

# Draft

## Idaho Falls Redevelopment Agency 2013 Annual Report February 16, 2014

**OPPORTUNITY FOR PUBLIC COMMENT  
2013 ANNUAL AND FINANCIAL REPORT  
IDAHO FALLS REDEVELOPMENT AGENCY**

**NOON, MARCH 20, 2014  
IDAHO FALLS CITY COUNCIL CHAMBERS  
680 PARK AVENUE, IDAHO FALLS**

At its regular meeting at Noon on Thursday, March 20, 2014, the Idaho Falls Redevelopment Agency will review its annual report for the year 2013, including financial statements. The Agency will solicit comments from the public on this report.

## EXECUTIVE SUMMARY

In 2013, the Idaho Falls Redevelopment Agency accomplished the following:

- Entered into an agreement with Ball Ventures and Martek/MT Power Falls LLC to assure Scientech/ Curtiss Wright Flow Corporation remained in Idaho Falls. This project retained 200 jobs, created 148 jobs at an average wage rate of \$21 per hour, and enticed an investment of nine million dollars. The Agency agreed to provide \$670,000 for assistance to construct streets and public utilities to serve the new buildings constructed on the site of a former construction landfill and gravel pit.
- Agreed to assist Bandon River LLC in the construction of Lochsa Drive which will serve 48 senior housing units. \$365,000 in Agency assistance provided towards the costs of the drive will be financed by the developer.
- Worked with the Woodbury Corporation to assure eighteen parking spaces next to the Greenbelt were earmarked for public use in the parking lot of the Marriott Inn. The designation of public spaces and a public access easement were the benefit received for \$298,915 in assistance from the Agency.
- Completed payments for the cost of the reconstruction of Memorial Drive. In 2013, the Agency made the final payment of \$101,732.72 for the seal coat of the new street. The Agency paid a total of \$2,415, 301 towards the engineering design and reconstruction of Memorial Drive. The City of Idaho Falls also participated in this project.
- Participated in the construction of the 93 parking spaces on the Union Pacific Railroad south of Elm Street and east of Yellowstone Highway. The Agency paid \$200,000 towards the construction costs of this new parking lot built to serve downtown and the Museum of Idaho. The City of Idaho Falls paid for remaining cost of the parking lot.
- Reimbursed the Idaho Falls Parks and Recreation Division for completing improvements on four hundred feet of Greenbelt north of Pancheri Bridge and allocated an additional \$10,000 for installation of more trees, completion of sod, and placement of boulders to protect the new landscaping.
- Worked with D&A Commercial Warehousing to construct Simplot Circle from Utah Avenue to Porter Canal, including a bridge over the canal.

***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 2013, the following individuals served on Board of Commissioners:

Lee Radford, Chair  
Terri Gazdik, Secretary-Treasurer  
Thomas Hally  
Robert Barnes, 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. For the past several years, Harlan Mann was a consultant to the Agency and prepared the financial projections for the Agency.

**In late 2011, Robert Barnes, while serving as chair, nominated Lee Radford to serve as the chair of the Agency. Mr. Barnes had served as chair for almost thirteen years and led the Agency through the reconstruction of the area south of Broadway and the creation of two new urban renewal districts. During this time agreements were completed with Renaissance Partners, Taylor Crossing on the River, Ball Ventures, and Hotel Developers. Robert Barnes resigned from the Board in December, 2013.**

## THE YEAR 2013

### **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. In addition, the Agency paid Ball Venutres \$40,000 in cash. ~~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.~~ **The Urban Renewal Plan, Attachment 5C-1, for this district anticipates \$10,552,602 in assistance to the developers within the district.**

~~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.~~

**In 2013, the Agency entered into an amended agreement with BV Lending, LLC, for an additional \$670,000 in assistance, of which \$170,000 will be paid to the developer when the buildings to be occupied by Curtiss Wright Flow Corporation (Scientech) and the streets and utilities serving these buildings are completed. A note from the Agency to the developer will finance the remaining assistance, and the developer will be repaid from the taxes generated by the project. The estimated value of the project is \$9 million. The project will occupy lands which were a gravel pit operated by Monroc. The site of the new buildings was a landfill for construction waste. This project, while eliminating slum and blight in the center of the city, retains 200 jobs in Idaho Falls and creates 148 new positions with an average wage rate of \$21 per hour.**

**The Agency also agreed to assist Bandon River LLC with \$365,000 for the construction of Lochsa Drive to provide access to 48 new senior apartment units. The assistance will be in the form of a note to the developer to be repaid from the taxes generated by the development. With these two commitments made in 2013, the remaining assistance envisioned in the 2004 urban renewal plan is approximately \$660,000.**

## **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~~ **As of June, 2013, the total incremental value of this newest district was \$6,949,900**, the majority of which was due to the construction and opening of Candlewood Suites by Hotel Developers - Snake River LLC. **In November, 2013, the Agency had cash and receivables of \$334,893 in this district.** ~~If there is not a proposal for additional redevelopment in the next year or two, the Agency may terminate this district.~~

## **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 close on December 31, 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 now sits), provide the necessary public utilities and remove any rock as necessary for development. 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 under the agreement through **December, 2013, is \$1,517,402.**

### 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~~ **The Agency committed \$100,000 towards the irrigation system and placement of sod in late 2011. Idaho Falls Division of Parks and Recreation contributed the labor to install the sprinkler system. In 2012, the Parks and Recreation Division completed the irrigation system, installed the sod, and planted many of the trees and shrubs. This work and the payment of \$67,573 to Taylor Crossing for stabilization and installation of an electrical system completed the commitment made by the Agency to improve the Greenbelt north of Pancheri bridge. The Agency reimbursed the City Parks and Recreation Division \$33,959 in 2013 for its work on this portion of the Greenbelt and committed another \$10,000 to move in boulders, plant additional trees, and complete the sod.**

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. Woodbury Corporation completed the Marriott Inn in late summer of 2012 and the Certificate of Occupancy was issued in September, 2012. **In 2013, the Woodbury Corporation acting as Bienvendios LLC, with Taylor Crossing, entered into an agreement with the Agency to set aside eighteen parking spaces, including the handicapped spaces, for public use. These spaces are adjacent to the Greenbelt and replica of the Taylor Bridge. Public vehicular and pedestrian access east of the Inn was also secured. For this commitment to public use, the Agency provided \$298,915 to Bienvendios for public improvement and site preparation costs.**

### 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 addressed 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, except for seal-coating, 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 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.

In 2013, the artists' market moved from Snake River Landing to downtown creating a summer market from the Key Bank parking lot south of Broadway north to the intersection of B Street and Memorial Drive. The arts festival and the Roaring Youth Jam expanded into the additional park area and vendor space created by the reconstruction of Memorial Drive. The Agency made its final payment of \$101,732.72 in November, 2013, bringing the Agency's contribution to the reconstruction project, not including the costs for the concept development by Pierson Land Works, to \$2,515,301. This amount includes \$100,000 for the engineering design.

## SUMMARY OF PROJECTS AND STUDIES COMPLETED BY AGENCY

The following table summarizes the projects and studies completed by the Agency through 2010.

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	\$418,487
Purchase and completion of public parking lot on D Street	\$1,192,800
<b>Memorial Drive Reconstruction</b>	<b>\$2,515,301</b>
<b>TOTAL PROJECTS</b>	<b>\$13,038,115</b>

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

**SUMMARY OF ‘INCREMENT VALUE’, IDAHO FALLS URBAN RENEWAL DISTRICTS, JUNE, 2013<sup>1</sup>**

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	\$202,415,494	\$61,190,841	\$141,224,653
River Commons	\$50,741,562	\$350,098	\$50,391,464
Pancheri-Yellowstone	\$11,828,843	\$4,878,943	\$6,949,900

**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 on **February 20, 2014**, of its audited financial statements from Rudd and Company. This report identifies the Agency’s assets, liabilities, income and expenses through **September 30, 2013**. 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 2012 annual report, the Agency did all of the above measures and convened its board meeting on March 12, 2013 to consider public comment on its 2012 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 2014 budget on August 15, 2013**. As required by the Idaho Urban Renewal Law and Local Economic Development Act, the Agency has filed its budget with

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<sup>1</sup>Information provided by Bonneville County Assessor’s Office and Data Processing.

the City of Idaho Falls. For 2014, the Agency anticipated revenues and set total expenditures for the Snake River Allocation Fund at \$1,978,350; River Commons Revenue Allocation Fund, \$1,642,000; and Pancheri-Yellowstone Revenue Allocation Fund, \$5,250. Copies of the budget are available through the Agency's offices or the City Clerk.

### **GOVERNING STATUTES**

Urban renewal agencies and revenue allocation areas are governed under Idaho law Chapter 20, Urban Renewal Law, and Chapter 29, Local Economic Development Act, of Title 50, Municipal Corporations. Chapter 20 provides authority to city councils to find areas within the municipality are deteriorated and deteriorating and, as a result of such deterioration, create a liability upon the municipality, decrease the tax base, and impair the sound growth of the community. To correct these issues, the council is authorized to adopt an urban renewal plan. The plan is prepared by the urban renewal agency and submitted to the planning commission for its review and recommendation to the council. Prior to the adoption of the plan, the council shall hold a public hearing after notice of the public hearing and general nature of the plan is advertised. Once adopted, the urban renewal agency is empowered to undertake the projects outlined within the plan, to construct or reconstruct public improvements, to acquire property and to renovate or prepare such property for development, and to borrow funds, including bonding, to implement the plan.

Chapter 29, Local Economic Development Act, provides a revenue source to finance the economic growth and development of urban renewal areas. A portion of the property taxes levied in a revenue allocation area (all or a portion of an urban renewal area) are allocated to the agency to finance the urban renewal plan. The tax levies are not increased, and an agency has no authority to levy taxes. The revenue allocation area is created by council as part of an urban renewal plan. New revenue allocation areas are limited to a life of twenty years and, therefore, any bonding or notes are limited to a life of twenty years or less.



**RUDD & COMPANY**<sup>PLLC</sup>  
*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, 2013**

*giving direction to your future*

**IDAHO FALLS REDEVELOPMENT AGENCY**  
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**September 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

IDAHO FALLS | REXBURG | DRIGGS | BOZEMAN | WEST YELLOWSTONE

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***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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

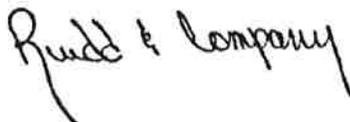
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 27-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, on our consideration of the 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 and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Idaho Falls Redevelopment Agency's internal control over financial reporting and compliance.



Idaho Falls, Idaho  
January 17, 2014

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis**  
**September 30, 2013**

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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, 2013. 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 \$(7,693,281) in net position. This is an increase in the deficit of \$662,062 over the prior year.

The Agency ended the year with total cash and investments of \$5,404,901. This represents an increase of \$171,494 over the prior year.

During the current year, the Agency spent \$1,722,009 on capital related projects. These projects included work on Memorial Drive, the Greenbelt and the Yellowstone parking lot.

**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, 2013**

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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 Position* presents information on all of the assets and liabilities of the Agency, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position of the Agency changed during the most recent fiscal year. All changes in net position 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 Position 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, 2013**

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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 16-25 of this report.

**Financial Analysis of the Agency**

The following two tables provide condensed financial information on the Agency's net position and changes in net position for the fiscal years ended September 30, 2013 and 2012.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2013**

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**Government-wide Financial Analysis**

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

	<b>Governmental Activities</b>	
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current and other assets	<u>\$ 5,608,586</u>	<u>\$ 5,543,538</u>
Total Assets	<u>5,608,586</u>	<u>5,543,538</u>
<b>Liabilities</b>		
Current liabilities	1,311,651	451,457
Long-term liabilities	<u>11,990,216</u>	<u>12,123,300</u>
Total Liabilities	<u>13,301,867</u>	<u>12,574,757</u>
<b>Net Position</b>		
Unrestricted balance (deficit)	<u>(7,693,281)</u>	<u>(7,031,219)</u>
Total Net Position (Deficit)	<u>\$ (7,693,281)</u>	<u>\$ (7,031,219)</u>

As of September 30, 2013 and 2012, current assets including cash and investments and property tax receivables made up 100% of assets each year. 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, 2013**

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The \$(7,693,281) deficit in net position at September 30, 2013 is expected to be eliminated by the future taxes the Agency is expected to receive.

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

	<b>Governmental Activities</b>	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
General Revenues		
Taxes	\$ 2,371,587	\$ 2,523,133
Other	<u>38,509</u>	<u>99,779</u>
Total General Revenues	<u>2,410,096</u>	<u>2,622,912</u>
<b>Expenses</b>		
General government	1,810,623	2,397,109
Interest on long-term debt	<u>1,261,535</u>	<u>728,316</u>
Total Expenses	<u>3,072,158</u>	<u>3,125,425</u>
Decrease in Net Position	<u>\$ (662,062)</u>	<u>\$ (502,513)</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, 2013**

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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 \$5,266,465.

The fund balances of the Agency's special revenue funds decreased by \$17,703 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 2013. Significant variation between the budget amounts and actual results related to projects approved for commencement during the year, the amount to be received from note proceeds, and payments under the OPA agreements. Progress on approved projects was less than anticipated for the year. As a result, capital expenditures were lower than budgeted amounts and notes approved were not issued.

**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 street improvements. Current costs of \$1,722,009 were transferred to the City of Idaho Falls.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2013**

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**Long-term Debt**

At September 30, 2013, the Agency had total long-term debt of \$11,990,216, a decrease of \$130,834 over the prior year.

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

Outstanding debt at September 30, 2013 was as follows:

	<b>Governmental Activities</b>	
	<u>2013</u>	<u>2012</u>
<b>Snake River</b>		
Series 2004		
Limited Recourse Promissory Note	\$ 3,177,614	\$ 3,310,698
<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>\$ 11,990,216</u>	<u>\$ 12,123,300</u>

**Commitments**

The Agency has significant commitments to reimburse construction costs related to capital improvements to be made by Taylor Crossing in the amount of \$278,710, Bienvenidos in the amount of \$298,915, Simplot Circle in the amount of \$92,600, the City for \$46,000, and Ball Ventures, LLC in the amount of \$170,000.

**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 Position**  
**September 30, 2013**

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	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and investments	\$ 5,404,901
Property tax receivable	<u>203,685</u>
Total Assets	<u>5,608,586</u>
<b>Liabilities</b>	
Accounts payable	155,490
Accrued interest payable	1,156,161
Long-term liabilities	
Due after one year	<u>11,990,216</u>
Total Liabilities	<u>13,301,867</u>
<b>Net Position</b>	
Unrestricted (Deficit)	<u>(7,693,281)</u>
Total Net Position	<u>\$ (7,693,281)</u>

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

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Statement of Activities**  
**Year Ended September 30, 2013**

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	\$ 40,250	\$ -	\$ -	\$ -	\$ (40,250)
Insurance	2,368	-	-	-	(2,368)
Professional services	28,997	-	-	-	(28,997)
Office and other	16,999	-	-	-	(16,999)
Contribution of assets to the City of Idaho Falls	1,722,009	-	-	-	(1,722,009)
Interest	1,261,535	-	-	-	(1,261,535)
	<u>\$ 3,072,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,072,158)</u>
General revenues					
Property taxes					2,371,587
Penalties and interest					30,912
Earnings on investments					<u>7,597</u>
					<u>2,410,096</u>
Change in net position					(662,062)
Net position beginning of year					<u>(7,031,219)</u>
Net position end of year					<u>\$ (7,693,281)</u>

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

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Governmental Fund Types**  
**Balance Sheet**  
**September 30, 2013**

	<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	\$ 4,582,345	\$ 488,191	\$ 334,365	\$ 5,404,901
Property tax receivable	<u>200,257</u>	<u>1,137</u>	<u>2,291</u>	<u>203,685</u>
Total Assets	<u>\$ 4,782,602</u>	<u>\$ 489,328</u>	<u>\$ 336,656</u>	<u>\$ 5,608,586</u>
<b>Liabilities</b>				
Accounts payable	<u>\$ 155,435</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 155,490</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	<u>\$ 184,846</u>	<u>\$ -</u>	<u>\$ 1,785</u>	<u>\$ 186,631</u>
<b>Fund Balances</b>				
Committed	716,225	170,000	-	886,225
Assigned	<u>3,726,096</u>	<u>319,273</u>	<u>334,871</u>	<u>4,380,240</u>
Total Fund Balances	<u>4,442,321</u>	<u>489,273</u>	<u>334,871</u>	<u>5,266,465</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,782,602</u>	<u>\$ 489,328</u>	<u>\$ 336,656</u>	<u>\$ 5,608,586</u>
Total government fund balances				\$ 5,266,465
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.				186,631
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.				
Promissory notes				(11,990,216)
Accrued interest				<u>(1,156,161)</u>
Net position (deficit) of governmental activities				<u>\$ (7,693,281)</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, 2013**

	Snake River Allocation Fund	River Commons Allocation Fund	Pancheri- Yellowstone Allocation Fund	Total
<b>Revenues</b>				
Property taxes	\$ 1,848,255	\$ 423,720	\$ 101,671	\$ 2,373,646
Penalties and interest	27,626	2,423	863	30,912
Earnings on investments	6,969	388	240	7,597
<b>Total Revenues</b>	<b>1,882,850</b>	<b>426,531</b>	<b>102,774</b>	<b>2,412,155</b>
<b>Expenditures</b>				
Administrative	34,250	5,000	1,000	40,250
Insurance	2,368	-	-	2,368
Professional services	14,594	13,903	500	28,997
Office and other	16,999	-	-	16,999
Debt service - interest	164,398	321,753	-	486,151
principal	133,084	-	-	133,084
Capital outlay: Taylor Crossing participation	33,960	-	-	33,960
Cost of construction	1,688,049	-	-	1,688,049
<b>Total Expenditures</b>	<b>2,087,702</b>	<b>340,656</b>	<b>1,500</b>	<b>2,429,858</b>
<b>Net Change in Fund Balances</b>	<b>(204,852)</b>	<b>85,875</b>	<b>101,274</b>	<b>(17,703)</b>
Fund Balance October 1, 2012	4,647,173	403,398	233,597	5,284,168
Fund Balance September 30, 2013	\$ 4,442,321	\$ 489,273	\$ 334,871	\$ 5,266,465

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, 2013**

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Net change in fund balances - total governmental funds	\$ (17,703)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	133,084
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.	1,722,009
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.	(1,722,009)
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.	(775,384)
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>(2,059)</u>
Change in net position of governmental activities	<u>\$ (662,062)</u>

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

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**September 30, 2013**

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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, 2013**

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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, 2013**

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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 position is available. When unrestricted resources are available for use, it is the Agency's policy to use committed resources first, then assigned, and then unassigned as needed.

**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, 2013**

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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 17, 2014, 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, 2013, the carrying amount of the Agency's deposits was \$893,985 and the respective bank balances totaled \$893,985. 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, 2013, \$643,985 of the Agency's total deposits of \$893,985 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, 2013, the Agency had the following investments:

	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
State Investment					
Pool - AAAF	\$ 4,510,916	\$ 4,510,916	\$ -	\$ -	\$ -
	\$ 4,510,916	\$ 4,510,916	\$ -	\$ -	\$ -

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2013**

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

**Custodial Credit Risk Investments**

As of September 30, 2013, 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, 2013, was 143 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 Position and amounts classified as deposits for footnotes purposes:

Cash and investments as reported on the Statement of Net Position	\$ 5,404,901
Cash and investments classified as investments	<u>(4,510,916)</u>
Total deposits	<u>\$ 893,985</u>

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2013**

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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 street improvements. Current costs of \$1,722,009, were transferred to the City of Idaho Falls.

**4. Long-term Liabilities**

Governmental long-term liability activity for the year ended September 30, 2013, 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	\$ 3,310,698	\$ -	\$ (133,084)	\$ 3,177,614
<b>River Commons Allocation:</b>				
Promissory note 2008 (amended and restated January 16, 2009)	8,812,602	-	-	8,812,602
	<u>\$ 12,123,300</u>	<u>\$ -</u>	<u>\$ (133,084)</u>	<u>\$ 11,990,216</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, 2013**

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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 and a promissory note was issued for the amount of the expenditures.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2013**

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

In July 2013, the Agency amended the OPA with BV Lending, LLC. The amendment approves additional private developments of Snake River Landing and the funding or reimbursement of additional improvements. As part of the amendment, SRL Development, LLC and Bandon River, LLC are included as participants in the OPA. The agency has authorized reimbursement in cash of an additional \$170,000 of costs incurred by Ball Ventures for storm water facilities and other costs in the construction of Snake River Landing and the issuance of a promissory note for remaining authorized costs of \$500,000 to be incurred on the construction of Whitewater Drive. The OPA also authorizes assistance in the amount of \$365,000 to Bandon River, LLC in the form of a promissory note for costs to be incurred in conjunction with the River Commons project. As of September 30, 2013, no costs have been expensed under the amendment and no promissory notes have been issued. The commitments are contingent upon future eligible and approved public improvements.

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 \$1,285,713 were incurred and expensed as of September 30, 2013. The Agency paid \$33,960 in construction costs during the current fiscal year. The balance of the outstanding OPA commitment at September 30, 2013 is still contingent upon future eligible and approved public improvements.

**7. Commitments**

**Memorial Drive Improvement Project**

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 payments to the City of \$1,525,649. The project was completed in September 2013. The total amount expended for the project was \$2,515,301. As of September 30, 2013 the Agency has no further commitments under this agreement.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2013**

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**7. Commitments (continued)**

**Elm Street/Yellowstone Parking Lot**

The Agency entered into an agreement with the City to participate in the construction of a parking lot on Union Pacific property south of Elm Street. The City of Idaho Falls will be the project manager. The Agency has committed \$200,000 to the project. During the current fiscal year, the Agency accrued \$154,000 of expenses related to the project, all of which is included in accounts payable. As of September 30, 2013, the Agency has commitments of \$46,000 remaining on the project.

**Bienvenidos**

The Agency entered into an agreement in prior years to pay \$272,449 to Taylor Crossing upon receiving a Certificate of Occupancy for the Marriott Inn and an easement for parking spaces available for public use. In the current year, Bienvenidos purchased the Marriott Inn and a new agreement was entered into. The Agency also approved an additional \$26,466 during the current year for a total of \$298,915. No costs were reimbursed during the current fiscal year. As of September 30, 2013, the Agency has a commitment of \$298,915 remaining on the project.

**Simplot Circle**

The Agency entered into an agreement with D&A Commercial Warehousing in 2013, under which the Agency agreed to contribute to the construction of Simplot Circle. The agreement limits participation by the Agency to the lesser of 50% of the total cost or \$92,600. No costs were reimbursed in the current fiscal year. As of September 30, 2013, the Agency has a commitment of \$92,600 remaining on the project.

**8. Related Party**

The Agency is a component unit of the City of Idaho Falls, Idaho (the City). 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 \$40,250 for administrative services and \$1,525,649 under the Memorial Drive improvement project agreement. The Agency also reimbursed the City for costs incurred on the Yellowstone parking lot and improvements on the greenbelt in the amounts of \$154,000 and \$33,960, respectively, in the current fiscal year. The Agency transferred capital assets of \$1,722,009 to the City.

**IDAHO FALLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (continued)**  
**September 30, 2013**

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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				
Taylor Crossing	\$ 278,710	\$ -	\$ -	\$ 278,710
Bienvenidos	298,915	-	-	298,915
Simplot Circle	92,600	-	-	92,600
Yellowstone parking lot	46,000	-	-	46,000
Ball Ventures	-	-	170,000	170,000
Assigned	<u>3,726,096</u>	<u>489,273</u>	<u>164,871</u>	<u>4,380,240</u>
Total Fund Balances	<u>\$ 4,442,321</u>	<u>\$ 489,273</u>	<u>\$ 334,871</u>	<u>\$ 5,266,465</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, 2013**

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 2,100,000	\$ 1,848,255	\$ (251,745)
Penalties and interest	-	27,626	27,626
Earnings on investments	7,100	6,969	(131)
<b>Total Revenues</b>	<b>2,107,100</b>	<b>1,882,850</b>	<b>(224,250)</b>
<b>Expenditures</b>			
Administrative	40,000	34,250	5,750
Insurance	2,400	2,368	32
Professional services	63,150	14,594	48,556
Office and other	20,800	16,999	3,801
Debt service			
75% of OPA	855,000	-	855,000
Interest	-	164,398	(164,398)
Principal	-	133,084	(133,084)
Capital Outlay:			
Taylor Crossing participation	-	33,960	(33,960)
Cost of construction	3,200,000	1,688,049	1,511,951
<b>Total Expenditures</b>	<b>4,181,350</b>	<b>2,087,702</b>	<b>2,093,648</b>
<b>Net change in fund balance</b>	<b>(2,074,250)</b>	<b>(204,852)</b>	<b>1,869,398</b>
<b>Fund balance -</b>			
October 1, 2012	2,074,250	4,647,173	2,572,923
<b>Fund balance -</b>			
September 30, 2013	\$ -	\$ 4,442,321	\$ 4,442,321

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, 2013**

	<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	\$ 423,720	\$ (16,280)
Penalties and interest	-	2,423	2,423
Earnings on investments	500	388	(112)
<b>Total Revenues</b>	<b>440,500</b>	<b>426,531</b>	<b>(13,969)</b>
<b>Expenditures</b>			
Administrative	2,750	5,000	(2,250)
Professional services	11,000	13,903	(2,903)
Office and other	1,750	-	1,750
Debt service			
75% of OPA	350,000	-	350,000
Interest	-	321,753	(321,753)
Cost of construction	75,000	-	75,000
<b>Total Expenditures</b>	<b>440,500</b>	<b>340,656</b>	<b>99,844</b>
Net change in fund balance	-	85,875	85,875
Fund balance - October 1, 2012	-	403,398	403,398
Fund balance - September 30, 2013	\$ -	\$ 489,273	\$ 489,273

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, 2013**

	<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	\$ 101,671	\$ 1,671
Penalties and interest	-	863	863
Earnings on investments	150	240	90
<b>Total Revenues</b>	<b>100,150</b>	<b>102,774</b>	<b>2,624</b>
<b>Expenditures</b>			
Administrative	2,500	1,000	1,500
Professional services	2,000	500	1,500
Office and other	750	-	750
Cost of construction	94,900	-	94,900
<b>Total Expenditures</b>	<b>100,150</b>	<b>1,500</b>	<b>98,650</b>
Net change in fund balance	-	101,274	101,274
Fund balance - October 1, 2012	-	233,597	233,597
Fund balance - September 30, 2013	\$ -	\$ 334,871	\$ 334,871

See Independent Auditors' Report.



## RUDD & COMPANY<sup>LLC</sup>

### **INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Idaho Falls Redevelopment Agency (the Agency), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Idaho Falls Redevelopment Agency's basic financial statements, and have issued our report thereon dated January 17, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Idaho Falls Redevelopment Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Idaho Falls Redevelopment Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Idaho Falls Redevelopment Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's **financial statements will not be prevented**, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Idaho Falls Redevelopment Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Idaho Falls, Idaho  
January 17, 2014

