

**HAYDEN URBAN RENEWAL AGENCY**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Hayden Urban Renewal Agency**  
September 30, 2008

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**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**



Magnuson, McHugh  
& Company, P.A.  
CPAs and Consultants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hayden Urban Renewal Agency  
Hayden, ID 83835

We have audited the accompanying financial statements of the governmental activities of Hayden Urban Renewal Agency, a component unit of the City of Hayden, Idaho, as of and for the year ended September 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hayden 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 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Hayden Urban Renewal Agency as of September 30, 2008, 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.

The budgetary comparison information on page 15 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. Hayden Urban Renewal Agency has not presented the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2009, on our consideration of Hayden Urban Renewal Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

MAGNUSON, MCHUGH & COMPANY, P.A.

*Magnuson, McHugh & Company, P.A.*

April 1, 2009

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FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

# Hayden Urban Renewal Agency

## STATEMENT OF NET ASSETS

September 30, 2008

|   | <u>General</u>      |
|---|---------------------|
| <b>ASSETS</b>                                 |                     |
| Cash  | \$ 232,191          |
| Taxes receivable                              | 8,481               |
| Land  | 393,000             |
| Total assets                                  | <u>633,672</u>      |
| <b>LIABILITIES</b>                            |                     |
| Due to City of Hayden                         | 210,000             |
| Long-term liabilities:                        |                     |
| Due in more than one year                     | 622,183             |
| Total liabilities                             | <u>832,183</u>      |
| <b>NET ASSETS</b>                             |                     |
| Invested in fixed assets, net of related debt | 263,317             |
| Unrestricted                                  | <u>(461,828)</u>    |
| Total net assets                              | <u>\$ (198,511)</u> |

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Hayden Urban Renewal Agency

## STATEMENT OF ACTIVITIES For the Year Ended September 30, 2008

|                            | <u>General</u>      |
|----------------------------|---------------------|
| <b>EXPENSES</b>            |                     |
| General government         | \$ 18,333           |
| Infrastructure projects    | 533,785             |
| Public facility projects   | 210,000             |
| Interest on long-term debt | 21,432              |
| Total expenses             | <u>783,550</u>      |
| <br>                       |                     |
| <b>GENERAL REVENUES</b>    |                     |
| Property taxes             | 259,894             |
| Intergovernmental revenue  | 222,947             |
| Interest                   | 3,637               |
| Total general revenues     | <u>486,478</u>      |
| <br>                       |                     |
| Change in net assets       | (297,072)           |
| <br>                       |                     |
| Net assets - beginning     | <u>98,561</u>       |
| <br>                       |                     |
| Net assets - ending        | <u>\$ (198,511)</u> |

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Hayden Urban Renewal Agency

## GOVERNMENTAL FUNDS BALANCE SHEET September 30, 2008

|  | <u>General</u>           |
|--|--------------------------|
| <b>ASSETS</b>                            |                          |
| Cash in bank                             | \$ 232,191               |
| Taxes receivable                         | 8,481                    |
| Total assets                             | <u>240,672</u>           |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                          |
| Liabilities:                             |                          |
| Due to City of Hayden                    | 210,000                  |
| Deferred revenue                         | 6,852                    |
| Total liabilities                        | <u>216,852</u>           |
| <br>Fund balances:                       |                          |
| Unreserved, undesignated                 | 23,820                   |
| Total fund balances                      | <u>23,820</u>            |
| <br>Total liabilities and fund balances  | <u><u>\$ 240,672</u></u> |

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.



## Hayden Urban Renewal Agency

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS September 30, 2008

|  | <u>General</u>             |
|--|----------------------------|
| Total fund balances at September 30, 2008 - Governmental Funds | \$ 23,820                  |
| Less: Long-term liabilities at September 30, 2008:             |                            |
| Notes payable  | (622,183)                  |
| Add: Land  | 393,000                    |
| Add: Deferred revenue  | <u>6,852</u>               |
| Net assets at September 30, 2008                               | <u><u>\$ (198,511)</u></u> |

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Hayden Urban Renewal Agency

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For the Year Ended September 30, 2008

|   | <u>General</u>       |
|---|----------------------|
| <b>REVENUES</b>                                 |                      |
| Property taxes                                  | \$ 267,951           |
| Interest income                                 | 3,637                |
| Intergovernmental revenue                       | 222,947              |
| Total revenues                                  | <u>494,535</u>       |
| <b>EXPENDITURES</b>                             |                      |
| Current:  |                      |
| General government                              | 18,333               |
| Infrastructure projects                         | 533,785              |
| Public facility projects                        | 210,000              |
| Debt service interest                           | 21,775               |
| Debt service principal                          | 252,148              |
| Total expenditures                              | <u>1,036,041</u>     |
| <br>(Deficiency) of revenues under expenditures | <br><u>(541,506)</u> |
| <b>OTHER FINANCING SOURCES</b>                  |                      |
| Proceeds from issuance of debt                  | 492,500              |
| Total other financing sources                   | <u>492,500</u>       |
| <br>Net change in fund balances                 | <br>(49,006)         |
| <br>Fund balances - beginning                   | <br><u>72,826</u>    |
| <br>Fund balances - ending                      | <br><u>\$ 23,820</u> |

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

## Hayden Urban Renewal Agency

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2008

|   | <u>General</u>      |
|---|---------------------|
| Total net changes in fund balances for year ended September 30, 2008              | \$ (49,006)         |
| Less: Note principal proceeds considered as other financing source                | (492,500)           |
| Less: Change in interest accrual on long-term debt                                | 343                 |
| Add: Revenue earned on a fund basis versus revenue earned on a full accrual basis | (8,057)             |
| Add: Principal payments on long-term debt   | <u>252,148</u>      |
| Change in net assets for year ended September 30, 2008                            | <u>\$ (297,072)</u> |

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Hayden Urban Renewal Agency is an urban renewal agency created by and existing under the Idaho Urban Renewal Law of 1965, as amended, and is an independent public body.

The accompanying financial statements include all aspects controlled by the Board of Directors of Hayden Urban Renewal Agency. The Agency is included in the City of Hayden, Idaho financial reporting based on certain criteria in GASB Statement No. 14. 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 Hayden, Idaho in conformity with generally accepted accounting principles (GAAP).

Under the Idaho Code, in May 2006 the Hayden City Council passed an ordinance that created the Hayden Urban Renewal Agency. The Agency was established to promote urban development and improvement in and around the City of Hayden. The Agency is governed by a board of seven directors. Under the Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the revenues attributable to tax increment financing. Any bonds issued are not a debt of the City. Hayden City Council is not responsible for approving the Agency budget or funding any annual deficits. The Agency controls disbursements independent of City Council.

The accounting methods and procedures adopted by Hayden Urban Renewal Agency conform to generally accepted accounting principles as applied to governmental entities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Agency's basic financial statements.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the Agency's accounting policies are described below:

#### B. Fund Accounting

The Agency uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Agency functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Agency are grouped into the category of governmental.

Governmental Funds -- Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Agency's major governmental fund:

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Fund Accounting (Continued)

*General Fund* – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available for any purpose provided it is expended or transferred according to the laws of the state of Idaho.

#### C. Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the Agency as a whole. The Agency has activities that are considered to be governmental as opposed to business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Agency, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Agency.

Fund Financial Statements – Fund financial statements report detailed information about the Agency. The focus of governmental fund statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

#### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Basis of Accounting (Continued)

Revenues – Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the Agency receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Agency must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. On a modified accrual basis, revenues from non exchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, and other miscellaneous fees.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations, which are recognized when paid.

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **E. Cash and Investments**

In the governmental funds, cash received by the Agency is pooled for investment purposes and is presented as "Cash and cash equivalents" on the financial statements. For presentation in the financial statements, cash and cash equivalents include cash on hand, amounts due from banks, and investments with an original maturity of three months or less at the time they are purchased by the Agency. Investments with an initial maturity of more than three months are reported as investments.

#### **F. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Agency does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

#### **G. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, claims and judgments and the non-current portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### **H. Fund Balance Reserves**

The Agency has the ability to reserve those portions of fund equity that are legally segregated for a specific future use or that do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund equity that is available for appropriation in future periods. Restricted resources are used first to fund appropriations as necessary.

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets (net of related debt) consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### K. Budgetary Data

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund.

This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

Reported budgeted amounts are as originally adopted or as amended by the Board. Professional management cannot legally amend appropriations within the budget without first seeking Board approval once the budget has been approved.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

#### L. Property Taxes

Property taxes are levied by the Kootenai County Board of commissioners on the first Monday in September and become payable on December 20. Taxpayers may pay one-half on December 20, and the remaining half the following June 20. Property taxes are computed from levies and collections verified by inspection of records of the Kootenai County auditor's office. Kootenai County collects all property tax revenue for the Agency.

(Continued)



# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

**NOTE 2: CASH AND INVESTMENTS**

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial risk. The carrying amount of the Agency's deposits is \$232,191 and the bank balance is \$235,136. As of September 30, 2008, \$130,136 of the Agency's bank balance was exposed to custodial credit risk, as the bank balance did exceed FDIC insured limits.

Idaho State Code allows the Agency to invest idle monies in certain categories. No violations of those categories have occurred during the year.

**NOTE 3: CAPITAL ASSETS**

The following is a summary of fixed asset activity for the year ended September 30, 2008:

|       | Beginning<br>Balance | Additions | Deletions | Ending<br>Balance |
|-------|----------------------|-----------|-----------|-------------------|
| Land  | \$393,000            |           |           | \$ 393,000        |
| Total | \$393,000            |           | -         | \$393,000         |

**NOTE 4: NOTES PAYABLE**

Inland Northwest Bank – The Agency has a governmental certificate with Inland Northwest Bank. Interest payments are due monthly at an annual rate of 4.88%. Any outstanding principal on the line of credit plus any unpaid interest is due on September 19, 2012. Activity for the year ending September 30, 2008 is as follows:

|  | Beginning<br>Balance | Additions | Deletions | Ending<br>Balance | Due within<br>one year |
|--|----------------------|-----------|-----------|-------------------|------------------------|
| Governmental<br>Certificate - Inland<br>Northwest Bank | \$381,831            | \$492,500 | \$252,148 | \$622,183         |                        |
| Total  | \$381,831            | \$492,500 | \$252,148 | \$622,183         | -                      |

(Continued)

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

The Agency is currently working with several interested parties on future urban development projects. None of these projects have been formalized and the Agency has not entered into any agreements to provide funding for these projects. It is anticipated that such projects will be funded through the Agency and tax increment financing in the future.

**NOTE 6: RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Agency contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

An outside insurance company protects professional liability with a \$2,000,000 liability and a \$3,000,000 umbrella. Errors and omissions liability has a \$2,000,000 liability with \$2,000,000 in the aggregate annually per insured. Additionally, crime, boiler and machinery insurance is maintained. Automobile liability has a \$2,000,000 single limit of liability.

**NOTE 7: PUBLIC FACILITY AND INFRASTRUCTURE PROJECTS**Hayden City Hall – Public Facility Projects

Under terms specified in a Public Facility Improvement Grant Agreement, the Agency agreed to provide an Improvement Grant to assist the City of Hayden with improvements to Hayden City Hall, in an amount not to exceed \$210,000. The Agency will pay the grant in increments as the City of Hayden submits invoices to validate completion of the specified improvements. As of September 30, 2008, no amount had been paid to the City of Hayden. The entire amount is shown as a liability at September 30, 2008, as the City of Hayden has met all of the eligibility requirements necessary to receive the grant under GASB 33 – Accounting and Financial Reporting for Nonexchange Transactions.

South Government Way – Infrastructure Projects

In the prior year, the Agency disclosed a commitment to fund improvements to Government Way South in the amount of \$708,211. The Agency's obligation to pay for these improvements, were subject to the inspection and approval of the improvements by the City of Hayden and the availability of tax increment revenue sufficient to cover the costs. This commitment was satisfied during the fiscal year, as both conditions were met. The agency made one disbursement of \$531,158 under this agreement on September 25<sup>th</sup>, 2008. The remaining obligation of \$177,053 was transferred to the City of Hayden on September 16<sup>th</sup>, 2008 pursuant to a Public Improvement Participation Agreement between the Agency and the City of Hayden.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

# Hayden Urban Renewal Agency

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL For the Year Ended September 30, 2008

|   | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget |
|---|---------------------------------|------------------------------|-------------------|-------------------------------|
| <b>REVENUES</b>                             |                                 |                              |                   |                               |
| Property taxes                              | \$ 230,939                      | \$ 230,787                   | \$ 267,951        | \$ 37,164                     |
| Interest income                             | 2,250                           | 3,351                        | 3,637             | 286                           |
| Intergovernmental revenue                   |                                 | 300,000                      | 222,947           | (77,053)                      |
| Total revenues                              | <u>233,189</u>                  | <u>534,138</u>               | <u>494,535</u>    | <u>(39,603)</u>               |
| <b>EXPENDITURES</b>                         |                                 |                              |                   |                               |
| Current:                                    |                                 |                              |                   |                               |
| General government                          | 50,857                          | 43,100                       | 18,333            | 24,767                        |
| Reserves and contingencies                  | 90,096                          | 8,239                        |                   | 8,239                         |
| Infrastructure projects                     |                                 | 710,000                      | 533,785           | 176,215                       |
| Public facility projects                    |                                 | 150,000                      | 210,000           | (60,000)                      |
| Debt service interest                       |                                 | 17,574                       | 21,775            | (4,201)                       |
| Debt service principal                      | 146,233                         | 202,426                      | 252,148           | (49,722)                      |
| Capital expenditures                        |                                 | 10,000                       |                   | 10,000                        |
| Total expenditures                          | <u>287,186</u>                  | <u>1,141,339</u>             | <u>1,036,041</u>  | <u>105,298</u>                |
| (Deficiency) of revenues under expenditures | <u>(53,997)</u>                 | <u>(607,201)</u>             | <u>(541,506)</u>  | <u>65,695</u>                 |
| <b>OTHER FINANCING SOURCES</b>              |                                 |                              |                   |                               |
| Proceeds from issuance of debt              |                                 | 530,000                      | 492,500           | (37,500)                      |
| Total other financing sources               |                                 | <u>530,000</u>               | <u>492,500</u>    | <u>(37,500)</u>               |
| Net change in fund balances                 | (53,997)                        | (77,201)                     | (49,006)          | (28,195)                      |
| Fund balances - beginning                   | <u>53,997</u>                   | <u>77,201</u>                | <u>72,826</u>     | <u>4,375</u>                  |
| Fund balances - ending                      | <u>\$ -</u>                     | <u>\$ -</u>                  | <u>\$ 23,820</u>  | <u>\$ (23,820)</u>            |

**FINANCIAL SECTION**

**Report Required by the GAO**



Magnuson, McHugh  
& Company, P.A.  
CPAs and Consultants

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

Board of Directors  
Hayden Urban Renewal Agency  
Hayden, ID 83835

We have audited the accompanying financial statements of the governmental activities of Hayden Urban Renewal Agency, a component unit of the City of Hayden, Idaho, as of and for the year ended September 30, 2008, which comprised Hayden Urban Renewal Agency's basic financial statements and have issued our report thereon dated April 1, 2009. 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 Hayden Urban Renewal Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hayden Urban Renewal Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hayden Urban Renewal Agency's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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**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**

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

MAGNUSON, MCHUGH & COMPANY, P.A.

*Magnuson, McHugh & Company, P.A.*

April 1, 2009