>

**Required Supplementary Information**

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Snake River Allocation Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual**  
**Year Ended September 30, 2012**

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 2,190,000	\$ 2,223,180	\$ 33,180
Penalties and interest	-	89,413	89,413
Earnings on investments	7,910	9,581	1,671
<b>Total Revenues</b>	<b>2,197,910</b>	<b>2,322,174</b>	<b>124,264</b>
<b>Expenditures</b>			
Administrative	40,000	36,500	3,500
Insurance	3,460	3,453	7
Professional services	92,000	32,049	59,951
Office and other	7,450	14,577	(7,127)
Contract services - City of Idaho Falls	-	989,652	(989,652)
Debt service			
75% of OPA	855,000	-	855,000
Interest	-	170,042	(170,042)
Principal	-	128,277	(128,277)
Capital Outlay:			
Snake River participation	-	67,573	(67,573)
Cost of construction	3,200,000	67,535	3,132,465
<b>Total Expenditures</b>	<b>4,197,910</b>	<b>1,509,658</b>	<b>2,688,252</b>
<b>Net change in fund balance</b>	<b>(2,000,000)</b>	<b>812,516</b>	<b>2,812,516</b>
Fund balance - October 1, 2011	2,000,000	3,834,657	1,834,657
Fund balance - September 30, 2012	\$ -	\$ 4,647,173	\$ 4,647,173

See Independent Auditors' Report.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**River Commons Allocation Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual**  
**Year Ended September 30, 2012**

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 440,000	\$ 408,386	\$ (31,614)
Earnings on investments	500	526	26
<b>Total Revenues</b>	<b>440,500</b>	<b>408,912</b>	<b>(31,588)</b>
<b>Expenditures</b>			
Administrative	2,750	2,500	250
Professional services	11,000	3,044	7,956
Office and other	1,750	301	1,449
Debt service			
75% of OPA	350,000	-	350,000
Interest	-	299,084	(299,084)
Principal	-	-	-
Cost of construction	75,000	-	75,000
<b>Total Expenditures</b>	<b>440,500</b>	<b>304,929</b>	<b>135,571</b>
Net change in fund balance	-	103,983	103,983
Fund balance - October 1, 2011	-	299,145	299,145
Fund balance - September 30, 2012	\$ -	\$ 403,128	\$ 403,128

See Independent Auditors' Report.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Pancheri-Yellowstone Allocation Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual**  
**Year Ended September 30, 2012**

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 100,000	\$ 113,862	\$ 13,862
Earnings on investments	150	259	109
<b>Total Revenues</b>	<b>100,150</b>	<b>114,121</b>	<b>13,971</b>
<b>Expenditures</b>			
Administrative	2,500	1,000	1,500
Professional services	2,000	1,000	1,000
Office and other	750	300	450
Cost of construction	94,900	-	94,900
<b>Total Expenditures</b>	<b>100,150</b>	<b>2,300</b>	<b>97,850</b>
Net change in fund balance	-	111,821	111,821
Fund balance - October 1, 2011	-	121,776	121,776
Fund balance - September 30, 2012	\$ -	\$ 233,597	\$ 233,597

See Independent Auditors' Report.



RUDD & COMPANY<sup>SM</sup>

certified public accountants | business consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Idaho Falls Redevelopment Agency  
Idaho Falls, Idaho

We have audited the financial statements of the governmental activities and each major fund of the Idaho Falls Redevelopment Agency, (the Agency), a component unit of the City of Idaho Falls, Idaho, as of and for the year ended September 30, 2012 which collectively comprise the Idaho Falls Redevelopment Agency's basic financial statements, and have issued our report thereon dated January 25, 2013. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Idaho Falls Redevelopment Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Idaho Falls Redevelopment 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 Idaho Falls Redevelopment Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Idaho Falls Redevelopment Agency'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.

IDAHO FALLS | REXBURG | DRIGGS | BOZEMAN | WEST YELLOWSTONE

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Idaho Falls Redevelopment 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 the board, management and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Rudd & Company*

January 25, 2013