

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**



**CAPITAL CITY DEVELOPMENT  
CORPORATION**

# CAPITAL CITY DEVELOPMENT CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

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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, 2012 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, 2012, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013 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 Sully LLP*

Boise, Idaho

January 14, 2013

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

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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, 2012. 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 2012 by \$19.4 million. Of this total, \$11.5 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 \$21.6 million.
- During fiscal year 2012 the Agency's expenses were \$12,830,616 compared to the \$14,488,288 reported in 2011. The change in expenses was primarily associated with reductions in operational costs. Additionally, the Agency paid a developer fee as part of the restatement of the agreements related to the Courthouse project in fiscal year 2011 and fiscal year 2012. The Agency paid \$800,000 of this fee in fiscal year 2011 and the final payment of approximately \$122,000 in fiscal year 2012.
- Total revenues decreased approximately \$1.3 million. About half of this decrease results from a one-time transaction in fiscal year 2011. The Agency recovered previously written off tax increment guarantee and supplemental payments as part of the refunding transactions related to the Courthouse project. Additionally, tax increment revenues declined about \$166,000 compared to fiscal year 2011, reflecting economic conditions.
- Interest and fees expense on long term debt in governmental activities increased by about \$175,000 compared with 2011. The 2002 B bonds were refunded to the 2011 B bonds at the very end of fiscal year 2011. Debt service on the 2002 B was recorded as lease expense in fiscal year 2011 and earlier fiscal years, but debt service on the 2011 B bonds is recorded as typical debt service.
- The Agency's key revenues are parking revenues and revenue allocation revenues. Parking revenues decreased slightly, about 1.4% or \$56,670 in fiscal 2012. Revenue allocation also decreased slightly, about 1.8% or \$166,326 in fiscal 2012.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

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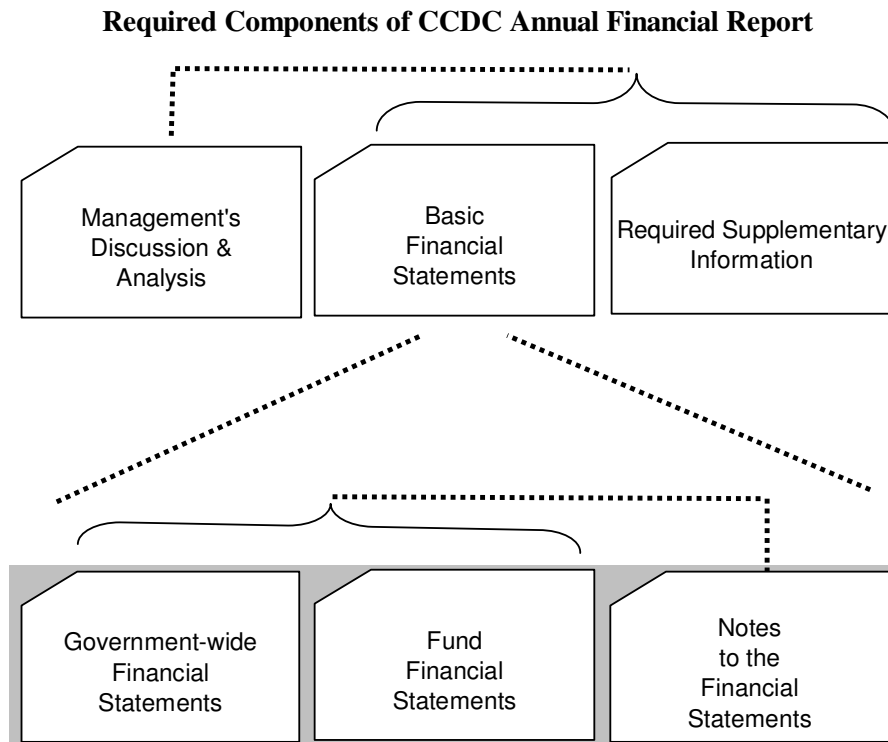
**Overview of the Financial Statements**

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 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.



**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

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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:

**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.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

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**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 include a total column to 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 2012. 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 six 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.



**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

**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 FY 2012 and FY 2011 Statement of Net Assets. 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. The Agency's combined net assets increased \$2,766,289 compared to fiscal year 2011. The increase is the result of budgeted capital projects being initiated in fiscal 2012 but not scheduled for completion until fiscal 2013.

Table 1  
Statement of Net Assets  
As of September 30, 2011 and 2012

	<u>2011</u>	<u>2012</u>	<u>Percentage Change 2011-2012</u>
Current & Other Assets	\$ 77,609,107	\$ 76,966,345	(0.8%)
Capital Assets	23,389,235	22,692,985	(3.0%)
<b>Total Assets</b>	<b>100,998,342</b>	<b>99,659,330</b>	<b>(1.3%)</b>
Long-term Debt Outstanding	71,992,764	67,275,341	(6.6%)
Other Liabilities	12,587,424	12,954,135	2.9%
<b>Total Liabilities</b>	<b>84,580,188</b>	<b>80,229,476</b>	<b>(5.1%)</b>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	10,664,235	11,537,985	8.2%
Other Net Assets	5,753,919	7,891,869	37.2%
<b>Total Net Assets</b>	<b>\$ 16,418,154</b>	<b>\$ 19,429,854</b>	<b>18.3%</b>

Total assets declined approximately \$1.6 million. The decline in net assets is attributable to depreciation of capital assets and amortization of prepaid interest and bond financing costs.

Approximately 60% 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.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

Table 2 provides a summary of the Agency's operation for the fiscal year ended September 30, 2012. Prior year data is presented for comparison purposes.

Table 2  
Statement of Activities  
For Years Ended September 30, 2011 and 2012

	2011	2012	Percentage Change 2011-2012
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 2,420,746	\$ 2,202,217	(9.0%)
Operating Grants & Contributions	1,338,516	515,465	(61.5%)
Parking	3,915,264	3,858,593	(1.4%)
<b>Total Program Revenue</b>	<b>7,674,526</b>	<b>6,576,275</b>	<b>(14.3%)</b>
<b>General Revenue</b>			
Property Tax Increment			
Unrestricted Investment Earnings	9,409,313	9,242,987	(1.8%)
	28,455	23,054	(19.0%)
<b>Total Revenues</b>	<b>17,112,294</b>	<b>15,842,316</b>	<b>(7.4%)</b>
<b>Expenses</b>			
<b>Program Expenses</b>			
Community Development	6,664,299	4,983,993	(25.2%)
Interest on Long-Term Debt	3,689,123	3,864,306	4.7%
Parking Facilities	4,134,866	3,982,317	(3.7%)
<b>Total Program Expenses</b>	<b>14,488,288</b>	<b>12,830,616</b>	<b>(11.4%)</b>
Special items	(14,379,266)	-	
<b>Increase (Decrease) in Net Assets</b>	<b>(11,755,260)</b>	<b>3,011,700</b>	
<b>Net Assets - Beginning</b>	28,173,414	16,418,154	(41.7%)
<b>Net Assets - Ending</b>	<b>\$ 16,418,154</b>	<b>\$ 19,429,854</b>	<b>18.3%</b>

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 \$1,269,978 compared with the prior year. About half of this decrease results from a one-time transaction in fiscal year 2011. The Agency recovered previously written off tax increment guarantee and supplemental payments as part of the refunding transactions related to the Courthouse project. Additionally, tax increment revenues declined about \$166,000 compared to fiscal year 2011, reflecting economic conditions.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

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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 year 2012 decreased approximately \$1,657,672. This decrease was primarily attributable to reductions in operating costs.

**Budgetary Highlights**

The fiscal year 2012 budget was amended once during the year. The total budget was decreased to eliminate amounts budgeted as contingency for completion of the 2011 B refunding transaction. The refunding was successfully completed in fiscal year 2011. The budget for operational expenses was also decreased.

**Capital Assets**

Tables 3 and 4 present the Agency's capital assets. The Agency's did not have major capital asset activity during the fiscal year. The change in capital assets was primarily attributable to depreciation.

Table 3  
 Capital Assets Net of Depreciation

	<b>2011</b>	<b>2012</b>	<b>Total Percentage Change 2011-2012</b>
Land	\$ 3,943,660	\$ 3,943,660	0.0%
Buildings, Improvements and Equipment	19,445,575	18,749,325	(3.6%)
<b>Total Assets</b>	<b>\$ 23,389,235</b>	<b>\$ 22,692,985</b>	<b>(3.0%)</b>

Table 4  
 Major Capital Additions during Fiscal 2012

<b>Beginning Balance</b>	\$ 23,389,235
Capital Additions:	
Equipment	6,802
Total Capital Additions	<u>6,802</u>
Current Year Depreciation	<u>(703,052)</u>
<b>Ending Balance</b>	<u><u>\$ 22,692,985</u></u>

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

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**Debt Administration**

Table 5 summarizes the principal amounts of the Agency's long-term debt (See also Note 8 – Long-Term Debt). The changes in long-term debt represent the scheduled principal payments on that debt.

Table 5  
 Long-Term Debt

Activity	Type	Total		Total Dollar Change
		2011	2012	2011-2012
2005 Series	Bond \$	44,370,000	\$ 41,705,000	\$ (2,665,000)
2010 A-1 Series	Bond	2,810,000	2,810,000	-
2010 A-2 Series	Bond	1,650,000	580,000	(1,070,000)
2010 B-1	Bond	7,480,000	7,480,000	-
2010 B-2	Bond	785,000	285,000	(500,000)
2010 C	Note	2,430,000	2,285,000	(145,000)
2011 B	Note	12,865,000	12,425,000	(440,000)
<b>Total</b>		<b>\$ 72,390,000</b>	<b>\$ 67,570,000</b>	<b>\$ (4,820,000)</b>

**Economic Factors**

The effects of the economic downturn continue to be present in the downtown. For fiscal year 2012 compared with fiscal year 2011, property values declined 5% in the Central District, 3% in the River Myrtle District and 9% 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. It is expected that property values have stabilized and the Agency will not see another decline of property values in fiscal year 2013. Major construction projects include Whole Foods, JUMP and 8<sup>th</sup> and Main sites. The Agency has seen an increased level of interest in downtown development and proposals for additional projects are in the works. However, 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 decline slightly in fiscal year 2012, decreasing about 5% compared with the number of visitors in fiscal year 2011. However, average lengths of stay increased in the garages during 2012 compared with 2011, so overall, revenue remained fairly flat. The Agency continues to monitor garage activity very closely.

In 2012, the Agency updated its strategic plan to increase its focus more development activities and fewer planning activities.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**

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**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. 9<sup>th</sup> St., #501, Boise, ID 83702, 208-384-4264 (Telephone), 208-384-4267 (Fax), [www.ccdboise.com](http://www.ccdboise.com) (Website).

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 5,947,552
Receivables	
Accounts receivable, allowance of \$33,435	411,267
Interest receivable	258,416
Taxes receivable	8,471,677
Due from other governmental units	41,705,000
Restricted cash	13,512,219
Investment in partnership	130,000
Investment in property held for resale or development	3,390,175
Deferred bond financing costs, net of accumulated amortization	1,282,257
Prepaid interest on bonds	1,857,782
Capital assets, net of accumulated depreciation	
Land, non-depreciable	3,943,660
Buildings, improvements, and equipment, net of accumulated depreciation	18,749,325
	<u>99,659,330</u>
<b>LIABILITIES</b>	
Accounts payable	1,691,417
Accrued liabilities	103,371
Interest payable	350,342
Capital lease payable	7,634
Deferred revenue	9,647,755
Premium on bond issuance, net of accumulated amortization	1,153,616
Long-term debt	
Current portion	5,580,000
Long-term	61,695,341
Total liabilities	<u>80,229,476</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11,537,985
Restricted	7,841,309
Unrestricted	50,560
	<u>\$ 19,429,854</u>

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
Community development	\$ 4,983,993	\$ 2,202,217	\$ 515,465	\$ -
Interest on long-term debt	3,864,306	-	-	-
Parking facilities	3,982,317	3,858,593	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 12,830,616</u>	<u>\$ 6,060,810</u>	<u>\$ 515,465</u>	<u>\$ -</u>

General revenues:

Property tax increment for general purposes

Unrestricted investment earnings

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities	
\$	(2,266,311)
	(3,864,306)
	(123,724)
	(6,254,341)
	9,242,987
	23,054
	9,266,041
	3,011,700
	16,418,154
\$	19,429,854



**CAPITAL CITY DEVELOPMENT CORPORATION**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
<b>ASSETS</b>				
Cash	\$ 250,150	\$ -	\$ -	\$ -
Accounts receivable, net of allowance of \$33,435	768	-	20,473	322,628
Interest receivable	574	-	-	-
Taxes receivable	-	-	2,752,105	4,143,711
Due from other governmental units	-	41,705,000	-	-
Restricted cash	-	-	1,603,373	4,162,490
Investment in partnership	-	-	-	130,000
Investment in property held for resale or development	-	-	-	2,351,816
	<u>\$ 251,492</u>	<u>\$ 41,705,000</u>	<u>\$ 4,375,951</u>	<u>\$ 11,110,645</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 35,061	\$ -	\$ 24,021	\$ 679,494
Accrued liabilities	103,371	-	-	-
Deferred revenue	-	41,705,000	2,754,805	4,143,711
Total liabilities	138,432	41,705,000	2,778,826	4,823,205
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	2,351,816
Restricted	-	-	1,597,125	3,935,624
Committed	-	-	-	-
Assigned	62,500	-	-	-
Unassigned	50,560	-	-	-
Total fund balances	<u>113,060</u>	<u>-</u>	<u>1,597,125</u>	<u>6,287,440</u>
	<u>\$ 251,492</u>	<u>\$ 41,705,000</u>	<u>\$ 4,375,951</u>	<u>\$ 11,110,645</u>

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Westside District RA Fund	Parking Fund	Total Governmental Funds
\$ -	\$ 5,697,402	\$ 5,947,552
478	66,920	411,267
-	-	574
1,575,861	-	8,471,677
-	-	41,705,000
4,989,807	2,756,549	13,512,219
-	-	130,000
<u>1,038,359</u>	<u>-</u>	<u>3,390,175</u>
<u>\$ 7,604,505</u>	<u>\$ 8,520,871</u>	<u>\$ 73,568,464</u>
\$ 406,595	\$ 546,246	\$ 1,691,417
-	-	103,371
<u>1,575,861</u>	<u>-</u>	<u>50,179,377</u>
1,982,456	546,246	51,974,165
1,038,359	-	3,390,175
4,583,690	2,256,549	12,372,988
-	500,000	500,000
-	5,218,076	5,280,576
<u>-</u>	<u>-</u>	<u>50,560</u>
<u>5,622,049</u>	<u>7,974,625</u>	<u>21,594,299</u>
<u>\$ 7,604,505</u>	<u>\$ 8,520,871</u>	<u>\$ 73,568,464</u>

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**RECONCILIATION OF NET ASSETS IN THE STATEMENT OF NET ASSETS TO THE FUND**  
**BALANCE IN THE BALANCE SHEET**  
**SEPTEMBER 30, 2012**

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

Total fund balance		\$ 21,594,299
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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	30,775,329	
Accumulated depreciation	<u>(12,026,004)</u>	22,692,985

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	41,705,000	
Interest receivable	<u>257,842</u>	41,962,842

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. (7,634)

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	<u>568,542</u>	(1,173,378)

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**RECONCILIATION OF NET ASSETS IN THE STATEMENT OF NET ASSETS TO THE FUND**  
**BALANCE IN THE BALANCE SHEET**  
**SEPTEMBER 30, 2012**

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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, 2012 are:

Capitalized debt issuance costs 2010 A	175,186	
Amortization of debt issuance costs to date	(108,522)	
Capitalized debt issuance costs 2010 B	175,508	
Amortization of debt issuance costs to date	(39,889)	
Capitalized debt issuance costs 2010 C	184,125	
Amortization of debt issuance costs to date	(39,987)	
Capitalized debt issuance costs 2011 B	590,722	
Amortization of debt issuance costs to date	(75,645)	
Capitalized debt issuance costs 2005	1,218,772	
Amortization of debt issuance costs to date	(798,013)	
Premium on bonds issued	(3,341,573)	
Amortization of bond premium to date	2,187,957	
Prepaid interest	5,381,267	
Amortization of prepaid interest to date	<u>(3,523,485)</u>	1,986,423

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	(5,580,000)	
Bonds payable - long-term	(61,990,000)	
Deferred economic loss on 2010 A Bonds	108,132	
Deferred economic loss on 2010 B Bonds	85,601	
Deferred economic loss on 2010 C	100,926	
Accrued interest	<u>(350,342)</u>	<u>(67,625,683)</u>

Net assets for governmental activities \$ 19,429,854

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2012**

	General Fund	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund
<b>REVENUES</b>				
Lease	\$ -	\$ 4,852,638	\$ 4,350	\$ -
Interest	148	-	377	17,851
Other	35,548	-	74,247	358,692
Parking	-	-	10,776	-
Revenue allocation funds	-	-	2,933,205	4,586,167
<b>Total revenues</b>	<b>35,696</b>	<b>4,852,638</b>	<b>3,022,955</b>	<b>4,962,710</b>
<b>EXPENDITURES</b>				
Administrative expenses	1,769,908	-	-	-
Operating expenses	424,067	123,861	206,092	162,815
Capital outlay and related expenses	19,729	-	18,003	1,030,923
Debt service - principal	-	2,665,000	-	235,000
Debt service - interest	15,250	2,187,638	-	147,363
<b>Total expenditures</b>	<b>2,228,954</b>	<b>4,976,499</b>	<b>224,095</b>	<b>1,576,101</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,193,258)</b>	<b>(123,861)</b>	<b>2,798,860</b>	<b>3,386,609</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	2,145,984	2,071	(1,790,580)	(2,537,392)
Write-down of property held for resale	-	-	-	(123,780)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,145,984</b>	<b>2,071</b>	<b>(1,790,580)</b>	<b>(2,661,172)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(47,274)</b>	<b>(121,790)</b>	<b>1,008,280</b>	<b>725,437</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>160,334</b>	<b>121,790</b>	<b>588,845</b>	<b>5,562,003</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 113,060</b>	<b>\$ -</b>	<b>\$ 1,597,125</b>	<b>\$ 6,287,440</b>

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Westside District RA Fund	Parking Fund	Total Governmental Funds
\$ 4,269	\$ 10,800	\$ 4,872,057
1,436	3,242	23,054
2,867	44,111	515,465
-	3,713,433	3,724,209
<u>1,723,615</u>	<u>-</u>	<u>9,242,987</u>
<u>1,732,187</u>	<u>3,771,586</u>	<u>18,377,772</u>
-	-	1,769,908
32,085	2,060,078	3,008,998
1,105,437	1,273,300	3,447,392
-	1,920,000	4,820,000
<u>-</u>	<u>940,763</u>	<u>3,291,014</u>
<u>1,137,522</u>	<u>6,194,141</u>	<u>16,337,312</u>
594,665	(2,422,555)	2,040,460
(374,602)	2,554,519	-
<u>(48,917)</u>	<u>-</u>	<u>(172,697)</u>
<u>(423,519)</u>	<u>2,554,519</u>	<u>(172,697)</u>
171,146	131,964	1,867,763
<u>5,450,903</u>	<u>7,842,661</u>	<u>19,726,536</u>
<u>\$ 5,622,049</u>	<u>\$ 7,974,625</u>	<u>\$ 21,594,299</u>

**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, 2012**

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

Net change in fund balances - total governmental funds		\$	1,867,763
Remove developer fee incurred in prior year, expensed on governmental fund in the current year.			121,790
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	6,802		
Depreciation - parking	(655,741)		
Depreciation - other	<u>(47,311)</u>		(696,250)
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.			(2,680,616)
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.			7,145
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	(75,390)		
Current year loss - 2010 B Refunding	(14,798)		
Current year loss - 2010 C Refunding	<u>(12,389)</u>		(102,577)

**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, 2012**

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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	4,820,000	
Amortization of 2005 issuance costs	(86,020)	
Amortization of 2010 A issuance costs	(46,508)	
Amortization of 2010 B issuance costs	(20,369)	
Amortization of 2010 C issuance costs	(21,326)	
Amortization of 2011 B issuance costs	(75,645)	
Amortization of 2005 premium	235,847	
Amortization of 2005 prepaid interest	(379,807)	
Interest expense	<u>(76,887)</u>	<u>4,349,285</u>
Changes in net assets of governmental activities		<u>\$ 3,011,700</u>



**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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**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 (the City), Idaho financial statements based on certain criteria in GASB Statement No. 39. The Agency provides urban renewal services to the 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, service 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.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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The Agency reports the following major governmental funds:

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 was 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 was 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.

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

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.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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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, 2012, none of the investments of the Agency were rated.

*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 sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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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 \$2,933,205, \$4,586,167, and \$1,723,615 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, 2012 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 asset 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:

	<u>Estimated Useful Life (Years)</u>
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 balance sheet. In fiscal year 2012, 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.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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*Fund Equity*

The Agency established accounting policies related to GASB No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. 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. 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 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.

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 30th 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, 2012 was \$500,000.

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, 2012, \$5,218,075 and \$62,500 was assigned in the Parking and General funds, respectively, for parking reinvestment projects and commitments budgeted in fiscal 2013.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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*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, 2012.

*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, 2012, the Agency had the following investments subject to interest rate risk.

Investment Type	Fair Value	Investment Maturities (in years)		Credit Rating
		Less than one	1-5	
LGIP	\$ 3,001,553	\$ 3,001,553	\$ -	n/a

*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 \$16,458,219 and the bank balance was \$16,494,417. The bank balance of \$16,494,417 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.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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**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, 2012 for Central, River Myrtle and Westside is \$1,597,124, \$3,935,624 and \$4,583,690 respectively. The restricted balance in the Parking fund is \$2,256,549 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.

**NOTE 4 – INTERFUND TRANSFERS**

Interfund transfers are made for two primary purposes. Transfers are made as a method of allocating the cost of program operations to their respective funds. Transfers are also made from the revenue allocation funds to the parking fund to cover the debt service payments on the bonds.

**NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS**

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

Ada County capital lease	\$ 41,705,000
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The following represents the minimum future payments on the capital lease from Ada County.

2013	\$ 5,087,738
2014	5,234,238
2015	5,312,663
2016	5,472,150
2017	5,636,550
Thereafter	<u>26,894,000</u>
	53,637,339
Less amount representing interest	<u>(11,932,339)</u>
	<u><u>\$ 41,705,000</u></u>

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012 was as follows:

	September 30, 2011	Additions	Deletions	September 30, 2012
<b>Governmental Activities</b>				
<i>Capital assets, not depreciated</i>				
Land	\$ 3,943,660	\$ -	\$ -	\$ 3,943,660
<i>Capital assets, depreciated</i>				
Buildings	27,110,936	-	-	27,110,936
Improvements other than buildings	3,152,381	-	-	3,152,381
Equipment	586,446	6,802	(81,236)	512,012
Total	30,849,763	6,802	(81,236)	30,775,329
<i>Less accumulated depreciation</i>				
Buildings	(9,251,877)	(565,705)	-	(9,817,582)
Improvements other than buildings	(1,892,214)	(125,965)	-	(2,018,179)
Equipment	(260,097)	(11,382)	81,236	(190,243)
Total	(11,404,188)	(703,052)	81,236	(12,026,004)
<i>Total depreciated capital assets, net</i>	19,445,575	(696,250)	-	18,749,325
<i>Governmental activities capital assets, net</i>	\$ 23,389,235	\$ (696,250)	\$ -	\$ 22,692,985

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

Governmental Activities	
General Government	\$ 703,052



**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 7 – LONG-TERM DEBT**

As of September 30, 2012, long-term debt consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Government</b>					
2005 Series	\$ 44,370,000	\$ -	\$ (2,665,000)	\$ 41,705,000	\$ 3,025,000
2010 A-1	2,810,000	-	-	2,810,000	520,000
2010 A-2	1,650,000	-	(1,070,000)	580,000	580,000
2010 B-1	7,480,000	-	-	7,480,000	230,000
2010 B-2	785,000	-	(500,000)	285,000	285,000
2010 C	2,430,000	-	(145,000)	2,285,000	150,000
2011 B	12,865,000	-	(440,000)	12,425,000	790,000
	<u>\$ 72,390,000</u>	<u>\$ -</u>	<u>\$ (4,820,000)</u>	<u>\$ 67,570,000</u>	<u>\$ 5,580,000</u>

Parking Revenue and Revenue Allocation Bonds:

2005 Series	\$ 41,705,000
2010 A-1	2,810,000
2010 A-2	580,000
2010 B-1	7,480,000
2010 B-2	285,000
2010C	2,285,000
2011B	12,425,000
	<u>\$ 67,570,000</u>

At September 30, 2012, long-term debt is classified on the Statement of Net Assets as:

Current portion	\$ 5,580,000
Long-term	<u>61,990,000</u>
	<u>\$ 67,570,000</u>

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 Ada 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.

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.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 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 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, 2012 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, 2012 are shown below.

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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	6,015,000	2,088,385
2018-2022	33,470,000	5,768,014
2023-2025	<u>4,620,000</u>	<u>316,430</u>
Total	<u>\$ 67,570,000</u>	<u>\$ 19,274,733</u>

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. A request to renew the line of credit with the same terms and an expiration date of December 12, 2014 is under consideration with Bank of America as of the financial statement date. As of September 30, 2012 the amount outstanding on the line of credit was \$0.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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**NOTE 8 – 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](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the Agency and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2012, 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 \$99,801, \$93,164, and \$94,724 for the three years ended September 30, 2012, 2011, and 2010, respectively.

**NOTE 9 – LEASES**

*Lease Expense*

The Agency is a party to the following operating 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.

The Agency is party to the following capital lease:

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 depreciation	\$	14,310

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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The payout schedule is as follows:

2013	<u>\$ 7,464</u>
Less amount representing interest	<u>(111)</u>
	<u><u>\$ 7,353</u></u>

*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 twelve 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 \$41,705,000. This receivable will be received over the remaining twelve 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 sixty months following the effective date. The lease became effective on June 29, 2009, sixty days after the certificate of occupancy was issued. The annual lease rate is \$213,600 and payment is due in advance on October 1st of each fiscal year. The lease terminates June 29, 2014.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

Future minimum lease payments under the leases are as follows:

	<u>Master Ground</u>	<u>Office Facility</u>	<u>Boise Plaza</u>
2013	\$ 5,087,738	\$ 135,403	\$ 213,600
2014	5,234,238	-	159,590
2015	5,312,663	-	-
2016	5,472,150	-	-
2017	5,636,550	-	-
2018-2022	26,894,000	-	-
2023-2027	1,803,919	-	-
2028-2032	1,153,827	-	-
2033-2037	582,550	-	-
2038-2042	675,334	-	-
2043-2047	782,894	-	-
2048-2052	907,578	-	-
2053-2057	1,052,143	-	-
2058-2062	1,219,728	-	-
2063-2067	1,413,994	-	-
2068-2072	1,639,206	-	-
2073-2077	1,900,289	-	-
2078-2082	2,202,957	-	-
2083-2087	2,553,833	-	-
2088-2092	2,960,594	-	-
2093-2097	3,432,137	-	-
2098	375,909	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 78,294,231</u>	<u>\$ 135,403</u>	<u>\$ 373,190</u>

Total lease expense for the year ended September 30, 2012 was \$5,291,967.

**NOTE 10 – 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. As the payout amount is uncertain, no liability has been recorded.

The Agency established a separate bank account in which to deposit funds for the match. As of September 30, 2012 the balance in this account was \$2,142,508.

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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The Agency agreed to enter into an Owners Participation Agreement (OPA) and related agreements with the Gardner Company, the developer of the project at 8<sup>th</sup> 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, as such, no liability has been recorded.

**NOTE 11 – 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. Under the terms of the amended agreement, 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 supplemental rent obligation on the apartment parcels in the Courthouse Corridor is stated in the Business Terms Sheet as \$289,865 for fiscal year 2011, increasing 3% each year thereafter through fiscal year 2024. The developer will receive credit against the supplemental rent amount for any actual increment received from the apartment parcels. As of September 30, 2012, the tax increment guarantee and supplemental rent obligations in the amounts of \$238,395 and \$64,275 that were due to the Agency for fiscal year 2012 were unpaid. Full payment of the two obligations was received December 21, 2012.

**NOTE 12 – 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, 2012 the total debt service on these bonds was \$1,185,135.

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, 2012, the total debt service on these bonds was \$813,538.

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, 2012, the total debt service on this note was \$240,626.

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

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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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, 2012, the total debt service on this note was \$1,003,558.

**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, 2012**

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 148	\$ 148
Other	39,700	39,700	35,548	(4,152)
Total revenues	39,700	39,700	35,696	(4,004)
<b>EXPENDITURES</b>				
Operating and administrative expenses	3,300,570	2,582,223	2,193,975	388,248
Capital outlay and related expenses	18,000	20,000	19,729	271
Debt service - interest and fees	16,000	16,000	15,250	750
Total expenditures	3,334,570	2,618,223	2,228,954	389,269
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(3,294,870)	(2,578,523)	(2,193,258)	385,265
<b>OTHER FINANCING SOURCES</b>				
Interfund transfers	3,294,870	2,578,523	2,145,984	(432,539)
<b>TOTAL OTHER FINANCING SOURCES</b>	3,294,870	2,578,523	2,145,984	(432,539)
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(47,274)	(47,274)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	160,334	160,334	160,334	-
<b>FUND BALANCES, END OF YEAR</b>	\$ 160,334	\$ 160,334	\$ 113,060	\$ (47,274)

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2012**

	Central District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Lease	\$ 2,500	\$ 2,500	\$ 4,350	\$ 1,850
Interest	-	-	377	377
Other	31,350	31,350	74,247	42,897
Parking revenues	13,000	13,000	10,776	(2,224)
Revenue allocation funds	2,734,954	2,734,954	2,933,205	198,251
Total revenues	2,781,804	2,781,804	3,022,955	241,151
EXPENDITURES				
Operating expenses	418,300	222,110	206,092	16,018
Capital outlay and related expenses	220,500	191,500	18,003	173,497
Total expenditures	638,800	413,610	224,095	189,515
EXCESS OF REVENUES OVER EXPENDITURES	2,143,004	2,368,194	2,798,860	430,666
OTHER FINANCING USES				
Interfund transfers	(2,228,831)	(2,548,842)	(1,790,580)	758,262
TOTAL OTHER FINANCING USES	(2,228,831)	(2,548,842)	(1,790,580)	758,262
NET CHANGE IN FUND BALANCES	(85,827)	(180,648)	1,008,280	1,188,928
FUND BALANCES, BEGINNING OF YEAR	588,845	588,845	588,845	-
FUND BALANCES, END OF YEAR	\$ 503,018	\$ 408,197	\$ 1,597,125	\$ 1,188,928

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2012**

	River Myrtle District RA Fund			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Lease	\$ -	\$ -	\$ -	\$ -
Interest	-	-	17,851	17,851
Other	359,600	359,600	358,692	(908)
Revenue allocation funds	4,051,325	4,051,324	4,586,167	534,843
<b>Total revenues</b>	<b>4,410,925</b>	<b>4,410,924</b>	<b>4,962,710</b>	<b>551,786</b>
<b>EXPENDITURES</b>				
Operating expenses	353,450	186,000	162,815	23,185
Capital outlay and related expenses	1,071,000	1,125,750	1,030,923	94,827
Debt service - principal	235,000	235,000	235,000	-
Debt service -interest	1,050,500	482,500	147,363	335,137
<b>Total expenditures</b>	<b>2,709,950</b>	<b>2,029,250</b>	<b>1,576,101</b>	<b>453,149</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,700,975</b>	<b>2,381,674</b>	<b>3,386,609</b>	<b>1,004,935</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	(3,128,419)	(2,693,381)	(2,537,392)	155,989
Write-down of property held for resale	-	-	(123,780)	(123,780)
<b>TOTAL OTHER FINANCING USES</b>	<b>(3,128,419)</b>	<b>(2,693,381)</b>	<b>(2,661,172)</b>	<b>32,209</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,427,444)</b>	<b>(311,707)</b>	<b>725,437</b>	<b>1,037,144</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>5,562,003</b>	<b>5,562,003</b>	<b>5,562,003</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,134,559</b>	<b>\$ 5,250,296</b>	<b>\$ 6,287,440</b>	<b>\$ 1,037,144</b>

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2012**

	Westside District RA Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
<b>REVENUES</b>				
Lease	\$ -	\$ -	\$ 4,269	\$ 4,269
Interest	-	-	1,436	1,436
Other	761,037	11,037	2,867	(8,170)
Revenue allocation funds	1,615,010	1,615,010	1,723,615	108,605
<b>Total revenues</b>	<b>2,376,047</b>	<b>1,626,047</b>	<b>1,732,187</b>	<b>106,140</b>
<b>EXPENDITURES</b>				
Operating expenses	251,237	74,037	32,085	41,952
Capital outlay and related expenses	4,861,608	4,406,608	1,105,437	3,301,171
Debt service - interest & fees	12,500	-	-	-
<b>Total expenditures</b>	<b>5,125,345</b>	<b>4,480,645</b>	<b>1,137,522</b>	<b>3,343,123</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,749,298)</b>	<b>(2,854,598)</b>	<b>594,665</b>	<b>3,449,263</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	(906,598)	(447,655)	(374,602)	73,053
Loss on property held for resale	-	-	(48,917)	(48,917)
<b>TOTAL OTHER FINANCING USES</b>	<b>(906,598)</b>	<b>(447,655)</b>	<b>(423,519)</b>	<b>24,136</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,655,896)</b>	<b>(3,302,253)</b>	<b>171,146</b>	<b>3,473,399</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>5,450,903</b>	<b>5,450,903</b>	<b>5,450,903</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,795,007</b>	<b>\$ 2,148,650</b>	<b>\$ 5,622,049</b>	<b>\$ 3,473,399</b>

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2012**

	Parking Fund			Variance Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
REVENUES				
Lease	\$ 18,000	\$ 18,000	\$ 10,800	\$ (7,200)
Interest	-	-	3,242	3,242
Other	-	-	44,111	44,111
Parking revenues	3,817,852	3,654,638	3,713,433	58,795
Total revenues	3,835,852	3,672,638	3,771,586	98,948
EXPENDITURES				
Operating expenses	2,518,930	2,268,030	2,060,078	207,952
Capital outlay and related expenses	2,295,000	2,523,900	1,273,300	1,250,600
Debt service - principal	2,170,000	1,920,000	1,920,000	-
Debt service - interest and fees	1,007,600	1,179,950	940,763	239,187
Total expenditures	7,991,530	7,891,880	6,194,141	1,697,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,155,678)	(4,219,242)	(2,422,555)	1,796,687
OTHER FINANCING SOURCES (USES)				
Interfund transfers	2,966,178	3,108,555	2,554,519	(554,036)
Net of proceeds and payoffs, refunded debt	(335,500)	-	-	-
TOTAL OTHER FINANCING SOURCES	2,630,678	3,108,555	2,554,519	(554,036)
NET CHANGE IN FUND BALANCES	(1,525,000)	(1,110,687)	131,964	1,242,651
FUND BALANCES, BEGINNING OF YEAR	7,842,661	7,842,661	7,842,661	-
FUND BALANCES, END OF YEAR	\$ 6,317,661	\$ 6,731,974	\$ 7,974,625	\$ 1,242,651

**CAPITAL CITY DEVELOPMENT CORPORATION**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2012**

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**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 2012 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***

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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, 2012, and collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

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

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

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



*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
January 14, 2013