



FINANCIAL STATEMENTS

Year Ended September 30, 2011

MOSCOW URBAN RENEWAL AGENCY

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	2
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	7
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	14
Statement of Activities	15
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds – General Fund	18
Budget and Actual – Governmental Funds – Alturas Technology Park Fund	19
Budget and Actual – Governmental Funds – Legacy Crossing District Fund	20
NOTES TO FINANCIAL STATEMENTS	21
SUPPLEMENTARY INFORMATION	
Independent Auditor's Report - Government Auditing Standards	29



December 22, 2011

To the Moscow Urban Renewal Agency Commissioners and other interested parties:

We are pleased to submit to you the *Audited Financial Statements for the Moscow Urban Renewal Agency* (hereafter "the Agency") for the fiscal year ended September 30, 2011.

This report presents a comprehensive look at the Agency's financial position as of the close of the last fiscal year, the results of its operations, and the cash flows of its various fund types. The financial statements and supporting schedules included have all been prepared in accordance with United States generally accepted accounting principles (GAAP), and they meet the requirements of the State of Idaho.

Idaho law requires that all governments, within six months of the close of each fiscal year, publish a complete set of financial statements presented in conformity with GAAP principles and audited by a firm of licensed certified public accountants in accordance with United States generally accepted auditing standards (GAAS). The Agency's financial statements have been audited by Presnell Gage, PLLC, a firm of licensed certified public accountants, again this year.

In its entirety, this report consists of management's representations of the Agency's finances, corroborated by independent certified public accountants acting as auditors. While management assumes full responsibility for the completeness and reliability of the information presented in this report, the Agency's internal controls continue to protect our assets from loss, theft, or misuse. Moreover, this report represents another year's confirmation that we are compiling sufficiently reliable information for the Agency's financial statements to remain in conformity with GAAP standards. As part of the Agency's management team, we assert that to the best of our knowledge, this financial report is complete and reliable in all material respects.

The goal of an audit is to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used by management, and especially emphasizing the internal controls and compliance with legal requirements. Based upon their reviews, Presnell Gage, PLLC's, auditors concluded there is a reasonable basis for rendering an unqualified opinion that the Agency's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A narrative introduction, overview, and analysis accompany the basic financial statements. This report can be found in the form of the Management's Discussion and Analysis (MD&A) in the financial section directly following the report of the independent auditor. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

206 E Third Street
Moscow ID 83843
P: 208-883-7007
F: 208-883-7018
www.moscowura.com

Agency Profile and Notable Recent Accomplishments:

The Agency was organized by the Moscow City Council in 1995 to support the development of the Alturas Technology Park, and in 2008 another urban renewal district was created called the Legacy Crossing District.

In Fiscal Year 2011, the Agency continued management of the Alturas Technology Park District and the Legacy Crossing District. The Agency's activities within these districts are directed by specific urban renewal plans adopted by the Moscow City Council.

Organization and District highlights for the fiscal year 2011 include the following:

Organizational Highlights

- Jeffrey B. Jones, Executive Director, was hired by the Agency in December 2010. Prior to moving to Moscow, Mr. Jones most recently served as Senior Consultant for Equity Advisors Consulting Group, LLC, a national site selection and real estate consulting company based in Boise, Idaho.
- In January 2011, Latah County Commissioner Dave McGraw was appointed to the Moscow Urban Renewal Agency Board of Commissioners. Mr. McGraw replaced former Latah County Commissioner Jack Nelson, who decided not to seek reelection to the Latah County Commission.

Legacy Crossing District

- In February 2011, the property acquired by the Agency at 6th and Jackson Streets was secured by cables and bollards to prevent unauthorized use of the property.
- In May 2011, Relient Engineering evaluated the seed sack warehouse located at 6th and Jackson Streets for adaptive reuse.
- In June 2011, the City of Moscow building department notified the Agency that the seed sack warehouse was deemed to be an unsafe and dangerous building and that the Agency would need to commence work within 15 days to remove the potential threats to public safety.
- In July 2011, the Agency Board of Commissioners directed staff to prepare the seed sack warehouse for demolition.
- In August 2011, STRATA completed an asbestos and lead based paint survey for the seed sack warehouse, and a coffee house located on the 6th and Jackson Streets property.
- In August 2011, the Legacy Crossing District repaid The Alturas Technology Park District's start-up loan in the amount of \$35,396.84.
- In September 2011, LaMoreaux Photography photographed the seed sack warehouse for historic preservation purposes.
- In September 2011, Germer Construction secured the site and began the demolition of the seed sack warehouse. Site cleanup and final inspections were also completed during September 2011.
- In September 2011, the Agency finalized a Limited Resource Promissory Note with the Anderson Group, LLC, relating to the environmental remediation of the Anderson Group, LLC, property.

Alturas Technology Park District

- The Agency entered into a preliminary agreement with a local technology company in 2009 for the sale of two lots in Alturas and continues to hold BikeTronics' deposit of \$2,000 until a decision to locate is final.

The Agency, of course, continued to exercise its powers and authority and continued to assume the responsibilities delegated to it, according to the provisions of Chapters 20 and 29, Section 50 of the *Idaho Code*. It continued to utilize the City's Comprehensive Plan as a guide in its land use decision-making. The Agency utilizes the annual budget to guide its financial decision-making. The Agency's budget is adopted at the total appropriation level and conforms with Idaho State budget law.

During the fiscal year presented in this report, the Agency's primary source of income was tax increment derived from the two urban renewal districts: Alturas Technology Park and Legacy Crossing District.

The preparation of the Agency's audited financial statements for the fiscal year ended September 30, 2011, would not have been possible without the efficient and dedicated service of the City of Moscow's staff. A special thanks to Joelle Dinubilo, Sue Nelson, Stephanie Kalasz, and Gary Riedner. We also wish to express our gratitude and appreciation to the Board of Commissioners and Chairman, John McCabe, for their unfailing support for maintaining the highest standards of professionalism in the management of the Moscow Urban Renewal Agency's finances.

Respectfully submitted,



Jeffrey B. Jones, AICP
Executive Director



Don Palmer
Agency Treasurer



presnell
GAGE, PLLC

ACCOUNTING AND CONSULTING

1216 Idaho Street
Post Office Box 555
Lewiston, Idaho 83501
www.presnellgage.com

(208) 746-8281

Fax (208) 746-5174

Independent Auditor's Report

Board of Commissioners
Moscow Urban Renewal Agency
Moscow, Idaho

We have audited the accompanying financial statements of the governmental activities and each major fund of the Moscow Urban Renewal Agency, a component-unit of the City of Moscow, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Moscow Urban Renewal Agency as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 18 through 20 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2011, on our consideration of the Moscow Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.


December 22, 2011

MOSCOW URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section offers readers an overview and analysis of the fiscal year 2011 financial activities of the Urban Renewal Agency of the City of Moscow (hereafter the Agency). It should be read in conjunction with the Agency's audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Agency's total net assets were \$1,208,998.
- The Agency's liabilities at September 30, 2011, were \$960,601.
- The Agency's total year-end fund balances were \$1,061,645.
- The property tax increase of \$61,254 is a result of an increase from the Legacy Crossing District of \$76,810 and a decrease in property tax revenue from the Alturas Technology Park District in the amount of \$15,556. The net change in property tax receipts is due to a recent reappraisal of commercial property in the City of Moscow and within both urban renewal districts.
- The Legacy Crossing District paid the entire balance of its \$35,396.84 start-up loan from the Alturas Technology Park District during fiscal year 2011.
- Redevelopment activities have commenced at the Agency-owned property located at 6th and Jackson streets including increased site security, the completion of an asbestos and lead based paint hazardous material survey, a structural analysis of the seed sack warehouse, the documentation of the seed sack warehouse with the Moscow Historic Preservation Commission, and the razing of the seed sack warehouse and accompanying cleanup affected by the demolition.

REPORT LAYOUT

The Agency's annual financial report consists of several sections. Taken together, they provide a comprehensive overview of the Agency's activities. The sections of the report are as follows:

Management's Discussion and Analysis. This section of the report provides financial highlights, overview, and economic factors affecting the Agency.

Basic Financial Statements. This section includes the Government-wide financial statements, fund financial statements, and notes to the financial statements. Government-wide financial statements consist of the statement of net assets and the statement of activities and utilize the accrual basis of accounting. The statements are intended to be more business-oriented and assist in assessing the *operational accountability* of the entity. The fund financial statements are similar to the government-wide statements; however, they use the modified accrual basis of accounting and focus on the *fiscal accountability* of the entity.

Government-Wide Statements

- The statement of net assets found on page 14 focuses on resources available for future operations. This statement presents a snapshot view of the assets the Agency owns, the liabilities it owes and the net difference. The net difference is further separated into amounts reserved for specific purposes and unreserved amounts.
- The statement of activities found on page 15 focuses on gross and net costs of the Agency's programs and the extent to which such programs rely upon property tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

MOSCOW URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Statements

- The balance sheet located on page 16 is similar to the statement of net assets; however, the balance sheet omits long-term assets and long-term liabilities. This format helps assess current assets, which are available to meet current liabilities and debt service payments. Also, there is a reconciliation of the balance sheet and the statement of net assets, which outlines why there are differences in the two statements.

There are four statements of revenues, expenditures, and changes in fund balances on pages 17 - 20. The statement on page 17 reconciles the differences to the government-wide statement of activities. The statement on page 18 has the budget-to-actual revenues and expenditures for the year for the general fund and helps in assessing whether the Agency raised and spent funds according to the budget plan. The statements on pages 19 and 20 reflect the statements of revenues, expenditures, and changes in fund balances for the Alturas Technology Park District Fund and Legacy Crossing District Fund, respectively.

Notes to the Financial Statements

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

Report by the Independent Certified Public Accountants

- The report by the independent certified public accountants includes supplemental communication on the Agency's compliance and internal controls as required by Idaho statutes.

MAJOR AGENCY INITIATIVES IN FISCAL YEAR 2011

During fiscal year 2011, the Agency continued its management support functions with the support of a half-time Executive Director, who also holds a half-time position as Economic Development Specialist with the City of Moscow. The Executive Director is responsible for the day-to-day operations of the Agency, coordination of Agency meetings and general business, and other duties defined in the official job description. Gary J. Riedner, Moscow City Supervisor, assumed the duties of interim Executive Director until the hiring of Jeffrey B. Jones in December 2010. Pursuant to agreement, the City of Moscow administers the payroll and benefits for the combined position and all employee expenses are shared equally between the Agency and the City of Moscow.

In addition to this management arrangement, the Agency's formalized financial relationship between Alturas Technology Park and the Legacy Crossing District is documented by Resolution 2009-01. This resolution defined the loan that existed between the two districts evidencing debt/start-up costs incurred by the Legacy Crossing District associated with the formation of the District. The amount of this debt at the end of fiscal year 2010 was \$35,397 and was satisfied in fiscal year 2011 by the payment in full to the Alturas Technology Park District from the Legacy Crossing District. The Agency meets certain criteria such that it is considered a component unit of the City of Moscow but continues to maintain its financial independence.

MOSCOW URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

6th and Jackson Street Property. A primary Agency focus is the redevelopment of the 6th and Jackson Street property. The Agency continues to prepare the property for development through continued environmental assessment/remediation, demolition of dilapidated structures, and the design/construction of the "Hello Walk" extension. Once completed, the property will be offered for sale through the disposition and development agreement process.

Greater Moscow Area Brownfield Coalition. The Agency is a coalition partner with the City of Moscow and Latah County administering a \$475,000 US EPA Brownfield Coalition Grant. The Agency's Executive Director functions as the primary project manager. During fiscal year 2011, the following properties within the Legacy Crossing District were deemed eligible by the EPA for assessment and are undergoing the Phase I ESA and Phase II ESA process:

- 217 W. 6th Street, Moscow, ID 83843
- 103 N. Almon Street, Moscow, ID 83843
- 207 N. Main Street, Moscow, ID 83843
- 1102 S. Main Street, Moscow, ID 83843
- Parcel ID: RPM0550004061A (S. Lilly Street)
- Parcel ID: RPM0550004012A (S. Asbury)

Alturas Technology Park. As real estate market conditions continue to improve, the Agency will aggressively market the remaining six lots in the Alturas Technology Park District targeting markets like agribusiness, biotechnology, software/IT, institutes and associations, and young technology professionals.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Trends in the Urban Renewal Agency's Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 532,692	\$ 384,196	\$ 248,544
Accounts receivable	121	77	48
Land held for sale	531,256	531,256	531,256
Land	489,438	456,938	
Capital assets and deferred charges	616,092	674,128	711,097
Total assets	<u>2,169,599</u>	<u>2,046,595</u>	<u>1,490,945</u>
Total liabilities	<u>960,601</u>	<u>1,108,476</u>	<u>788,076</u>
Net assets			
Invested in capital assets, net of related debt	305,520	253,842	245,590
Restricted debt service	128,909	121,078	69,979
Unreserved	774,569	563,199	387,300
Total net assets	<u>1,208,998</u>	<u>938,119</u>	<u>702,869</u>
Total liabilities and net assets	<u>\$ 2,169,599</u>	<u>\$ 2,046,595</u>	<u>\$ 1,490,945</u>

MOSCOW URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Agency's total assets for 2011 exceeded its liabilities by \$1,208,998. The total capital assets and deferred charges are \$1,105,530 net of depreciation. The capital assets owned by the Agency include the infrastructure within the Alturas Technology Park and the lot purchased within the Legacy Crossing District.

Outstanding Debt. At the end of fiscal year 2011, the Agency had total outstanding bonded debt of \$844,322. These bonds are limited obligations of the Agency for both Alturas Technology Park and Legacy Crossing District. In addition, the Agency continues to hold loan debt of \$113,855 from the Thompson family for the purchase of a 6.34 acre parcel of land in fiscal year 2007; this is a ten-year contract. Together, the three debt obligations total \$958,177. Additional information on the Agency's long-term debt can be found in Note 6 in the notes to the financial statements.

Trends in the Urban Renewal Agency's Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General revenues:			
Property tax	\$ 479,360	\$ 418,106	\$ 310,320
Other revenues:			
Interest	2,391	715	1,950
Total revenues	<u>481,751</u>	<u>418,821</u>	<u>312,270</u>
Expenditures:			
Plan administration	100,235	88,343	92,642
Depreciation	58,036	56,969	56,860
Interest	52,601	38,259	43,046
Total expenditures	<u>210,872</u>	<u>183,571</u>	<u>192,548</u>
Increase in net assets	<u>\$ 270,879</u>	<u>\$ 235,250</u>	<u>\$ 119,722</u>
Net assets, October 1	\$ 938,119	\$ 702,869	\$ 583,147
Net assets, September 30	1,208,998	938,119	702,869

The property tax increase of \$61,254 is a result of an increase from the Legacy Crossing District of \$76,810 and a decrease in property tax revenue from the Alturas Technology Park District in the amount of \$15,556. The net change in property tax receipts is due to a recent reappraisal of commercial property in the City of Moscow and within both districts. Total interest income increased \$1,676 for fiscal year 2011. This 234 percent increase in interest income was particularly impressive when you consider that investment rates during fiscal year 2011 often hovered near zero. Additional information comparing the Agency's budgeted expenditures to actual expenditures can be found in the main body of this report.

MOSCOW URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL ANALYSIS

Trends in the Urban Renewal Agency's Balance Sheet

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 532,692	\$ 384,196	\$ 248,544
Accounts receivable	121	77	48
Advances to other funds	0	35,397	
Land held for sale	531,256	531,256	531,256
Total assets	<u>1,064,069</u>	<u>950,926</u>	<u>779,848</u>
Total liabilities	<u>2,424</u>	<u>39,004</u>	<u>2,605</u>
Fund balance			
Nonspendable	531,256	531,256	531,256
Restricted	128,909	121,078	69,979
Assigned	359,691	220,190	137,325
Unassigned	41,789	39,398	38,683
Total fund balance	<u>1,061,645</u>	<u>911,922</u>	<u>777,243</u>
Total liabilities and fund balance	<u>\$ 1,064,069</u>	<u>\$ 950,926</u>	<u>\$ 779,848</u>

The Agency's balance sheet reflects the fiscal year 2011 amount restricted for debt service, including an increase of the amount restricted from \$121,078 to \$128,909 - reflecting the annual change in debt service for both the Alturas Technology Park District and Legacy Crossing District's debt service payments. Increased cash and investments from the prior year are reflected for the following reasons: A portion of the unspent 2010 bond proceeds that are legally restricted for future debt reserve, that portion of the unspent bond proceeds not used for the land purchase and are legally restricted for future debt reserve, Legacy Crossing District cash that has been set aside for fiscal year 2012 land improvements, and monies available because Alturas District had no active projects or programs during fiscal year 2011.

NOTABLE ECONOMIC FACTORS

The national, state, and local economies struggled through the start of fiscal year 2011, but by year-end, there were signs that conditions had stabilized and were beginning to improve. The following highlights are evidence of the changing economy:

Employment. The Latah County unemployment rate (not seasonally adjusted) for the month ending in October 2011 was 6.7 percent compared with 8.0 percent October 2010. The October 2011 unemployment rate (not seasonally adjusted) of 6.7 percent was still below a state unemployment rate of 8.0 percent and a national unemployment rate of 8.5 percent. ⁽¹⁾

Latah County saw employment growth in the following sectors:

- Agriculture, natural resources, and mining (1 percent)
- Education and health services (3 percent)
- Financial activities (3 percent)
- Information (1 percent)
- Leisure and hospitality (4 percent)

MOSCOW URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Manufacturing (6 percent)
- Professional and business services (1 percent)

Latah County saw employment retractions in the following sectors: ⁽²⁾

- Construction (4 percent)
- Government (1 percent)
- Other Services (1 percent)

Real Estate:

- The average home sale price in Latah County increased 2.3 percent from \$201,199 in 2010 to \$205,834 in 2011 after a 3.4 percent decrease the prior year. ⁽³⁾
- The average home sale price in the City of Moscow decreased 2.9 percent from \$224,975 in 2010 to \$218,478 in 2011 after a 15.1 percent decrease the prior year. ⁽³⁾

Tourism:

- During fiscal year 2010-2011, Latah County transient occupancy tax decreased 7.81 percent. ⁽⁴⁾

Building Permits:

- Total permitted construction value in the City of Moscow increased 2.9 percent from \$17.4 million in 2010 to \$17.9 million in 2011. ⁽⁵⁾

⁽¹⁾U.S. Bureau of Labor Statistics; ⁽²⁾EMSI Complete Employment – 2011.4; ⁽³⁾Latah County MLS; ⁽⁴⁾Idaho Department of Commerce, Tourism Department; ⁽⁵⁾City of Moscow Community Development Department.

Urban Renewal and Tax Increment Financing (TIF). The State of Idaho offers few financial incentives for economic development. Urban renewal and tax increment financing is one of the few economic development tools available to local government.

As an urban renewal agency, the Agency receives tax increment revenues calculated on the assessed value over the frozen base, which was set at the time each urban renewal district was created. When the Agency completes projects, it is actually investing in itself; as the value of the properties increase in the District, the tax increment revenues also increase. Because states are cutting or delaying aid to local governments in significant numbers, transferring costs from themselves to their cities, counties, and K-12 schools, and in some cases additionally passing laws that limit the local government's ability to raise taxes, urban renewal and tax increment financing are vital economic development programs.

MOSCOW URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Alturas Technology Park District continues to provide economic benefit to the City of Moscow with a direct and indirect investment to the local economy of \$26.7M. Building on the success of the Alturas Technology Park District, the Legacy Crossing District was created in 2008 to provide a vision and direction for the redevelopment of an obsolete railroad corridor adjacent to downtown Moscow, and to increase economic opportunities for the community. The Legacy Crossing District will have long-term positive impacts on the community and the Agency's financial status. The reurbanization of inner city districts, particularly those with land uses transitioning from industrial uses to mixed-uses requires an extended planning horizon. During fiscal year 2011, Legacy Crossing began implementing the plan by purchasing a keystone property on the corner of 6th and Jackson streets in downtown Moscow. Redevelopment activities at the Agency-owned property include increased site security, the completion of an asbestos and lead based paint hazardous material survey, a structural analysis of the seed sack warehouse, the documentation of the seed sack warehouse with the Moscow Historic Preservation Commission, and the razing of the seed sack warehouse and accompanying cleanup affected by the demolition. When fully developed, the 6th and Jackson Streets property and the expansion of the "Hello Walk" pedestrian path will provide an important link between the University of Idaho and downtown Moscow.

The economic restructuring now underway on the national level is constraining state, local, and regional lending, as well as dampening development activities. The Agency did receive some inquiries from developers interested in redeveloping properties in the Legacy Crossing District and finalized the Limited Resource Promissory Note with the Anderson Group, LLC, relating to the environmental remediation of the Anderson Group, LLC, property.

No new lot sales were completed in the Alturas Technology Park for fiscal year 2011. However, as national economic conditions continue to improve and with the recent road improvements to Highway 8, the Agency anticipates greater interest in the fully served lots.

Meanwhile, the Agency continues to plan and market both the Alturas Technology Park and Legacy Crossing districts.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Moscow Urban Renewal Agency Treasurer, P.O. Box 9203, Moscow, Idaho, 83843.

MOSCOW URBAN RENEWAL AGENCY

STATEMENT OF NET ASSETS

September 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 532,692
Accounts receivable	121
Deferred charges	22,792
Land held for sale	531,256
Capital assets	
Land	489,438
Infrastructure, net of accumulated depreciation of \$523,497	593,300
Total assets	<u>2,169,599</u>
LIABILITIES	
Accounts payable	424
Deferred revenue	2,000
Series 2007 Bond - due within one year	67,767
Land note payable - due within one year	73,842
Series 2010 Bond - due within one year	22,000
Series 2007 Bond - due after one year	286,555
Land note payable - due after one year	40,013
Series 2010 Bond - due after one year	468,000
Total liabilities	<u>960,601</u>
NET ASSETS	
Invested in capital assets, net of related debt	305,520
Restricted	
Debt service	128,909
Unrestricted	<u>774,569</u>
Total net assets	<u>\$ 1,208,998</u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY

STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

	Net Revenue (Expense) and Changes in Net Assets
GOVERNMENTAL ACTIVITIES	
Project administration	\$ (100,235)
Depreciation	(55,840)
Amortization	(2,196)
Interest expense	(52,601)
Total governmental activities	<u>(210,872)</u>
 GENERAL REVENUES	
Property taxes levied for general purposes	479,360
Investment interest	<u>2,391</u>
Total general revenues	<u>481,751</u>
 Change in net assets	270,879
 NET ASSETS, beginning of year	<u>938,119</u>
 NET ASSETS, end of year	<u><u>\$ 1,208,998</u></u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY

BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2011

	<u>General</u>	<u>Alturas Technology Park</u>	<u>Legacy Crossing District</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 41,956	\$ 380,918	\$ 109,818	\$ 532,692
Accounts receivable	121			121
Land held for sale		<u>531,256</u>		<u>531,256</u>
Total assets	<u>\$ 42,077</u>	<u>\$ 912,174</u>	<u>\$ 109,818</u>	<u>\$ 1,064,069</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 288		\$ 136	\$ 424
Deferred revenue		\$ 2,000		2,000
Total liabilities	<u>288</u>	<u>2,000</u>	<u>136</u>	<u>2,424</u>
Fund Balance				
Nonspendable		531,256		531,256
Restricted		84,597	44,312	128,909
Assigned		294,321	65,370	359,691
Unassigned	41,789			41,789
Total fund balance	<u>41,789</u>	<u>910,174</u>	<u>109,682</u>	<u>1,061,645</u>
Total liabilities and fund balance	<u>\$ 42,077</u>	<u>\$ 912,174</u>	<u>\$ 109,818</u>	<u>\$ 1,064,069</u>

RECONCILIATION OF STATEMENT OF NET ASSETS TO BALANCE SHEET

Total fund balance - Governmental Funds	\$ 1,061,645
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds	1,082,738
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	22,792
Long-term liabilities, consisting of bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(958,177)</u>
Total net assets - Governmental Activities	<u>\$ 1,208,998</u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2011

	<u>General</u>	<u>Alturas Technology Park</u>	<u>Legacy Crossing District</u>	<u>Total</u>
REVENUES				
Property taxes		\$ 349,530	\$ 129,830	\$ 479,360
Investment interest	\$ 2,391			2,391
Total revenues	<u>2,391</u>	<u>349,530</u>	<u>129,830</u>	<u>481,751</u>
EXPENDITURES				
Current				
Legal and professional fees	37,824		19,380	57,204
Insurance	1,899			1,899
Advertising	709	501	240	1,450
Management services	30,000			30,000
Taxes			4,627	4,627
Other administration expenses	889	944	3,222	5,055
Debt Service				
Principal retirement		126,692	20,000	146,692
Interest		28,623	23,978	52,601
Capital outlay				
Improvements			32,500	32,500
Total expenditures	<u>71,321</u>	<u>156,760</u>	<u>103,947</u>	<u>332,028</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(68,930)</u>	<u>192,770</u>	<u>25,883</u>	<u>149,723</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers	71,321	(71,321)		0
Total other financing sources (uses)	<u>71,321</u>	<u>(71,321)</u>	<u>0</u>	<u>0</u>
Net change in fund balances	2,391	121,449	25,883	149,723
FUND BALANCES AT BEGINNING OF YEAR	<u>39,398</u>	<u>788,725</u>	<u>83,799</u>	<u>911,922</u>
FUND BALANCES AT END OF YEAR	<u>\$ 41,789</u>	<u>\$ 910,174</u>	<u>\$ 109,682</u>	<u>\$ 1,061,645</u>
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES				
Net change in fund balances				\$ 149,723
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:				
This is the capital outlay for the current period.				32,500
This is the amount of depreciation taken during the current period.				(55,840)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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:				
Principal payments made on long-term debt				146,692
Deferred issuance cost amortization				<u>(2,196)</u>
Change in net assets - Governmental Activities				<u>\$ 270,879</u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
GENERAL FUND**

Year Ended September 30, 2011

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment interest	\$ 500	\$ 2,391	\$ 1,891
Total revenues	<u>500</u>	<u>2,391</u>	<u>1,891</u>
EXPENDITURES			
Current			
Legal and professional fees	50,375	37,824	12,551
Insurance	2,000	1,899	101
Advertising	1,000	709	291
Management services	30,000	30,000	0
Other administration expenses	6,700	889	5,811
Capital outlay			
Improvements	214,750		214,750
Total expenditures	<u>304,825</u>	<u>71,321</u>	<u>233,504</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(304,325)</u>	<u>(68,930)</u>	<u>235,395</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers	265,640	71,321	(194,319)
Total other financing sources (uses)	<u>265,640</u>	<u>71,321</u>	<u>(194,319)</u>
Net change in fund balances	(38,685)	2,391	41,076
FUND BALANCES BEGINNING OF YEAR	<u>38,685</u>	<u>39,398</u>	<u>713</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 41,789</u>	<u>\$ 41,789</u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
ALTURAS TECHNOLOGY PARK FUND
Year Ended September 30, 2011**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 365,250	\$ 349,530	\$ (15,720)
Total revenues	<u>365,250</u>	<u>349,530</u>	<u>(15,720)</u>
EXPENDITURES			
Current			
Legal and professional fees	10,000		10,000
Advertising	5,000	501	4,499
Repairs and maintenance	1,200		1,200
Other administration expenses	1,500	944	556
Debt Service			
Principal retirement	206,854	126,692	80,162
Interest	28,986	28,623	363
Capital outlay			
Improvements	38,235		38,235
Total expenditures	<u>291,775</u>	<u>156,760</u>	<u>135,015</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>73,475</u>	<u>192,770</u>	<u>119,295</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale	175,565		(175,565)
Operating transfers	(265,640)	(71,321)	194,319
Total other financing sources (uses)	<u>(90,075)</u>	<u>(71,321)</u>	<u>18,754</u>
Net change in fund balances	(16,600)	121,449	138,049
FUND BALANCES BEGINNING OF YEAR	<u>16,600</u>	<u>788,725</u>	<u>772,125</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 910,174</u>	<u>\$ 910,174</u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
LEGACY CROSSING DISTRICT FUND
Year Ended September 30, 2011**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 52,000	\$ 129,830	\$ 77,830
Total revenues	<u>52,000</u>	<u>129,830</u>	<u>77,830</u>
EXPENDITURES			
Current			
Legal and professional fees	5,560	19,380	(13,820)
Advertising	500	240	260
Taxes		4,627	(4,627)
Other administration expenses	1,000	3,222	(2,222)
Debt Service			
Principal retirement	20,000	20,000	
Interest	24,105	23,978	127
Capital outlay			
Improvements	<u>47,580</u>	<u>32,500</u>	<u>15,080</u>
Total expenditures	<u>98,745</u>	<u>103,947</u>	<u>(5,202)</u>
Net change in fund balances	(46,745)	25,883	72,628
FUND BALANCES BEGINNING OF YEAR	<u>46,745</u>	<u>83,799</u>	<u>0</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 109,682</u>	<u>\$ 72,628</u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Moscow Urban Renewal Agency (the "Agency"), a component unit of the City of Moscow, Idaho, was organized on June 19, 1995, under the Idaho Urban Renewal Law, Chapter 20, Title 50 of the *Idaho Code*. As such, the Agency acts as a legal entity, separate and distinct from the City of Moscow, even though members of the City Council also serve as members of the Agency's governing board. However, the Agency is considered a component unit of the City of Moscow due to the oversight authority of the City Council.

The actions of the Agency are binding, and business, including the incurrence of long-term debt, is routinely transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property, public improvements, and revitalization activities in those areas of the City determined to be in a declining condition, which are in a redevelopment project area.

The Alturas Technology Park is the Agency's first project. Phase I of the project was constructed during 1997 and 1998, and consists of six saleable lots and a public park. Bonds were issued to finance the development costs. All six lots had been sold and occupied prior to the beginning of the current fiscal year.

On March 12, 2004, the Agency's Board of Directors approved a plan to construct Phase II of the Alturas Technology Park. The City of Moscow's Planning and Zoning Commission found the plan to conform with the City of Moscow's Comprehensive Land Use Plan and it was approved by the City Council. The Agency approved an amendment to the plan, which contains provisions for financing Phase II and allows costs to be incurred for public improvements, an economic feasibility study, project costs, fiscal impact study, financing costs, and a plan for acquisition, disposition, and retention of assets, including real property. Construction of Phase II began in the fall of 2005 and completed prior to the beginning of the current fiscal year.

During the fiscal year ended September 30, 2008, a central portion of the City of Moscow was declared a deteriorating area. A second urban renewal district was defined and named Legacy Crossing District. During the course of fiscal year 2007-2008, a plan was written, public comment was obtained, and a feasibility study conducted. The final Legacy Crossing Urban Renewal District plan was accepted by the City Council in June 2008 and filed as approved by the Idaho State Tax Commission in August 2008. During fiscal year 2009-2010, the Agency issued bonds to finance the purchase of the land relating to Legacy Crossing District.

Measurement Focus and Basis of Accounting. The financial statements of the Moscow Urban Renewal Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency uses the following two bases of accounting in these financial statements:

Economic Resources Measurement Focus and Accrual Basis of Accounting

Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

Under this measurement focus, revenues are recognized when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers revenues as available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Restricted Resources. Program expenses are allocated to restricted program revenue first and then to the next highest level of net assets/fund balance restrictions when both restricted and unrestricted resources are available.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB #54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB #54 requires the fund balance amounts to be properly reported within one of the fund balance categories below:

Nonspendable

Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted

Includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

Committed

Includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned

Includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned

Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency-Wide Financial Statements. The statement of net assets and the statement of activities display information about the overall Agency. Eliminations have been made to minimize the double-counting of internal activities. These statements reflect only governmental activities of the Agency since there are no "business-type activities" within the Agency. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's sole function of economic development within the Agency boundaries. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Agency's funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Agency has only governmental-type funds. Because there are only three funds, they are all presented on the face of the fund financial statements.

Basis of Presentation. The Agency uses the following governmental funds:

General Fund – This fund was created by the Agency, separate and apart from all other funds of the Agency, designated the "General Fund," into which shall be deposited the excess interest revenues earned and incremental tax revenues received each year, after the provision has been made for payment of principal and interest on the bonds. The provision is determined by the Board and is sufficient to pay the costs of administration of the Agency for the fiscal year.

Alturas Technology Park and Legacy Crossing District Funds – These funds were created by the Agency as special funds held by the Agency, separate and apart from all other funds of the Agency, designated the "Alturas Technology Park Fund" and the "Legacy Crossing District Fund." All incremental tax revenues relating to each individual project area shall be deposited promptly upon receipt by the Agency into the associated fund and shall be used only for the following purposes and in the following order of priority:

- First, to pay the interest on the bonds and notes payable relating to the associated project.
- Second, to pay the principal of the bonds and notes payable relating to the associated project.
- Third, to fund the general fund.
- Fourth, to fund construction in the project areas for plans as legally approved by the Moscow Urban Renewal Agency Commission.
- Fifth, for any lawful purpose of the Agency.

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates. The Agency uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that the Agency uses.

Budgets. As required by Idaho law, the Agency has adopted a budget, which is presented on the face of the financial statements.

Deposits and Investments. Cash is invested by the Agency until it is needed for the purpose of maximizing investment earnings. The investments are reported at fair value at September 30, 2011. The fair value is combined with the checking account balance and is presented as cash and investments.

Land Held for Sale. Land held for sale consists of properties purchased with the intent to sell the properties in the short-term. Land held for sale is stated at the lower of cost or fair market value. Land held for sale is not depreciated or amortized.

Capital Assets. Capital assets are long lived assets of the Agency as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The Agency records all capital assets at their original cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets consist of infrastructure at the Alturas Technology Park, which are depreciated using the straight-line method over their estimated useful life of 20 years, and the land relating to Legacy Crossing District.

Long-Term Obligations. Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for early payment in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability.

Personnel. The Agency employs no personnel and, thus, has no liability disclosures for pension costs, employee compensated absence, or payroll tax accruals. The Agency agrees to pay \$30,000 to the City of Moscow for services provided through City Administration, Public Works, Finance, and Community Development departments. Additionally, the Agency retains an Executive Director whose duties and responsibilities are equally separated from the City's Economic Development Director. The Agency contracts with the City for one-half of the full time position, as stipulated in the City Services Agreement between the City and the Agency.

2. PROPERTY TAXES

In accordance with Idaho law, property taxes are levied in dollars in September for each calendar year. Levies are made on or before the second Monday of September. One-half of the property taxes are due on or before December 20th, and the remaining one-half is due on or before June 20th of the following year. A lien is filed on property after three years from the date of delinquency.

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

2. PROPERTY TAXES (CONTINUED)

The Agency has no direct taxing power. The agency receives property taxes based upon the increase in assessed value of property caused by construction and growth in valuation since the base year. All taxing districts within the tax allocation area receive property tax revenue from their respective tax rate at the base year's assessed value. The assessed property values of the Alturas Technology Park and Legacy Crossing District in the base years were \$6,478,723 and \$47,710,183, respectively. Each year since the base year, the assessed valuation has grown due to new construction, remodeling, or growth in value.

The increased valuation since the base years and their related property tax increment is listed as follows:

Year	Alturas Technology Park		Legacy Crossing District	
	Valuation Increase	Tax Revenue	Valuation Increase	Tax Revenue
1996	Base Year			
1997	\$ 412,981			
1998	2,152,755	\$ 8,715		
1999	3,035,029	37,802		
2000	6,733,645	55,711		
2001	7,870,259	122,694		
2002	7,791,240	142,102		
2003	9,154,368	158,102		
2004	12,532,351	182,716		
2005	13,902,634	216,171		
2006	15,874,049	226,213		
2007	16,528,808	267,176		
2008	17,743,264	275,300	Base Year	
2009	22,026,234	310,320	\$ 3,345,847	
2010	20,773,182	365,086	8,323,295	\$ 53,020
2011	20,959,640	349,530	8,377,408	129,830

3. CASH AND INVESTMENTS

At September 30, 2011, the carrying amount of the Agency's cash deposits was \$5,600, and the bank balance was \$38,823. The entire cash balance is FDIC insured.

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2011, the Agency had the following investments and maturities:

	Less than 1	1-5	Greater than 5	Interest Rate	Fair Value
Governmental Activities					
Cash and equivalents	\$ 532			0.00	\$ 532
U.S. government agencies		\$ 4,312	\$ 40,068	3.00	44,380
Idaho State Treasurer's Local Government Investment Pool	482,180			0.28	482,180
Total investments	<u>\$ 482,712</u>	<u>\$ 4,312</u>	<u>\$ 40,068</u>		<u>\$ 527,092</u>

Interest rate risk: In accordance with its investment policy, the Agency manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk: As of September 30, 2011, the Agency's investment in the Idaho State Treasurer's Local Government Investment Pool is unrated. The Agency's investments held through Zions Bank are AAA rated by Moody's Investor Service and are implicitly guaranteed by the U.S. government.

Concentration of credit risk: The Agency's investment policy states that the Agency shall mitigate concentration risk by:

1. Limiting investments to avoid over concentration in securities from a specific issuer or business sector,
2. Limiting investment in securities that have higher credit risks,
3. Investing in securities with varying maturities, and
4. Continuously investing a portion of the portfolio in readily available funds such as the State Treasurer's Local Government Investment Pool, government-sponsored agencies, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Custodial credit risk – investments: For an investment, this 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 investments or collateral securities that are in the possession of an outside party. The Agency's policies include investments approved by *Idaho Code* 50-1013, which limit custodial credit by purchasing marketable securities by an implied guarantee of the United States of America and the Agency uses brokers that qualify under Securities & Exchange Commission *Rule 15C3-1*.

4. LAND HELD FOR SALE

As of September 30, 2011, land held for sale, which is stated at the lower of cost or fair value, consists of six lots within the Alturas Technology Park. It is intended that these lots be disposed of by way of sale and steps have been taken for this purpose. The value of these lots was \$531,256 at September 30, 2011.

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital assets consist of land, infrastructure for water, sewer, curbs and sidewalks, street lighting, and paving. Activity for the year ended September 30, 2011, was as follows:

	Beginning Balances 10/01/10	Increases	Decreases	Ending Balances 09/30/11
Capital assets not being depreciated				
Land	\$ 456,938	\$ 32,500		\$ 489,438
Total assets not being depreciated, net	456,938	32,500		489,438
Capital assets being depreciated				
Infrastructure	1,116,797			1,116,797
Less accumulated depreciation for infrastructure	(467,657)	0	\$ (55,840)	(523,497)
Total assets being depreciated, net	649,140	0	(55,840)	593,300
Governmental activities capital assets, net	\$ 1,106,078	\$ 32,500	\$ (55,840)	\$ 1,082,738

6. LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the Agency for the fiscal year ended September 30, 2011:

	Series 2007 Revenue Allocation Bond	Land Loan	Series 2010 Revenue Allocation Bond	Total
Debt payable, 9/30/10	\$ 411,536	\$ 183,333	\$ 510,000	\$ 1,104,869
Additions				0
Principal payments	(57,214)	(69,478)	(20,000)	(146,692)
Debt payable, 9/30/11	\$ 354,322	\$ 113,855	\$ 490,000	\$ 958,177

Debt outstanding at September 30, 2011, consisted of the following:

Revenue Allocation Bonds - Series 2007 - \$561,795 Revenue Allocation (Tax Increment) Bonds due in annual installments, with an interest rate at September 30 of 4.75 percent.

Land Loan Payable - \$614,145 payable to Thompson Family Limited Partnership in annual installments of \$79,535. Terms are 5 percent fixed interest rate, compounded annually over 10 years.

Revenue Allocation Bonds - Series 2010 - \$510,000 Revenue Allocation (Tax Increment) Bonds due in annual installments, with an interest rate at September 30 of 3.64 percent.

MOSCOW URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS (CONTINUED)

At September 30, 2011, the annual debt service requirements to maturity, assuming current interest rates, are as follows:

Year Ending September 30	Series 2007		Land Loan		Series 2010	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 67,767	\$ 16,830	\$ 73,842	\$ 5,693	\$ 22,000	\$ 22,108
2013	80,642	13,611	40,013	2,001	22,000	21,305
2014	95,964	9,781			23,000	20,445
2015	109,949	5,223			24,000	19,486
2016					25,000	18,432
2017-2021					147,000	72,304
2022-2026					185,000	34,286
2027					42,000	1,844
	<u>\$ 354,322</u>	<u>\$ 45,445</u>	<u>\$ 113,855</u>	<u>\$ 7,694</u>	<u>\$ 490,000</u>	<u>\$ 210,210</u>

Revenue Allocation Bonds are limited obligations of the Agency and are not general obligations of the Agency or the City of Moscow, Idaho. These bonds and other issued debt and the related interest are payable solely from property tax revenues from the designated project fund, reserve funds, and any unobligated funds of the Agency.

SUPPLEMENTARY INFORMATION



presnell
GAGE, PLLC

ACCOUNTING AND CONSULTING

1216 Idaho Street
Post Office Box 555
Lewiston, Idaho 83501
www.presnellgage.com

(208) 746-8281

Fax (208) 746-5174

Independent Auditor's Report - Government Auditing Standards

Board of Commissioners
Moscow Urban Renewal Agency
Moscow, Idaho

We have audited the financial statements of the governmental activities and each major fund of the Moscow Urban Renewal Agency as of and for the year ended September 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 22, 2011. 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 opinions on the basic 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 Moscow Urban Renewal Agency's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information of the Board of Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


December 22, 2011