FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

CAPITAL CITY DEVELOPMENT CORPORATION

CAPITAL CITY DEVELOPMENT CORPORATION

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Capital City Development Corporation
Boise, Idaho

We have audited the accompanying financial statements of the governmental activities, and each major fund of Capital City Development Corporation, (the Agency) a component unit of Boise City, Idaho, as of and for the year ended September 30, 2011 which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 of America. 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 Capital City Development Corporation as of September 30, 2011, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 17 to the financial statements, the Agency adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. The Agency also converted its enterprise funds to governmental funds as described in Note 18.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 08, 2012 on our consideration of Capital City Development Corporation'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 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents 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.

Eide Bailly LLP

Boise, Idaho
March 08, 2012

This section of Capital City Development Corporation's (the Agency's) annual financial report is provided by the management in accordance with GASB requirements to assist the reader in identifying and reviewing key issues and financial activity for the fiscal year ending September 30, 2011. Since this discussion and analysis focuses on the current fiscal year's activities and is a summary, the reader is encouraged to review the financial statements and notes which follow this section to gain a complete understanding of the Agency's finances.

Financial Highlights

- The Agency's total assets exceeded its liabilities at the close of the fiscal year 2011 by $16.1 million. Of this total, $10.4 million is invested in capital assets (net of debt).

- At fiscal year close, the Agency's governmental funds reported a combined ending fund balance of $19.7 million.

- During fiscal year 2011 the Agency's expenses were $14,795,797 compared to the $13,432,499 reported in 2010. The change in expenses was primarily associated with the costs of the refundings of the Series 2004, 2002 B and 2002 C debt and the restatement of the agreements related to the Courthouse project.

- Total revenues decreased approximately $259,000. Operation of the Avenue A garages was transferred to Ada County as of fiscal year 2011, so the Agency did not receive any revenues from those garages in fiscal year 2011. The loss in garage revenues was offset in part by an increase in ground rents received.

- Governmental community development expenses increased by approximately $1.1 million. The increase was primarily attributable to the payment of a developer fee as part of the restatement of the agreements related to the Courthouse project.

- Interest and fees expense on long term debt in governmental activities increased by about $996,000 compared with 2010. The agency's variable rate debt was converted to fixed rate debt in fiscal year 2011. The variable rates that the agency paid in fiscal 2010 were lower than the fixed rates paid in fiscal 2011, so interest costs were higher in fiscal 2011 than 2010. The agency also paid issuance costs for the refunded debt. Over the long term, the conversion to fixed rate debt will provide the agency stability and predictability. Additional costs of issuance were incurred to refund the debt in fiscal 2011 as well.

- The Agency's key revenues are parking revenues and revenue allocation revenues. Parking revenues decreased due to the transfer of the Avenue A garages to Ada County. Revenue allocation increased by about 1.6% or $154,000 in fiscal year 2011.

Overview of the Financial Statements

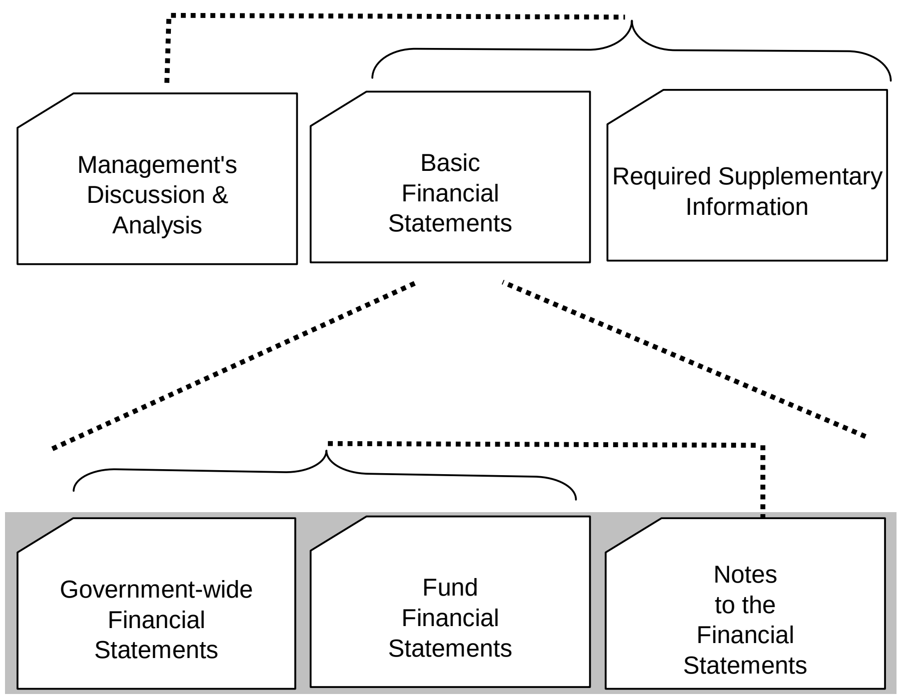
The format of this report allows the reader to examine combined financial statements to view the Agency as a whole (Agency-wide) as well as information on individual fund activities. This financial report consists of three parts: 1) Management Discussion & Analysis, 2) the Basic Financial Statements, and 3) Required Supplementary Information. Viewing governmental activity both as a whole and by individual major fund gives the reader a broader perspective, increases the Agency's accountability and provides a more complete picture of the financial health and activities of the Agency. The basic financial statements include two kinds of statements that present different views of the Agency:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Agency's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Agency's activities. These statements report the Agency's operations in more detail than the government-wide statements. The governmental funds statements show how general government services such as urban renewal and parking were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A illustrates how the required parts of this annual report are arranged and relate to one another.

Required Components of CCDC Annual Financial Report



In addition to these required elements, a section is included with the combined statements that provides details about the Agency's non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements. Figure B identifies the presentation of the Agency's financial statements as follows:

Figure B: Major Features of CCDC's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds
Scope	Entire Agency government (except fiduciary funds) and Agency's component units	The activities of the Agency that are not proprietary such as urban renewal
Required financial statements	Statements of: Net Assets Activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis/ measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received payment is due during the year or soon thereafter

The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

Government-Wide Financial Statements

Agency-wide financial statements are designed to parallel more closely the reporting used in private-sector businesses, in that all governmental activities are reported using the same basis of accounting (accrual), and that the statements provide information on the Agency as a whole. These statements are designed to better portray the fiscal position of the Agency relative to the prior year.

The Statement of Net Assets provides information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Historical trending of the net assets can provide a useful indicator as to whether the financial position of the Agency is improving or declining. The Agency's principal physical assets are land and parking structures.

The Statement of Activities provides information showing changes made to the Agency's net assets during fiscal year 2011. Financial activity shown on this statement is reported on an accrual basis (at the time the underlying event causing the change occurs, rather than at the time the cash flows happen). Thus revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. All of the year's revenues and expenses are accounted for in the statement of activities. The Agency's principal activities relate to planning and facilitation of quality private development, public infrastructure improvements, operation of the downtown parking system, and issuance of debt financing for larger strategic projects. The Agency's program operation, urban renewal activities and parking system operation are included in the governmental activities. The individual district activities are tracked separately and combined for reporting purposes.

Fund Financial Statements

The focus of the fund financial statements is to provide more detailed information about the Agency's major funds rather than the previous focus on fund *types* or on the Agency as a *whole*. A fund is a self-balancing set of accounts that is used to keep track of specific revenues and expenditures related to certain activities or objectives. Some funds are required by State law and some stipulated by bond policies. Operational funds are established by the Board of Commissioners for appropriations and management purposes. All of the Agency's funds are governmental funds.

Governmental funds use *modified* accrual accounting, which measures current economic resources and focuses on changes to the current financial resources. This method is useful in evaluating the Agency's short-term financial resources. Supplemental information following some of the included statements further addresses long-term issues and variances with the government-wide statements. The Agency maintains seven governmental funds: Debt Service Fund (Ada County Courthouse Lease Agreement), Central District Revenue Allocation Fund (urban renewal activities), River-Myrtle District Revenue Allocation Fund (urban renewal activities), Westside District Revenue Allocation Fund (urban renewal activities), Parking Fund (parking system activities), and General Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Agency-Wide Financial Analysis

Table 1 reflects the condensed fiscal year 2011 and fiscal year 2010 Statement of Net Assets. The Agency's combined net assets decreased $12,062,769 compared to fiscal year 2010. The decrease is a result of the Agency recording the 2011 B Revenue Refunding Note on its books. The 2002 B debt service, which was refunded with the 2011 B note was properly recorded as lease expense in fiscal year 2010 and prior years.

Table 1
Statement of Net Assets
As of September 30, 2010 and 2011

	Governmental Activities	
	2010	**2011**
Current & Other Assets	$ 79,041,582	$ 77,301,598
Capital Assets	26,052,645	23,389,235
Total Assets	**105,094,227**	**100,690,833**
Long-Term Debt Outstanding	61,793,508	71,992,764
Other Liabilities	15,127,305	12,587,424
Total Liabilities	**76,920,813**	**84,580,188**
Net Assets		
Invested in Capital Assets		
Net of Related Debt	14,375,019	10,664,235
Other Net Assets	13,798,395	5,753,919
Total Net Assets	**$ 28,173,414**	**$ 16,418,154**

Total assets declined somewhat. In connection with the restatement of the agreements associated with the Courthouse Corridor project, the Agency removed the Avenue A garage assets from its books and wrote off the approximately $1 million note receivable associated with the Avenue A garage.

Approximately 64% of the Agency's net assets are invested in capital assets (i.e. land, buildings, equipment, parking facilities, and other) with the balance remaining in other net assets to provide for ongoing obligations and subsequent year activities.

Table 2 provides a summary of the Agency's operation for the fiscal year ended September 30, 2011. Prior year data is presented for comparison purposes.

Table 2
Statement of Activities
For Years Ended September 30, 2010 and 2011

	Governmental Activities	
	2010	**2011**
Revenues		
Program Revenues		
Charges for Services	$ 2,330,496	$ 2,420,746
Operating Grants & Contributions	9,992,182	10,747,829
Parking	5,018,909	3,915,264
Total Program Revenue	**17,341,587**	**17,083,839**
General Revenue		
Unrestricted Investment Earnings	29,900	28,455
Total Revenues	**17,371,487**	**17,112,294**
Expenses		
Program Expenses		
Community Development	5,601,786	6,664,299
Interest on Long-Term Debt	2,692,631	3,689,123
Parking Facilities	5,138,082	4,134,866
Total Program Expenses	**13,432,499**	**14,488,288**
Special items	-	(14,379,266)
Increase (Decrease) in Net Assets	**3,938,988**	**(11,755,260)**
Net Assets - Beginning	24,234,426	28,173,414
Net Assets - Ending	**$ 28,173,414**	**$ 16,418,154**

Revenues: *Charges for Services* include lease revenues from the Ada County Corridor Project. *Operating Grants & Contributions* include property tax revenues. *Parking* revenues include proceeds generated from operating the parking garages. *General Revenues* include earnings on investments. Overall, total Agency revenues decreased approximately $259,000 compared with the prior year. In 2011, Ada County assumed operation of the Avenue A garages. This loss in revenue was offset in part by the write-off of a liability associated with the Courthouse Corridor project that was eliminated with the restatement of the agreements.

Expenses: *Community Development* includes the general expenses of the Agency related to fulfilling its mission. Interest on Long-Term Debt includes the interest portion of payments related to long-term financing arrangements. Parking Facilities includes the cost of operating the parking system. Overall, total Agency expenses in fiscal 2011 increased approximately $1,363,000. This increase was primarily attributable to costs associated with restatement of the agreements associated with the Courthouse Corridor and settlement of the remaining issues with the project developer.

Increases or decreases in net asset value may vary significantly with variations in debt service payments, the timing of large public improvement projects; or the purchase or sale of land, buildings, and parking facilities. In 2011, there were two significant special items that contributed to the decrease in net assets. The 2002 B bonds were refunded in 2011. The payoff of the 2002 B bonds was properly recorded as lease expense of about $12 million and reported as a special item on the Statement of Activities. As part of the restatement of the Courthouse Corridor agreements, the Avenue A garages was transferred to Ada County. The Avenue A garages were removed from the Agency's fixed assets, resulting in a decrease to net assets of $2,260,336.

Budgetary Highlights

The fiscal year 2011 budget was amended once during the year. The total budget was increased to accommodate the costs of issuance associated with refunding of the Agency's variable rate debt and the transactions associated with the restatement of the Courthouse Corridor project agreements. When the budget is adjusted for these unusual one-time transactions, budgeted expenditures in the amended 2011 budget were less than the original 2011 budget. Actual interest expense was less than originally budgeted, due to favorable short-term interest rates and the Agency expended less for consulting services than was originally budgeted.

Capital Assets

Tables 3 and 4 present the Agency's capital assets. The Agency's major capital asset activity for the year was to transfer the Avenue A garages to Ada County. The acquisition of land in the Pioneer Corridor was recorded as property held for resale and not as a capital asset. No other land transactions were completed in 2011 (see Note 7 – Capital Assets).

Table 3
Capital Assets Net of Depreciation

	Governmental Activities	
	2010	**2011**
Land	$ 3,943,660	$ 3,943,660
Buildings, Improvements and Equipment	22,108,985	19,445,575
Total Assets	**$ 26,052,645**	**$ 23,389,235**

Table 4
Major Capital Additions during Fiscal Year 2011

	Governmental Activities
Beginning Balance	$ 26,052,645
Capital Additions:	
Buildings & Improvements	322,958
Total Capital Additions	322,958
Current Year Deletions/Transfers	(2,260,336)
Current Year Depreciation	(726,032)
Ending Balance	$ 23,389,235

Debt Administration

The Agency refunded its 2004 and 2002 C debt in fiscal year 2011. Additionally, the Agency refunded the 2002 B debt. In fiscal year 2010 and prior years, the total debt service for the 2002 B was properly recorded as lease expense for the Agency. In fiscal year 2011, the Avenue A garages were transferred to Ada County, eliminating the lease portion of the obligation. The refunded 2011 B note was recorded as a long term obligation of the Agency. Table 5 summarizes the principal amounts of the Agency's long-term debt (see also Note 8 – Long Term Debt).

Table 5
Long-Term Debt

		Total		Total Dollar Change
Activity	**Type**	**2010**	**2011**	**2010-2011**
2004 A&B Series	Bond	$ 7,735,000	$ -	$ (7,735,000)
2002 C Series	Bond	2,050,000	-	(2,050,000)
2005 Series	Bond	46,785,000	44,370,000	(2,415,000)
2010 A-1 Series	Bond	2,810,000	2,810,000	-
2010 A-2 Series	Bond	2,690,000	1,650,000	(1,040,000)
2010 B-1	Bond	-	7,480,000	7,480,000
2010 B-2	Bond	-	785,000	785,000
2010 C	Note	-	2,430,000	2,430,000
2011 B	Note	-	12,865,000	12,865,000
Total		**$ 62,070,000**	**$ 72,390,000**	**$ 10,320,000**

Economic Factors

The effects of the economic downturn continue to be present in the downtown. For fiscal year 2011 compared with fiscal year 2010, property values declined 8% in the Central District, 11% in the River Myrtle District and 18% in the Westside district. Revenue allocation revenues remained fairly flat, however, as declines in property values were offset by adjustments to the levy rate imposed by the taxing districts.

The economy is showing some signs of recovery. The Idaho unemployment rate for November 2011 was 8.5%, down from the November 2010 rate of 9.4%. Colliers predicts some improvement in the office market in fiscal year 2012, with lease rates beginning to rise as the year progresses. Some major new projects were announced or got underway in 2011, including the Whole Foods project in the River Myrtle district and the 15 story office building at 8th and Main in the Central district. Until the recovery fully takes hold, the Agency remains very cautious in its economic outlook.

The Agency saw the numbers of visitors to its parking garages rise in 2011, increasing just under 4% compared with the number of visitors in fiscal year 2010. However, average lengths of stay declined in the garages during 2011 compared with 2010, so overall, revenue remained fairly flat. The Agency continues to monitor garage activity very closely.

Although the economy has slowed, the work of the Agency has not. In May 2011, the Board of Commissioners approved the Agency's five year capital investment plan. The plan will be reviewed and updated annually based on available resources and activity within the districts. Currently, the plan contemplates more than $21 million in investment in capital projects in the three redevelopment districts and $3.7 million in major maintenance projects in the Agency's six parking garages. Some of the investments under consideration include participation in the Whole Foods project, construction of the proposed multimodal center in partnership with Valley Regional Transit, major streetscape improvements in the Westside and River Myrtle districts and completion of the Pioneer Corridor.

The Agency continues to work toward the goals and priorities established in 2006 in its ten year Strategic Plan. The nine goals identified in the plan are: realize long term urban design and development plans, develop long-term financial plan, strengthen investment program, transform the transportation system, advance parking solutions, stimulate high quality development, address neighborhood revitalization, increase urban vitality and develop and sustain partnerships.

Request for Further Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Agency's finances. If you have any questions about this report or need additional financial information, please contact our general offices at: Capital City Development Corporation, 121 N. 9th St., #501, Boise, ID 83702, 208-384-4264 (Telephone), 208-384-4267 (Fax), www.ccdcboise.com (Website).

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities
ASSETS	
Cash and equivalents	$ 5,945,601
Receivables	
Accounts receivable,	
allowance of $33,435	200,150
Interest receivable	274,868
Taxes receivable	8,548,560
Due from other governmental units	44,370,000
Prepaids and deposits	101,853
Restricted cash	10,039,767
Restricted investments	745,506
Investment in partnership	130,000
Investment in property held for resale or development	3,483,088
Deferred bond financing costs,	
net of accumulated amortization	1,532,126
Prepaid interest on bonds	2,237,588
Capital assets, net of accumulated depreciation	
Land, non-depreciable	3,943,660
Buildings, improvements, and equipment,	
net of accumulated depreciation	19,445,575
	100,998,342
LIABILITIES	
Accounts payable	824,729
Accrued liabilities	96,103
Interest payable	273,455
Capital lease payable	14,779
Refundable deposits	121,800
Deferred revenue	9,867,097
Premium on bond issuance,	
net of accumulated amortization	1,389,461
Long-term debt	
Current portion	4,820,000
Long-term	67,172,764
Total liabilities	84,580,188
NET ASSETS	
Invested in capital assets, net	
of related debt	10,664,235
Restricted	5,753,919
Unrestricted	-
	$ 16,418,154

See Notes to Financial Statements

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

		Program Revenues		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Community development	$ 6,664,299	$ 2,420,746	$ 10,747,829	$ -
Interest on long-term debt	3,689,123	-	-	-
Parking facilities	4,134,866	3,915,264	-	-
Total	$ 14,488,288	$ 6,336,010	$ 10,747,829	$ -

General revenues:

Unrestricted investment earnings

Transfers

Total general revenues and transfers

Special Items

Refunding of the 2002 B bonds

Write-off of the Ave A garage

Total general revenues and transfers

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities	
$	6,504,276
	(3,689,123)
	(219,602)
	2,595,551
	28,455
	-
	28,455
	(12,118,930)
	(2,260,336)
	(14,379,266)
	(11,755,260)
	28,173,414
$	16,418,154

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
ASSETS				
Cash	$ 250,151	$ -	$ -	$ -
Accounts receivable, net of allowance of $33,435	2,968	-	5,551	108,015
Interest receivable	1,413	-	-	-
Taxes receivable	-	-	2,782,907	4,122,339
Due from other governmental units	-	44,370,000	-	-
Prepaids	1,853	-	-	-
Restricted cash	-	-	-	2,922,587
Restricted investments		121,790	623,716	-
Investment in partnership	-	-	-	130,000
Investment in property held for resale or development	-	-	-	2,475,596
	$ 256,385	$ 44,491,790	$ 3,412,174	$ 9,758,537
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 56,002	$ -	$ 40,422	$ 74,195
Accrued liabilities	40,039	-	-	-
Refundable deposits	10	-	-	-
Deferred revenue	-	44,370,000	2,782,907	4,122,339
Total liabilities	96,051	44,370,000	2,823,329	4,196,534
FUND BALANCES				
Nonspendable	-	-	-	2,475,596
Restricted		121,790	588,845	3,086,407
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	160,334	-	-	-
Total fund balances	160,334	121,790	588,845	5,562,003
	$ 256,385	$ 44,491,790	$ 3,412,174	$ 9,758,537

Westside District RA Fund	Parking Fund	Total Governmental Funds
$ -	$ 5,695,450	$ 5,945,601
1,600	82,016	200,150
-	-	1,413
1,643,314	-	8,548,560
-	-	44,370,000
-	100,000	101,853
4,485,489	2,631,691	10,039,767
-	-	745,506
-	-	130,000
1,007,492	-	3,483,088
$ 7,137,895	$ 8,509,157	$ 73,565,938
$ 43,678	$ 610,432	$ 824,729
-	56,064	96,103
-	-	10
1,643,314	-	52,918,560
1,686,992	666,496	53,839,402
1,007,492	100,000	3,583,088
4,443,411	2,131,675	10,372,128
-	500,017	500,017
-	5,110,969	5,110,969
-	-	160,334
5,450,903	7,842,661	19,726,536
$ 7,137,895	$ 8,509,157	$ 73,565,938

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF NET ASSETS IN THE STATEMENT OF NET ASSETS TO THE FUND BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2011

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Total fund balance		$ 19,726,536
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of land	3,943,660	
Cost of buildings, improvements, and equipment	30,849,763	
Accumulated depreciation	(11,404,188)	23,389,235
Future payments for which the underlying transaction has occurred are recorded as revenue on the Statement of Activities, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements.		
Notes receivable from Ada County	44,370,000	
Interest receivable	273,455	44,643,455
Capital leases are recorded on the liabilities on the Statement of Net Assets, but are recorded as expenses as cash payments are made on the Governmental Fund Statements		(14,779)
Long-term developer fee payable is a liability on the Statement of Net Assets, but is not a liability on the Governmental Fund Statements as payment will not be required from current resources.		(121,790)
Proceeds from the prepaid theatre validations were recorded as revenue when received on the Governmental Fund Statements but amortized over the life of the theatre validation agreement for the Statement of Activities and recorded as deferred revenue on the Statement of Net Assets.		
Theatre validation proceeds	(1,741,920)	
Revenue amortized to date	423,383	(1,318,537)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.		
Balances at September 30, 2011 are:		
Capitalized debt issuance costs 2010 A	175,186	
Amortization of debt issuance costs to date	(62,014)	
Capitalized debt issuance costs 2010 B	175,508	
Amortization of debt issuance costs to date	(19,520)	
Capitalized debt issuance costs 2010 C	184,125	
Amortization of debt issuance costs to date	(18,660)	
Capitalized debt issuance costs 2011 B	590,722	
Amortization of debt issuance costs to date	-	
Capitalized debt issuance costs 2005	1,218,772	
Amortization of debt issuance costs to date	(711,993)	

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF NET ASSETS IN THE STATEMENT OF NET ASSETS TO THE FUND BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2011

Premium on bonds issued	(3,341,573)	
Amortization of bond premium to date	1,952,112	
Prepaid interest	5,381,267	
Amortization of prepaid interest to date	(3,143,679)	2,380,253

Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Assets.

Bonds payable - current	(4,820,000)	
Bonds payable - long-term	(67,570,000)	
Deferred economic loss on 2010 A Bonds	183,522	
Deferred economic loss on 2010 B Bonds	100,399	
Deferred economic loss on 2010 C	113,315	
Accrued interest	(273,455)	(72,266,219)
Net assets for governmental activities		$ 16,418,154

See Notes to Financial Statements

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
REVENUES				
Lease	$ -	$ 4,714,726	$ 4,350	$ -
Interest	498	-	1,966	4,013
Other	38,193	-	154,858	1,041,325
Parking	-	-	13,972	-
Revenue allocation funds	-	-	2,803,594	4,733,642
Total revenues	38,691	4,714,726	2,978,740	5,778,980
EXPENDITURES				
Administrative expenses	1,765,360	-	-	-
Operating expenses	518,573	802,702	425,830	493,843
Capital outlay and related expenses	24,848	-	23,374	1,100,318
Debt service - principal	-	2,415,000	-	202,100
Debt service - interest	15,917	2,299,725	-	201,744
Total expenditures	2,324,698	5,517,427	449,204	1,998,005
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,286,007)	(802,701)	2,529,536	3,780,975
OTHER FINANCING SOURCES (USES)				
Interfund transfers	2,303,259	2,000	(2,583,719)	(2,305,526)
Write-down of property held for resale	-	-	-	(312,528)
Bond proceeds	-	-	-	4,086,650
Bond payments	-	-	-	(3,607,374)
TOTAL OTHER FINANCING SOURCES (USES)	2,303,259	2,000	(2,583,719)	(2,138,778)
SPECIAL ITEMS				
Lease payoff (2002 B)	-	-	-	-
TOTAL SPECIAL ITEMS	-	-	-	-
NET CHANGE IN FUND BALANCES	17,252	(800,701)	(54,183)	1,642,197
FUND BALANCES, BEGINNING OF YEAR	143,082	922,491	643,028	3,919,806
FUND BALANCES, END OF YEAR	$ 160,334	$ 121,790	$ 588,845	$ 5,562,003

Westside District RA Fund	Parking Fund	Total Governmental Funds
$ -	$ 16,681	$ 4,735,757
6,658	15,320	28,455
55,915	48,225	1,338,516
-	3,770,104	3,784,076
1,872,077	-	9,409,313
1,934,650	3,850,330	19,296,117
-	-	1,765,360
307,967	2,229,347	4,778,262
668,702	1,570,185	3,387,427
-	1,377,900	3,995,000
-	1,274,077	3,791,463
976,669	6,451,509	17,717,512
957,981	(2,601,179)	1,578,605
(424,406)	3,008,392	-
(159,205)	-	(471,733)
-	20,013,350	24,100,000
-	(6,177,626)	(9,785,000)
(583,611)	16,844,116	13,843,267
-	(12,118,930)	(12,118,930)
-	(12,118,930)	(12,118,930)
374,370	2,124,007	3,302,942
5,076,533	5,718,654	16,423,594
$ 5,450,903	$ 7,842,661	$ 19,726,536

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		$ 3,302,942
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay - parking	322,958	
Transfer of Ave A garage to Ada County	(2,260,336)	
Depreciation - parking	(658,292)	
Depreciation - other	(67,740)	(2,663,410)
Principal repaid on notes receivable are recorded as revenue in the governmental funds, but are recorded as a reduction of the note in the Statement of Net Assets.		(2,429,011)
Long term developer fee payable is a liability on the Statement of Net Assets and current year revenue is to adjust the carrying amount of the note to the correct amount payable.		100,028
Capital leases are recorded as liabilities on the Statement of Net Assets, but are recorded as expenses as cash payments are made on the Governmental Fund Statements.		6,686
Proceeds from the prepaid theatre validations were recorded as revenue when received on the Governmental Fund Statements but amortized over the life of the theatre validation agreement for the Statement of Activities and recorded as deferred revenue on the Statement of Net Assets.		145,160
Amortize deferred economic gain (loss) on refunded debt		
Current year loss - 2010 A Refunding	(92,970)	
Current year loss - 2010 B Refunding	(13,963)	
Current year loss - 2010 C Refunding	(15,609)	(122,542)
Write off capitalized issuance costs, refunded debt		(324,738)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but a reduction of long-term liabilities in the statement of net assets. In addition, interest expense is not recognized in the governmental funds until it is due, but is recognized when payable in the Statement of Activities.		
Payment of long-term debt	13,780,000	
Proceeds from new debt	(24,100,000)	
Capitalization of issuance costs	875,819	
Amortization of 2005 issuance costs	(91,517)	
Amortization of 2010 A issuance costs	(57,352)	
Amortization of 2010 B issuance costs	(19,517)	
Amortization of 2010 C issuance costs	(18,659)	
Amortization of 2011 B issuance costs	-	
Amortization of 2005 premium	250,918	
Amortization of 2005 prepaid interest	(404,078)	
Interest expense	14,011	(9,770,375)
Changes in net assets of governmental activities		$ (11,755,260)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital City Development Corporation (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, corporate and politic.

Financial Reporting Entity

The Agency follows Governmental Accounting Standards Board (GASB) Statement No. 39 in determining the reporting entity. Accordingly, the financial statements include all funds and account groups for which the Agency is financially accountable.

The Agency is included as a component unit in the Boise City, Idaho financial statements based on certain criteria in GASB Statement No. 39. The Agency provides urban renewal services to Boise City and its citizens. The commissioners are appointed by the Mayor and approved by City Council. These statements present only the funds and account groups of the Agency and are not intended to present the financial position and results of operations of Boise City, Idaho in conformity with generally accepted accounting principles.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the non-fiduciary activities of the Agency. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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The Agency reports the following major governmental funds:

General Fund – This fund includes the personnel costs for Agency staff, general office operations as well as downtown-wide activities and program delivery.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. This fund currently accounts for the activities related to the Ada County Courthouse Corridor project debt service.

Central District Revenue Allocation Fund – The Central District accounts for the revenues derived from the revenue allocation area within the Central District and were established as a funding mechanism to provide public infrastructure improvements. The revenues are first pledged to repay the Series 2010 A-1 and 2010 A-2 Refunding Redevelopment Bonds. Any excess revenues may be expended in accordance with the provisions of the Revenue Allocation Law.

River Myrtle Revenue Allocation Fund – The River Myrtle District accounts for the revenues derived from the revenue allocation area within the River Myrtle District and were established as a funding mechanism to provide public infrastructure improvements. The revenues are first pledged to repay the Series 2010 B-1 and 2010 B-2 Refunding Redevelopment Bonds, the 2010 C Revenue Refunding Note and the 2011 B Revenue Refunding Note. Revenues may only be expended in accordance with the provisions of the Revenue Allocation Law.

Westside Revenue Allocation Fund – The Westside District accounts for the revenues derived from the revenue allocation area within the Westside District and was established as a funding mechanism to provide public infrastructure improvements. Revenues may only be expended in accordance with the provisions of the Revenue Allocation Law.

Parking Fund – This fund includes the parking activities of the Agency at the following parking facilities: Boulevard garage, Capitol Terrace garage, City Centre garage, Eastman garage, Grove Street garage and Myrtle Street garage. The revenues of the Parking Fund are pledged to support the operations of the Fund and the repayment of the Series 2010 A, 2010 B, 2010 C and 2011 B debt. Net parking revenues are otherwise unrestricted and are used for parking system operations and maintenance and are also available for general Agency use.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include: 1) charges for services, or privileges provided, 2) operating grants and contributions (which includes revenue allocation funds), and 3) capital grants and contributions (which includes reimbursement from Ada County for the courthouse construction). Internally dedicated resources are reported as general revenues rather than as program revenues. When applying revenues to a program for which unrestricted and restricted revenues are used, restricted revenues are applied first.

Cash and Investments

Cash represents all cash on hand and in banks. Investments with original maturities of three months or less from the date of acquisition are also considered cash.

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Investments

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The Agency policy allows for investment of idle funds consistent with the Idaho State Code 50-1013.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at amortized cost.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Agency limits its investments to institutions that are registered with the State of Idaho Department of Finance that adhere to the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). Non-bank broker/dealer firms and individuals doing business with the Agency must be registered with the National Association of Securities Dealers.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's or Fitch's. The Agency's policy does not restrict them to rated investments. As of September 30, 2011, all of the investments of the Agency had credit ratings of AAA.

Property Taxes Receivable and Deferred Revenue

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

Available tax proceeds include property tax receivables expected to be collected within 60 days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent

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to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the Agency is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred revenue at the Agency's year end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for the Agency.

The Agency received property taxes during the year in the amounts of $2,803,594, $4,733,642, and $1,872,076 from Central District, River Myrtle Old Boise District, and Westside District, respectively.

Accounts Receivable

The Agency provides credit based on contractual agreements in the normal course of business. An allowance for doubtful accounts is based on management's review of the outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are past due based on the terms of the contracts and interest is charged on overdue receivables on a case by case basis as allowed by the contracts. The allowance as of September 30, 2011 was $33,435.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Depreciation is computed using the straight-line method, over the estimated useful lives of the assets as follows:

	Estimated Useful Life (Years)
Buildings	30 - 45
Improvements	10 - 45
Parking equipment	7
Office furniture & equipment	3 - 10

Investment in Property Held for Resale or Development

Property held for resale or development includes several properties in the River/Myrtle and Westside Districts.

Property held for resale or development is reflected in the accompanying statement of net assets. In fiscal year 2011, the Agency wrote down the carrying value of these properties. The write-down reflected the general percentage value decline in property values in the River/Myrtle and Westside districts, respectively. In furtherance of the Agency's purpose of redevelopment of downtown Boise, these properties may be disposed of for consideration that is substantially less than carrying value.

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Fund Equity

The Agency has changed accounting policies due to the implementation of GASB No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. This statement redefines the elements of fund balance in governmental funds and more clearly describes the different types of governmental funds to make the nature and extent of the constraints placed on a government's fund balance more transparent. Accordingly, the beginning fund balance of certain governmental funds has been restated. The governmental fund types classify fund balances as follows:

Fund balance is reported as nonspendable when the resources cannot be spent because they are either legally or contractually required to be maintained intact, or are in a nonspendable form such as inventories, prepaid accounts, and assets held for resale.

Fund balance is reported as restricted when the 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.

Fund Balance is reported as committed when the Agency's Board of Commissioners passes an ordinance or resolution that places specific constraints on how the resources may be used. The Board of Commissioners can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution, respectively.

Fund Balance is reported as assigned when it is intended for a specific purpose and the authority to "assign" is delegated to the Agency's executive director.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

The Board of Commissioners adopted a Fund Balance Policy that recommends a spending order of restricted, committed, assigned and then unassigned unless the board approves otherwise.

Estimates

The preparation of the Agency's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the report relate to the estimated allowance for doubtful accounts for certain accounts receivable. It is reasonably possible that the significant estimates used will change within the next year.

NOTE 2 – INVESTMENTS

Funds in the Local Government Investment Pool are invested in accordance with Section 67-1210 and Section 67-1210a of the Idaho code with safety of principal as the foremost objective of the investment program. The funds are collateralized by securities but are not insured. The LGIP was unrated as of September 30, 2011.

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Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The Agency's policy does not limit the maturities of their investments. As of September 30, 2011, the Agency had the following investments subject to interest rate risk.

Investment Type	Fair Value	Investment Maturities (in years) Less than one	1-5	Credit Rating
LGIP	$ 5,703,426	$ 5,703,426	$ -	n/a
US Treasury Obligations	$ 121,790	$ 121,790	-	AAA

Concentration of Credit Risk

Per GASB Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Agency's policy is to avoid concentration in securities from a specific issuer or business sector other than U.S. Securities. However, the policy does not specifically limit the concentration in any single issuer. No single issuer exceeded 5% of the total investments.

At year end, the carrying amount of the Agency's deposits was $10,906,756 and the bank balance was $10,905,659. The bank balance of $10,905,659 was covered by federal depository insurance. All cash is held in national financial institutions located in Ada County.

Investment in Partnership

The Agency has made both cash and non-cash contributions to River Plaza Limited Partnership (the Partnership) in exchange for an ownership interest as the special limited partner. The Partnership owns an apartment complex. The Agency has recorded the investment on the cost basis of $130,000. In accordance with the partnership agreement, there are no gains or losses allocated to the Agency. If the assets of the Partnership are sold or liquidated, the Agency is entitled to a 36.8% interest in the residual distribution upon sale or refinancing. There are no plans for sale or refinancing.

NOTE 3 – RESTRICTED ASSETS

The Agency has three revenue allocation funds, one for each of its three revenue allocation districts. Title 50, Chapter 20 of the Idaho code delineates the purposes for which revenue allocation funds may be spent by urban renewal agencies, along with the purposes set forth in the Agency's several urban renewal plans. Since the use of funds is proscribed in statute, the fund balance of the revenue allocation funds is considered restricted under the definitions provided in GASB Statement 54. Therefore, fund balance in its entirety is reported as restricted on the fund financial statements. Restricted fund balance as of September 30, 2011 for Central, River Myrtle and Westside is $588,845, $3,086,408 and $4,443,411 respectively. The Debt Service fund has a restricted fund balance of $121,790. The balance in this fund is limited to the uses prescribed in the agreements related to the Courthouse Corridor. The restricted balance in the Parking fund is $2,131,675 and is restricted for reserves on the outstanding bonds.

Restricted assets are held by the Agency's agent in the Agency's name. Investments are generally held until maturity. The bond resolutions limit investments to certain types of securities which meet defined standards.

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NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances on the fund financial statements as of September 30, 2011.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers are made as a method of allocating the cost of program operations to their respective funds.

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other agencies and units of government are as follows:

Ada County capital lease	$ 44,370,000

The following represents the minimum future payments on the capital lease from Ada County.

2012	$ 4,852,638
2013	5,087,738
2014	5,234,238
2015	5,312,663
2016	5,472,150
Thereafter	32,530,548
	58,489,975
Less amount representing interest	(14,119,975)
	$ 44,370,000

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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	September 30, 2010	Additions	Deletions	September 30, 2011
Governmental Activities				
Capital assets, not depreciated				
Land	$ 3,943,660	$ -	$ -	$ 3,943,660
Capital assets, depreciated				
Buildings	29,675,256	-	(2,564,320)	27,110,936
Improvements other than buildings	3,197,644	15,449	(60,712)	3,152,381
Equipment	290,814	307,509	(11,877)	586,446
Total	33,163,714	322,958	(2,636,909)	30,849,763
Less accumulated depreciation				
Buildings	(8,990,156)	(565,705)	303,984	(9,251,877)
Improvements other than buildings	(1,823,989)	(128,937)	60,712	(1,892,214)
Equipment	(240,584)	(31,390)	11,877	(260,097)
Total	(11,054,729)	(726,032)	376,573	(11,404,188)
Total depreciated capital assets, net	22,108,985	(403,074)	(2,260,336)	19,445,575
Governmental activities capital assets, net	$ 26,052,645	$ (403,074)	$ (2,260,336)	$ 23,389,235

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities	
General Government	$ 726,032

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NOTE 8 – LONG-TERM DEBT

At September 30, 2011, long-term debt consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
2004 A & B	$ 7,735,000	$ -	$ (7,735,000)	$ -	$ -
2002 C Series	2,050,000	-	(2,050,000)	-	-
2005 Series	46,785,000	-	(2,415,000)	44,370,000	2,665,000
2010 A-1	2,810,000	-	-	2,810,000	-
2010 A-2	2,690,000	-	(1,040,000)	1,650,000	1,070,000
2010 B-1	-	7,480,000	-	7,480,000	-
2010 B-2	-	1,215,000	(430,000)	785,000	500,000
2010C	-	2,540,000	(110,000)	2,430,000	145,000
2011B	-	12,865,000	-	12,865,000	440,000
	$ 62,070,000	$ 24,100,000	$ (13,780,000)	$ 72,390,000	$ 4,820,000

Parking Revenue and Revenue Allocation Bonds:	
2005 Series	$ 44,370,000
2010 A-1	2,810,000
2010 A-2	1,650,000
2010 B-1	7,480,000
2010 B-2	785,000
2010C	2,430,000
2011B	12,865,000
	$ 72,390,000

At September 30, 2011, long-term debt is classified on the Statement of Net Assets as:

Long-term debt	
Current portion	$ 4,820,000
Long-term	67,570,000
	$ 72,390,000

The 2005 Series bonds bear interest at rates between 4.162% and 5.24%. The Agency does not have the option to redeem bonds maturing in years 2012 through 2015 prior to the maturity date, unless extraordinary events happen as prescribed in the debt agreement. Series that mature on or after August 15, 2016 are subject to redemption at the option of the Agency, which option shall be exercised upon the written direction of the County, in whole or in part at any time at a price equal to 100% plus accrued interest. The bonds mature on August 15, 2022.

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The Series 2010 A-1 are tax exempt fixed rate bonds with a rate of 2.81% that mature on September 1, 2015. The Series 2010 A-2 are taxable fixed rate bonds with a rate of 2.80% that mature on September 1, 2013.

The Series 2004 A and B bonds were redeemed on October 15, 2010. The Series 2004 A and B bonds were refunded through Bank of America and the new bonds are the Series 2010 B-1 and 2010 B-2. The Series 2010 B-1 are tax exempt fixed rate bonds with a rate of 4.25% that mature on September 1, 2024. The Series 2010 B-2 are taxable fixed rate bonds with a rate of 3.05% that mature on September 1, 2013.

The Series 2002 C bonds were redeemed on December 1, 2010. The Series 2002 C bonds were refunded through Bank of America with the 2010 C Revenue Refunding Note. The 2010 C Revenue Refunding Note was issued through the Boise City Housing Authority, is tax exempt and has a fixed rate of 4.29% and matures on September 1, 2024.

The 2011 B Revenue Refunding Note was issued to refund the Series 2002 B. The Series 2002 B bonds were the housing bonds issued by the developer as part of the Courthouse Corridor Project. The Agency made the debt service payments on these bonds and the debt service was properly recorded as lease expense. In 2010, certain amendments to the various agreements pertaining to the Courthouse Corridor were agreed to between the developer, the Agency and the county. Under the terms of those amendments, the county took over operations of the parking garages in the Courthouse Corridor Project. Accordingly, the debt service is no longer lease expense to the Agency, but became a debt obligation of the Agency when the refunding was completed. The 2011 B Revenue Refunding Note was issued through the Boise City Housing Authority, is tax exempt but subject to the alternative minimum tax and has a fixed rate of 4.75% and matures on September 1, 2024.

There are certain restrictive covenants, coverage requirements and ratios associated with the Agency's bonds and notes. As of September 30, 2011 the Agency is compliance with these requirements.

The annual requirements to retire the debt for the 2005, 2010 A and 2010 B bonds and the 2010 C and 2011 B notes as of September 30, 2011 are shown below.

	Governmental Activities	
	Principal	Interest
2012	$ 4,820,000	$ 3,322,447
2013	5,580,000	3,172,746
2014	5,975,000	2,920,966
2015	6,325,000	2,649,038
2016	5,585,000	2,359,154
2017-2021	33,065,000	7,371,777
2022-2025	11,040,000	801,056
Total	$ 72,390,000	$ 22,597,184

The Agency has a line of credit of $3,000,000 with Bank of America. The rate on the line of credit may be either fixed or floating. The rate is the fixed LIBOR plus 2% or the floating LIBOR plus 2%. The annual fee for the line of credit is 0.5% of the unborrowed amount. The line of credit is subordinate to the Agency's bond debt and is supported by a pledge of all legally available revenues from parking and revenue allocation. The line of credit expires on December 12, 2012. As of September 30, 2011 the amount outstanding on the line of credit was $0.

(continued on next page)

NOTE 9 – EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website, www.persi.idaho.gov.

The actuarially determined contribution requirements of the Agency and its employees are established and may be amended by the PERSI Retirement Board. For the year ended June 30, 2011, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The Agency employer contributions required and paid were $93,164, $94,724, and $93,964 for the three years ended September 30, 2011, 2010, and 2009, respectively.

NOTE 10 – NOTES RECEIVABLE

The Agency earned a developer fee in the amount of $1,759,923 for services rendered to the development of the Civic Plaza project in 2003. The Agency was compensated in the form of a $1,030,000 cash payment in 2003 and a note receivable from Civic Plaza, LP for the remaining balance of $729,923. The terms of the note were 5.25% simple interest annually through 2042. No principal or interest payments were due until 2042, at which time the note could have been exchanged for 83% ownership in the project, at which point the Agency would have owned 100% of the project. The note principal and interest balance was $1,036,491 at September 30, 2010. On October 1, 2010 Ada County assumed operations of the Avenue A garage. The Agency transferred the note receivable and its future right for 83% ownership to Ada County. The $1,036,491 balance of the note was removed in fiscal year 2011.

NOTE 11 – LEASES

Lease Expense

The Agency is a party to the following leases:

The Agency entered into the lease for its office space on July 1, 2008. The lease term expires on June 30, 2013. Monthly rent is $14,964.

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The Agency entered into a lease for its copier in September 2010. The lease has a term of three years and expires on October 12, 2013. The monthly rent is $654. The lease qualifies as a capital lease. The original amount and accumulated depreciation are as follows:

Copier capital lease agreement	$	21,645
Accumulated deprecation	$	7,155

The payout schedule is as follows:

2012	$	7,912
2013		7,912
		15,824
		(1,045)
Less amount representing interest	$	14,779

Lease Other

The Agency has entered into an agreement with Ada County on the County Courthouse Project. The Agency has leased approximately 10.3 acres of land owned by Ada County under a master ground lease obligation that expires in 2098. The Agency issued bonds, Series 1999 for the County Courthouse Project in the amount of $62,620,000 to finance the acquisition, construction and improvement of the courthouse and administration building for use by Ada County, and related parking facilities, integrated retail space and other public improvements. The Agency refunded the Series 1999 bonds and issued the Series 2005 bonds. The bonds are the obligation of the Agency, payable from and secured solely by lease payments made by Ada County under the agreement. The agreement provides for lease payments equal to the amount necessary for the payment of annual debt service requirements for the Series 2005 bonds. The Agency plans to lease the Courthouse to Ada County for the remaining 12 years of the bond obligation, with title reverting to Ada County at the end of that term. Upon satisfaction of the outstanding lease obligation, Ada County may purchase the facilities from the Agency for $1.

The Agency has recorded the transaction as a capital lease receivable for $44,370,000. This receivable will be received over the remaining 12 years of the term.

The Agency entered into an agreement with Eleven Eleven West Jefferson LLC to lease 200 parking permits in the Boise Plaza Parking garage for a period of five years. The Agency has the right to sell the parking permits to the public in compliance with the rates in its parking management plan. The lease term is for 60 months following the effective date. The lease became effective on June 29, 2009, 60 days after the certificate of occupancy was issued. The Agency paid a prorated lease rate of $55,010 for the period June 29, 2009 to September 30, 2009. The annual lease rate is $213,600 and payment is due in advance on October 1 of each fiscal year. The lease terminates June 29, 2014.

(continued on next page)

Future minimum lease payments under the leases are as follows:

	Master Ground Lease	Office Facility	Boise Plaza
2012	$ 4,852,638	$ 180,204	$ 213,600
2013	5,087,738	135,403	213,600
2014	5,234,238	-	159,590
2015	5,312,663	-	-
2016	5,472,150	-	-
Thereafter	32,530,550	-	-
Total	$ 58,489,977	$ 315,607	$ 586,790

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Agency agreed to take responsibility for the match requirement for the Federal Transportation Authority Multi-Modal Center grant that is administered through Valley Regional Transit. The match responsibility was previously the obligation of Boise City. The total match requirement may be up to $2,392,508. Of this total requirement, $250,000 has already been met, leaving a remaining maximum match commitment of $2,142,508. If the actual match is less than $2,142,508, the Agency will provide funding up to a total of $2,142,508, inclusive of the grant match to other projects identified in the Downtown Mobility Study.

The Agency established a separate bank account in which to deposit funds for the match. As of September 30, 2011 the balance in this account was $2,142,508.

The Agency agreed to enter into an Owners Participation Agreement (OPA) with the Gardner Company, the developer of the project at 8th and Main in the Central District. The proposed project is a 15 floor office building with a value estimated by the developer at $50 to $60 million. The Agency's financial participation will involve an anticipated amount up to but not exceeding $4 million of public improvements and site remediation. The OPA sets out conditions of performance that must be met to become eligible for financial participation.

NOTE 13 – SIGNIFICANT CONTRACTUAL AGREEMENTS

The Agency is party to numerous agreements related to the development of the parcels in the Ada County Courthouse Corridor. In 2011, the various agreements were amended to facilitate the refunding of the 2002 B bonds with the 2011 B Revenue Refunding Note. The Business Terms Sheet/Funds Flow calculation was one of the agreements amended. The parties agreed to settle all tax increment guarantee claims through September 30, 2011. Under the terms of the amended agreement, the balances in the Funds Flow trustee accounts were released, with some funds paid to the developer for its claims, some funds used for costs of issuance on the 2011 B Revenue Refunding Note and the balance of the funds released to the Agency without additional restriction on their use. The tax increment guarantee for the Idaho Place parcels was restated as $245,000 for fiscal year 2011, increasing 3% each year thereafter through fiscal year 2024. The developer will receive credit against the guarantee amount for any actual increment received from the subject parcels. The tax increment guarantee due for fiscal year 2011 was paid.

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NOTE 14 – PLEDGED REVENUES

The Agency has certain long-term debt obligations for which revenues have been pledged. The Agency issued the Series 2010 A bonds to refund the 1995A, 1995 B, 1998 and 1999 bonds. Amounts in the 2010 A bond fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the bond fund each month. The source revenues for the deposits into the bond fund are revenue allocation from the Central District and parking revenues from the parking system. The 2010 A bonds mature in 2015. The bond fund is pledged until the bonds mature. For the year ended September 30, 2011 the total debt service on these bonds was $1,193,640.

The Agency issued the Series 2010 B bonds to refund the 2004 A and 2004 B bonds. Amounts in the 2010 B bond fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the bond fund each month. The source revenues for the deposits into the bond fund are revenue allocation from the River Myrtle District and parking revenues from the parking system. The 2010 B bonds mature in 2024. The bond fund is pledged until the bonds mature. For the year ended September 30, 2011, the total debt service on these bonds was $771,047.

The Agency issued the Series 2010 C Revenue Refunding Note to refund the 2002 C bonds. Amounts in the 2010 C note fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the note fund each month. The source revenues for the deposits into the note fund are revenue allocation from the River Myrtle District and parking revenues from the parking system. The 2010 B Revenue Refunding Note matures in 2024. The bond fund is pledged until the bonds mature. For the year ended September 30, 2011, the total debt service on this note was $206,162.

The Agency issued the Series 2011 B Revenue Refunding Note to refund the 2002 B bonds. Amounts in the 2011 B note fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the note fund each month. The source revenues for the deposits into the note fund are revenue allocation from the River Myrtle District and parking revenues from the parking system. The 2011 B Revenue Refunding Note matures in 2024. The bond fund is pledged until the bonds mature. For the year ended September 30, 2011, there was no debt service on this note. Principal and interest payments begin in fiscal year 2012.

NOTE 15 – REFUNDED DEBT

On October 15, 2010 the Series 2010 B-1 and Series 2010 B-2 Refunding Bonds were issued to refund the 2004 A and 2004 B variable rate bonds. A bond reserve in the amount of $748,141 was established with Bank of America using bond proceeds. The rate on the tax-exempt Series 2010 B-1 is 4.25%. The rate on the taxable Series 2010 B-2 is 3.05%. The advanced refunding was undertaken to reduce the interest rate risk exposure related to the variable rate debt and increased the total debt service payments over the length of the debt by $217,491. This resulted in an economic loss of $260,396.
On December 1, 2010 the Series 2010 C Revenue Refunding Note was issued to refund the 2002 C variable rate bonds. A bond reserve in the amount of $250,341 was established with Bank of America using note proceeds. The rate on the tax-exempt Series 2010 C is 4.29%. The term 2010 C Revenue Refunding Note matures in 2024 and has a shorter term than the 2002 C bonds, which were to mature in 2033. The advanced refunding was undertaken to reduce the interest rate risk exposure related to the variable rate debt and decreased the total debt service payments over the length of the debt by $350,039. This resulted in an economic loss of $365,710.

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NOTE 16 – FUND CONVERSION

In fiscal year 2011, the Agency combined the Central Parking fund and the River Myrtle Parking fund into a single fund, the Parking fund. In prior years, revenues from garages in the Central District were pledged to Central District bonds and revenues from garages located in the River Myrtle District were pledged to River Myrtle District bonds, so it was necessary to track the revenues separately. When the bonds were refunded in fiscal year 2010 and fiscal year 2011, the pledge of revenues was stated as revenues from the parking system as a whole, with no distinction by geography. Thus, it was no longer necessary to track the revenues separately. The parking system is operated as a single, unified system so recording the activity of the parking system in one fund rather than two funds is a more useful reflection of the parking system results.

In addition, the fund type for parking was converted from business-type to government funds. The debt service on the bonds that funded the garage construction is supported with revenue allocation funds, so the parking system is not self-supporting. Therefore, a government fund more accurately reflects the parking system activities. A one-time adjustment of $13,397,124 to beginning fund balance was made to record the net effect of the conversion from business type to government fund, see Note 18.

NOTE 17 – FUND BALANCE

The Board of Commissioners is the Agency's highest level of decision making authority. The Board adopted the Fund Balance Policy on September 12, 2011. Per the guidance in the policy, the Board established that an emergency repair reserve in the minimum amount of $500,000 shall be on hand as of September 30 of each fiscal year in the Parking fund. Funds within this reserve may be used intra-fiscal year for unforeseen, non-routine repair and maintenance expenditures in the garages when failure to do such repair and maintenance could adversely affect life safety or the ability to operate the garage(s) normally in the immediate future. The Board will evaluate the emergency repair reserve amount as part of each fiscal year's budget process and may amend the amount by resolution as it deems appropriate. The balance in the Parking Emergency Repair Reserve fund as of September 30, 2011 was $500,017.

The Board further determined that it may be appropriate to set aside funds apart from working capital for a future project or initiative pursuant generally to the budget and related documents such as the capital investment plan and parking reinvestment program. The Board delegated its authority to assign funds in this manner to the Executive Director. As of September 30, 2011, $5,110,969 was assigned in the Parking fund for parking reinvestment and capital projects budgeted for fiscal year 2012. The Board recommends a spending order of restricted, committed, assigned and then unassigned unless they approve otherwise.

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NOTE 18 – CHANGE IN BEGINNING NET ASSETS AND FUND BALANCE

Reporting Change due to a Change in Accounting Principle

The Agency determined that by definition, the parking funds previously recorded as enterprise funds no longer meet the definition of an enterprise fund as the security on the bonds was changed during the refunding. As of October 1, 2010, the enterprise funds previously called Central Parking and River Myrtle have been combined and converted to a governmental fund called the Parking Fund. The following discloses the restatement of net assets and fund balance as of the beginning of the year:

	Central Parking Enterprise Fund	River Myrtle Enterprise Fund
Net assets, beginning of year, as previously stated:	$16,227,236	$ 2,888,542
Conversion to a governmental fund	(16,227,236)	(2,888,542)
Net assets, beginning of year, as restated	$ -	$ -

	Governmental Parking Fund
Fund balance, beginning of year, as previously stated:	$ -
Conversion to a governmental fund	5,718,654
Fund balance, beginning of year, as restated	$ 5,718,654

CAPITAL CITY DEVELOPMENT CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

	General Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	$ -	$ -	$ 498	$ 498
Other	39,700	39,700	38,193	(1,507)
Total revenues	39,700	39,700	38,691	(1,009)
EXPENDITURES				
Operating and administrative expenses	3,300,570	2,582,223	2,283,933	298,290
Capital outlay and related expenses	18,000	20,000	24,848	(4,848)
Debt service - interest and fees	16,000	16,000	15,917	83
Total expenditures	3,334,570	2,618,223	2,324,698	293,525
EXCESS OF REVENUES OVER EXPENDITURES	(3,294,870)	(2,578,523)	(2,286,007)	292,516
OTHER FINANCING USES				
Interfund transfers	3,294,870	2,578,523	2,303,259	(275,264)
TOTAL OTHER FINANCING USES	3,294,870	2,578,523	2,303,259	(275,264)
NET CHANGE IN FUND BALANCES	-	-	17,252	17,252
FUND BALANCES, BEGINNING OF YEAR	143,082	143,082	143,082	-
FUND BALANCES, END OF YEAR	$ 143,082	$ 143,082	$ 160,334	$ 17,252

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

	Central District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ 3,000	$ 2,500	$ 4,350	$ 1,850
Interest	-	1,490	1,966	476
Other	154,100	143,019	154,858	11,839
Parking revenues	13,000	13,000	13,972	972
Revenue allocation funds	2,575,419	2,659,359	2,803,594	144,235
Total revenues	2,745,519	2,819,368	2,978,740	159,372
EXPENDITURES				
Operating expenses	511,530	459,630	425,830	33,800
Capital outlay and related expenses	98,000	60,500	23,374	37,126
Total expenditures	609,530	520,130	449,204	70,926
EXCESS OF REVENUES OVER EXPENDITURES	2,135,989	2,299,238	2,529,536	230,298
OTHER FINANCING USES				
Interfund transfers	(2,090,291)	(2,299,238)	(2,583,719)	(284,481)
TOTAL OTHER FINANCING USES	(2,090,291)	(2,299,238)	(2,583,719)	(284,481)
NET CHANGE IN FUND BALANCES	45,698	-	(54,183)	(54,183)
FUND BALANCES, BEGINNING OF YEAR	643,028	643,028	643,028	-
FUND BALANCES, END OF YEAR	$ 688,726	$ 643,028	$ 588,845	$ (54,183)

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

	River Myrtle District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ -	$ -	$ -	$ -
Interest	-	3,189	4,013	824
Other	356,200	359,600	1,041,325	681,725
Revenue allocation funds	4,195,833	4,586,576	4,733,642	147,066
Total revenues	4,552,033	4,949,365	5,778,980	829,615
EXPENDITURES				
Operating expenses	435,020	562,400	493,843	68,557
Capital outlay and related expenses	205,500	1,043,229	1,100,318	(57,089)
Debt service - principal	691,550	202,100	202,100	-
Debt service -interest	-	693,444	201,744	491,700
Total expenditures	1,332,070	2,501,173	1,998,005	503,168
EXCESS OF REVENUES OVER EXPENDITURES	3,219,963	2,448,192	3,780,975	1,332,783
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(4,049,058)	(1,462,023)	(2,305,526)	(843,503)
Write-down of property held for resale	-	-	(312,528)	(312,528)
Net of proceeds and payoffs, refunded debt	-	479,276	479,276	-
TOTAL OTHER FINANCING USES	(4,049,058)	(982,747)	(2,138,778)	(1,156,031)
NET CHANGE IN FUND BALANCES	(829,095)	1,465,445	1,642,197	176,752
FUND BALANCES, BEGINNING OF YEAR	3,919,806	3,919,806	3,919,806	-
FUND BALANCES, END OF YEAR	$ 3,090,711	$ 5,385,251	$ 5,562,003	$ 176,752

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

	Westside District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ -	$ -	$ -	$ -
Interest	-	7,000	6,658	(342)
Other	202,800	208,200	55,915	(152,285)
Revenue allocation funds	1,705,944	1,766,842	1,872,077	105,235
Total revenues	1,908,744	1,982,042	1,934,650	(47,392)
EXPENDITURES				
Operating expenses	312,740	146,398	307,967	(161,569)
Capital outlay and related expenses	3,595,108	3,175,190	668,702	2,506,488
Total expenditures	3,907,848	3,321,588	976,669	2,344,919
EXCESS OF REVENUES OVER EXPENDITURES	(1,999,104)	(1,339,546)	957,981	2,297,527
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(556,552)	(472,653)	(424,406)	48,247
Loss on property held for resale	-	-	(159,205)	(159,205)
TOTAL OTHER FINANCING USES	(556,552)	(472,653)	(583,611)	(110,958)
NET CHANGE IN FUND BALANCES	(2,555,656)	(1,812,199)	374,370	2,186,569
FUND BALANCES, BEGINNING OF YEAR	5,076,533	5,076,533	5,076,533	-
FUND BALANCES, END OF YEAR	$ 2,520,877	$ 3,264,334	$ 5,450,903	$ 2,186,569

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

	Parking Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ 19,000	$ 18,000	$ 16,681	$ (1,319)
Interest	-	13,151	15,320	2,169
Other	33,000	7,393	48,225	40,832
Parking revenues	3,988,822	3,829,052	3,770,104	(58,948)
Total revenues	4,040,822	3,867,596	3,850,330	(17,266)
EXPENDITURES				
Operating expenses	2,282,473	2,283,938	2,229,347	54,591
Capital outlay and related expenses	2,810,000	2,676,870	1,570,185	1,106,685
Debt service - principal	1,040,000	1,841,300	1,377,900	463,400
Debt service - interest and fees	3,902,836	728,800	1,274,077	(545,277)
Total expenditures	10,035,309	7,530,908	6,451,509	1,079,399
EXCESS OF REVENUES OVER EXPENDITURES	(5,994,487)	(3,663,312)	(2,601,179)	1,062,133
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(556,552)	(472,653)	3,008,392	3,481,045
Net of proceeds and payoffs, refunded debt	-	-	1,716,794	1,716,794
TOTAL OTHER FINANCING USES	(556,552)	(472,653)	4,725,186	5,197,839
NET CHANGE IN FUND BALANCES	(6,551,039)	(4,135,965)	2,124,007	6,259,972
FUND BALANCES, BEGINNING OF YEAR	5,076,533	5,076,533	5,718,654	(642,121)
FUND BALANCES, END OF YEAR	$ (1,474,506)	$ 940,568	$ 7,842,661	$ 5,617,851

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The Agency follows these procedures in establishing the budget:

1. Prior to August, the preliminary budget is reviewed by the Agency's Executive Committee.
2. The preliminary budget is presented to the Board of Commissioners at either the July or August meeting.
3. The preliminary budget is revised, if necessary, prior to final approval.
4. The proposed budget is approved by the Board of Commissioners at the August meeting.
5. The proposed budget is published for public review.
6. The Board of Commissioners holds a public hearing on the budget.
7. The proposed budget is adopted by the Board of Commissioners prior to September.
8. The adopted budget is filed with the City of Boise.
9. October 1 begins the Agency's fiscal year.
10. Formal budget amendments, if any, require approval of the Agency's Board of Commissioners.

NOTE 2 – AMENDED BUDGET

The fiscal year 2011 budget was amended once during the year to reflect a restatement of appropriations in the adopted and amended budget.

CAPITAL CITY DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION

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
Capital City Development Corporation
Boise, Idaho

We have audited the financial statements of the governmental activities, and each major fund of Capital City Development Corporation (the Agency), a component unit of Boise City, Idaho, as of and for the year ended September 30, 2011, and have issued our report thereon dated March 08, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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.

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Compliance and Other Matters

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

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

Eide Bailly LLP

Boise, Idaho
March 08, 2012