

# HAYDEN URBAN RENEWAL AGENCY

FINANCIAL STATEMENT  
SEPTEMBER 30, 2012

**Hayden Urban Renewal Agency**  
September 30, 2012

**TABLE OF CONTENTS**

**FINANCIAL SECTION:**

**Independent Auditors' Report**.....1 – 2

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Assets.....3  
Statement of Activities .....4

Fund Financial Statements:

Governmental Funds – Balance Sheet.....5  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets.....6  
Governmental Funds – Statement of Revenues, Expenditures  
and Changes in Fund Balances.....7  
Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities .....8  
Notes to the Financial Statements.....9 – 15

**Required Supplementary Information:**

Schedule of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual - General Fund .....16

**Report Required by the GAO:**

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*.....17

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Hayden Urban Renewal Agency  
Hayden, ID 83835

We have audited the accompanying financial statements of the governmental activities and major fund, of Hayden Urban Renewal Agency, a component unit of the City of Hayden, Idaho as of and for the year ended September 30, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 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 and each major fund of Hayden Urban Renewal Agency, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, on our consideration of the Hayden 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 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.

## INDEPENDENT AUDITORS' REPORT (Continued)

Management has not presented management's discussion and analysis, that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

MAGNUSON, MCHUGH & COMPANY, P.A.

July 24, 2013

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

# Hayden Urban Renewal Agency

## STATEMENT OF NET ASSETS

September 30, 2012

### ASSETS

Cash	\$ 992,697
Taxes receivable	30,868
Prepaid insurance	935
Land	393,000
Total assets	<u>\$ 1,417,500</u>

### LIABILITIES

Accounts payable	\$ 7,207
Total liabilities	<u>7,207</u>

### NET ASSETS

Invested in fixed assets, net of related debt	393,000
Restricted	1,017,293
Total net assets	<u>\$ 1,410,293</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, 2012

### EXPENSES

General government	\$ 34,128
Public facility projects	6,456
Total expenses	<u>40,584</u>

### GENERAL REVENUES

Property taxes	561,609
Interest	3,028
Total general revenues	<u>564,637</u>

Change in net assets 524,053

Net assets - beginning 886,240

Net assets - ending \$ 1,410,293

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



# Hayden Urban Renewal Agency

## GOVERNMENTAL FUNDS BALANCE SHEET September 30, 2012

	<u>General</u>
<b>ASSETS</b>	
Cash in bank	\$ 992,697
Taxes receivable	30,868
Prepaid insurance	935
Total assets	<u>\$ 1,024,500</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 7,207
Deferred revenue	28,717
Total liabilities	<u>35,924</u>
Fund balances:	
Nonspendable	935
Restricted	987,641
Total fund balances	<u>988,576</u>
Total liabilities and fund balances	<u>\$ 1,024,500</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, 2012

	<u>General</u>
Total fund balances at September 30, 2012 - Governmental funds	\$ 988,576
Add: Land	393,000
Add: Deferred revenue	28,717
Net assets at September 30, 2012	<u>\$ 1,410,293</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, 2012

	<u>General</u>
<b>REVENUES</b>	
Property taxes	\$ 532,892
Interest income	3,028
Total revenues	<u>535,920</u>
<b>EXPENDITURES</b>	
Current:	
General government	34,128
Public facility projects	6,456
Total expenditures	<u>40,584</u>
Net change in fund balances	495,336
Fund balances - beginning	<u>493,240</u>
Fund balances - ending	<u><u>\$ 988,576</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 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2012

	<u>General</u>
Total net changes in fund balances for year ended September 30, 2012	\$ 495,336
Add: Difference between modified accrual revenue and full accrual revenue	28,717
Change in net assets for year ended September 30, 2012	<u>\$ 524,053</u>

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

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENT September 30, 2012

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Hayden Urban Renewal Agency (the "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 Commissioners 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 commissioners. 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:

*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.

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENT

September 30, 2012

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

#### 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.

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.

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENT September 30, 2012

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

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

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 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.

#### 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.

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENT

September 30, 2012

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

#### 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 adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Agency to classify and report amounts in the appropriate fund balance classifications. The Agency's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The Agency reports the following classifications:

*Non-spendable Fund Balance* - Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form-such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact-such as a trust that must be retained in perpetuity.

*Restricted Fund Balance* - Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds-such as federal award revenue, which must be used to fund federally defined title programs. Legal enforceability means that the Agency can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

*Committed Fund Balance* - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Agency's board of Commissioners. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Agency. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

(Continued)



# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENT

September 30, 2012

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

#### H. Fund Balance Reserves (continued)

*Assigned Fund Balance* - Assigned fund balances are amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Director of Finance, or (b) an appointed body (e.g., a budget or finance committee) or official to which the Agency has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Agency itself.

*Unassigned Fund Balance* - Unassigned fund balance is the residual classification for the general fund. This classification represents general 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.

The Agency's policy is first use restricted fund balance, then committed, then assigned, then unassigned when any of the above fund balance are available to use to satisfy and obligation

#### 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.

(Continued)

# Hayden Urban Renewal Agency

## NOTES TO THE FINANCIAL STATEMENT September 30, 2012

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

#### 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.

### 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 carrying amount of the Agency's deposits is \$992,697 and the bank balance is \$994,096. As of September 30, 2012, \$201,598 of the Agency's bank balance was exposed to custodial credit risk, as this is the amount which exceeds 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 capital asset activity for the year ended September 30, 2012:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 393,000	\$ -	\$ -	\$ 393,000
Total	\$ 393,000	\$ -	\$ -	\$ 393,000

(Continued)

**NOTES TO THE FINANCIAL STATEMENT  
September 30, 2012**

**NOTE 4: TRANSACTIONS WITH PRIMARY GOVERNMENT**

During the fiscal year ending September 30, 2012, the Hayden Urban Renewal Agency paid the City of Hayden \$25,218 pursuant to a contract to provide administrative services for the Hayden Urban Renewal Agency. This amount is included in general government expenditures of \$34,128.

**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: RESTRICTED FUND BALANCE/NET ASSETS:**

The Agency was established to promote urban development and improvement in and around the City of Hayden, however the funding received through tax increment revenues is restricted to specific geographic boundaries which are smaller than the geographic boundaries of the City of Hayden. Accordingly all fund balances/net assets reported as of September 30, 2012, are considered restricted. This is because the funding limitation comes from legislation outside of the Agency's control, and the restriction indicates the funds are to be used for purposes which are less in scope than the overall purpose of the Agency.

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, 2012

	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Property taxes	\$ 566,655	\$ 532,892	\$ (33,763)
Interest income	3,426	3,028	(398)
Total revenues	570,081	535,920	(34,161)
<b>EXPENDITURES</b>			
Current:			
General government	68,555	34,128	34,427
Public facility projects	395,323	6,456	388,867
Capital expenditures	350,000	-	350,000
Operational reserve	327,293	-	327,293
Total expenditures	1,141,171	40,584	1,100,587
Excess of revenues under expenditures	(571,090)	495,336	1,066,426
Net change in fund balances	(571,090)	495,336	1,066,426
Fund balances - beginning	571,090	493,240	(77,850)
Fund balances - ending	\$ -	\$ 988,576	\$ 988,576

FINANCIAL SECTION

REPORT REQUIRED BY THE GAO

**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 Commissioners  
Hayden Urban Renewal Agency  
Hayden, ID 83835

We have audited the financial statements of the governmental activities and major fund, of Hayden Urban Renewal Agency, a component unit of the City of Hayden, Idaho as of and for the year ended September 30, 2012, which collectively comprise the Hayden Urban Renewal Agency's basic financial statements and have issued our report thereon dated July 24, 2013. 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

Management of Hayden Urban Renewal Agency is responsible for establishing and maintaining effective 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 the Hayden Urban Renewal Agency's internal control over financial reporting.

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

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

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*.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities 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.

July 24, 2013