



Financial Statements
September 30, 2010

Eagle Urban Renewal Agency

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Independent Auditor's Report

Members of the Board of Commissioners
Eagle Urban Renewal Agency
A component unit of the City of Eagle, Idaho
Eagle, Idaho

We have audited the accompanying financial statements of the governmental activities and the major fund of the Eagle Urban Renewal Agency, a component unit of the City of Eagle, Idaho as of and for the year ended September 30, 2010, which collectively comprise Eagle Urban Renewal Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Eagle Urban Renewal Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Eagle Urban Renewal Agency as of September 30, 2010, 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 11, 2011, on our consideration of the Eagle Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Eagle Urban Renewal Agency has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 8 and 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Boise, Idaho
January 11, 2011

Eagle Urban Renewal Agency
Component Unit of the City of Eagle
Statement of Net Assets and Governmental Fund Balance Sheet
September 30, 2010

| | General Fund | Adjustments (Note 2) | Statement of Net Assets |
|--|-----------------|-------------------------|----------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 129,350 | \$ - | \$ 129,350 |
| Property taxes receivable | 180,104 | - | 180,104 |
| Total assets | \$ 309,454 | \$ - | 309,454 |
| Liabilities and Net Assets | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 2,073 | \$ - | 2,073 |
| Due to Joint School District No. 2 | 47,613 | - | 47,613 |
| Deferred revenue | 131,825 | (15,303) | 116,522 |
| Due to City of Eagle | 30,000 | - | 30,000 |
| Total current liabilities | 211,511 | (15,303) | 196,208 |
| Noncurrent Liabilities | | | |
| Due to City of Eagle, less current portion | 39,950 | - | 39,950 |
| Total liabilities | 251,461 | (15,303) | 236,158 |
| Fund Balance/Net Assets | | | |
| Fund balances | | | |
| Unreserved | 57,993 | (57,993) | - |
| Total Liabilities and Fund Balances | \$ 309,454 | | |
| Net Assets | | | |
| Unrestricted | | 73,296 | 73,296 |
| Total net assets | | \$ 73,296 | \$ 73,296 |

Eagle Urban Renewal Agency
Component Unit of the City of Eagle

Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2010

| | General Fund | Adjustments (Note 3) | Statement of Net Assets |
|---|-----------------|-------------------------|----------------------------|
| Expenditures | | | |
| Professional services, surveys, studies | \$ 21,277 | \$ - | \$ 21,277 |
| Office and operating expense | 9,377 | - | 9,377 |
| Total expenditures | 30,654 | - | 30,654 |
| Revenues | | | |
| Property taxes, penalties and interest | 97,446 | 5,090 | 102,536 |
| Total general revenues | 97,446 | 5,090 | 102,536 |
| Excess of Revenues over Expenditures | 66,792 | 5,090 | 71,882 |
| Change in Fund Balance/Net Assets | 66,792 | 5,090 | 71,882 |
| Fund Balance/Net Assets, Beginning of Year | (8,799) | 10,213 | 1,414 |
| Fund Balance/Net Assets, End of Year | \$ 57,993 | \$ 15,303 | \$ 73,296 |

Note 1 - Summary of Significant Accounting Policies

The Eagle Urban Renewal Agency (the Agency) is a separate and distinct legal entity of the City of Eagle (the City) created by and existing under the Idaho Urban Renewal Law of 1965, as amended. The Commissioners for the Agency are appointed by the Mayor and confirmed by the City council. The Agency provides urban renewal services for the citizens of the City.

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

The government-wide column of the financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. There were no program revenues in 2010. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As allowed under GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, the Agency is reported as a "Single Purpose Entity." This allows for the government-wide financial statements to be combined with the fund level financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The Agency reports the following major governmental funds:

General Fund - The Agency is a general fund. General funds are used for all financial resources except those required to be accounted for in another fund.

Property Taxes Receivable and Deferred Revenue

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

Property tax amounts remitted to Joint School District No. 2 pursuant to Resolution 08-36 are treated as pass-through funds and are thus not presented in the statement of activities. The amount due to the district reduces deferred revenues and is presented on the statement of net assets.

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

Risk Management

As a component unit of the City of Eagle, the Agency is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City and the Agency participates in a public entity risk pool, Idaho

Counties Risk Management Pool (ICRMP), for property and liability insurance. The City's and the Agency's exposure to loss from its participation in ICRMP is limited to the extent of their deductible only.

Budgets

The Agency is required by Idaho State Code to adopt an annual budget for informational purposes which must be provided to the City of Eagle, Idaho by September 1 of each year. No funding is appropriated as the Agency expends tax levy funds as they become available by motion or resolution of the Board.

Note 2 - Explanation of Differences Between the Governmental Funds Balance Sheet and the Statement of Net Assets

"Total fund balances" in the Agency's governmental fund may differ from the "net assets" of the governmental activities reported in the statement of net assets as a result of the long-term economic focus of the statements of net assets versus the current financial resources focus of the governmental fund balance sheet.

| | |
|--|-----------|
| Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred. | \$ 15,303 |
|--|-----------|

Note 3 - Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds may differ from the "change in net assets" for governmental activities reported in the statement of activities as a result of the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund.

| | |
|--|----------|
| Some property tax revenue in the statement of activities that do not provide current financial resources is not reported as revenue in the fund. | \$ 5,090 |
|--|----------|

Note 4 - Cash and Cash Equivalents

At year-end, both the book and bank balance of the Agency's deposits was \$129,350. All cash is held in a local financial institution. At September 30, 2010, the balance was fully insured and collateralized by FDIC.

Note 5 - Due to the City of Eagle

The City of Eagle originally provided \$129,950 for start up costs to the Agency. Under a memorandum of understanding the Agency is to repay to the City in annual installments equal to 15% of the Agency's yearly revenue allocation proceeds, but not less than \$30,000 annually until September 15, 2012. This agreement does not bear interest. The Agency paid \$30,000 to the City during the year ended September 30, 2010 and the remaining balance was \$69,950 at September 30, 2010.

Required Supplementary Information
September 30, 2010

Eagle Urban Renewal Agency

Eagle Urban Renewal Agency

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2010

| | <u>Original and Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance With Budget Favorable (Unfavorable)</u> |
|---|--|---------------------------|---|
| Revenues | | | |
| Property taxes, penalties and interest | \$ 96,789 | \$ 97,446 | \$ 657 |
| Total revenues | <u>96,789</u> | <u>97,446</u> | <u>657</u> |
| Expenditures | | | |
| Administration | 10,000 | 9,377 | 623 |
| Contracts and agreements | 69,800 | 21,277 | 48,523 |
| City of Eagle repayments | 30,000 | - | 30,000 |
| Project expenditures | 92,563 | - | 92,563 |
| Total expenditures | <u>202,363</u> | <u>30,654</u> | <u>171,709</u> |
| Excess of Revenues over Expenditures | <u>\$ (105,574)</u> | 66,792 | <u>\$ 171,052</u> |
| Fund Balance, Beginning of Year | | <u>(8,799)</u> | |
| Fund Balance, End of Year | | <u>\$ 57,993</u> | |

Note 1 - Budgets and Budgetary Accounting

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

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

- The Board of Commissioners prepares a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at City Hall to obtain taxpayer comment.
- The budget is passed by resolution no later than September 1.

Budgets are adopted on a basis consistent with generally accepted accounting principles for general funds except for the budgeted expense of repayments to the City of Eagle. Because this balance due to the City is recorded as a payable on the governmental fund balance sheet, any payments made against it are a reduction of the balance and not an expenditure.

All annual appropriations lapse at fiscal year-end. Revisions that alter the total expenditure appropriation must be approved by the Board of Commissioners.

Supplementary Information
September 30, 2010

Eagle Urban Renewal Agency



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*

The Board of Commissioners
Eagle Urban Renewal Agency
A component unit of the City of Eagle, Idaho
Eagle, Idaho

We have audited the financial statements of the governmental activities and the major fund of the Eagle Urban Renewal Agency (Agency), a component unit of the City of Eagle as of and for the year ended September 30, 2010, which collectively comprise the Eagle Urban Renewal Agency's basic financial statements and have issued our report thereon dated January 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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. 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. We identified the following deficiency in internal control over financial reporting that we consider to be material weakness in internal control over financial reporting.

2010-01 Financial Statement Preparation and Audit Adjustments

Criteria:

According to auditing standards, an entity's internal control system must include controls related to the preparation of financial statements, including the related disclosure, without assistance or adjustment by the auditor.

Condition:

As auditors, we were requested to prepare the financial statements and accompanying notes to the financial statements. In addition, material adjusting entries were proposed as part of the audit.

Effect:

The lack of internal controls resulted in significant adjustments to the accounts and financial statements of Eagle Urban Renewal Agency.

Cause:

Eagle Urban Renewal Agency has not implemented an internal control structure that encompasses financial reporting in accordance with Generally Accepted Accounting Standards.

Recommendation:

We recommend management and those charged with governance annually analyze the cost/benefit of implementing a control system which would allow for the preparation of financial information, financial statements and the related disclosure and reconsider whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response and Action Plan of Management:

The Agency agrees that having an internal control system over financial reporting is an important part of the Agency's overall internal control process. The Agency has performed a cost/benefit analysis of implementing these controls and concluded the resources were not in place to effectively implement the necessary changes.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2010-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

The Agency's response to the finding identified in our audit is described above. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Eide Sully LLP
Boise, Idaho