

**HAYDEN URBAN RENEWAL AGENCY**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

**Hayden Urban Renewal Agency**  
**September 30, 2006**

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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, 2006, 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, 2006, 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 August 14, 2007, 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.*

August 14, 2007

**FINANCIAL SECTION**

**BASIC FINANCIAL STATEMENTS**

# Hayden Urban Renewal Agency

## STATEMENT OF NET ASSETS September 30, 2006

	<u>General</u>
<b>ASSETS</b>	
Prepaid legal fees	\$ 1,210
Total assets	<u>1,210</u>
<b>LIABILITIES</b>	
Long-term liabilities:	
Due in more than one year	<u>8,315</u>
Total liabilities	<u>8,315</u>
<b>NET ASSETS</b>	
Unrestricted	<u>(7,105)</u>
Total net assets	<u><u>\$ (7,105)</u></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, 2006

	<u>General</u>
<b>EXPENSES</b>	
General government	\$ 7,105
Total expenses	<u>7,105</u>
<b>REVENUES</b>	
Net expense	<u>(7,105)</u>
Change in net assets	(7,105)
Net assets - beginning	<u>          </u>
Net assets - ending	<u>\$ (7,105)</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, 2006

	<u>General</u>
<b>ASSETS</b>	
Prepaid legal fees	\$ 1,210
Total assets	<u>\$ 1,210</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Fund balances:	
Unreserved, undesignated	\$ 1,210
Total fund balances	<u>1,210</u>
Total liabilities and fund balances	<u>\$ 1,210</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, 2006

	<u>General</u>
Total fund balances at September 30, 2006 - Governmental Funds	\$ 1,210
Long-term liabilities at September 30, 2006:	
Notes payable	<u>(8,315)</u>
Net assets at September 30, 2006	<u>\$ (7,105)</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, 2006

	<u>General</u>
<b>REVENUES</b>	\$ -
<b>EXPENDITURES</b>	
Current:	
General government	7,105
Total expenditures	<u>7,105</u>
(Deficiency) of revenues under expenditures	<u>(7,105)</u>
<b>OTHER FINANCING SOURCES</b>	
Proceeds on issuance of debt	8,315
Total other financing sources	<u>8,315</u>
Net change in fund balances	1,210
Fund balances - beginning	<u>          </u>
Fund balances - ending	<u><u>\$ 1,210</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, 2006

	<u>General</u>
Total net changes in fund balances for year ended September 30, 2006	\$ 1,210
Less: Note principal proceeds considered as other financing source	<u>(8,315)</u>
Change in net assets for year ended September 30, 2006	<u>\$ (7,105)</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, 2006

### NOTE 1: DESCRIPTION OF THE AGENCY AND 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.

**Reporting Entity** – 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.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

#### A. **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, 2006

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### A. 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.

#### B. 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.

#### C. 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, 2006

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenues – Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is 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, 2006

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **D. 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 investments 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.

#### **E. 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. As of September 30, 2006, the Agency does not have any capital assets.

#### **F. 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.

#### **G. 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, 2006

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### H. 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.

#### I. 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.

#### J. 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. The Board did not prepare a budget for the fiscal year 2006.

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.



**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE 3: NOTES PAYABLE**

City of Hayden – The Agency borrowed \$8,315 from the City of Hayden under a limited recourse promissory note. The principal balance is due on August 1, 2011. Interest is calculated at .25% above the average monthly interest rate that the city earns on other investments.

Long-term liability activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Line of credit with the City of Hayden	\$ -	\$ 8,315	\$ -	\$8,315
Total governmental activities long-term liabilities	\$ -	\$ 8,315	\$ -	\$8,315

**NOTE 4: 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 5: 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 6: EXPENDITURES OVER APPROPRIATIONS**

The Agency did not adopt a budget for the fiscal year ending September 30, 2006. Consequently expenditures exceeded appropriations by \$7,105.

**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, 2006

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>		\$ -	\$ -
<b>EXPENDITURES</b>			
Current:			
General government		7,105	(7,105)
(Deficiency) of revenues (under) expenses		(7,105)	(7,105)
<b>OTHER FINANCING SOURCES</b>			
Proceeds on issuance of debt		8,315	8,315
Total other financing sources		8,315	8,315
Net change in fund balances		1,210	1,210
Fund balances - beginning			
Fund balances - ending	\$	\$ 1,210	\$ 1,210

**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 as of and for the year ended September 30, 2006, which comprise Hayden Urban Renewal Agency's basic financial statements and have issued our report thereon dated August 14, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 for the information and use of the audit committee, management and the Board of Commissioners 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.*

August 14, 2007