



Moscow, Idaho

## Financial Statements



For The Fiscal Year Ended  
September, 30 2012

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

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**February 27, 2013**

To the Moscow Urban Renewal Agency Board of Commissioners and Citizens of the City of Moscow:

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, 2012.

Idaho State Law requires that all government development authorities submit audited financial statements to the entity that sponsored their corporate existence. For the Moscow Urban Renewal Agency this entity is the City of Moscow. The statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS).

This report consists of management's representations concerning the finances of the Agency. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Agency's financial statements. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that, the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Agency's financial statements have been audited by Presnell Gage, PLLC, a company of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the Agency's financial statements for the fiscal year ended September 30, 2012.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and the two should be read in conjunction.

### **Profile of the Moscow Urban Renewal Agency**

The Agency was organized by the Moscow City Council in 1995 pursuant to resolution 95-08 in accordance with Idaho Urban Renewal Law, Ch. 20, Title 50, *Idaho Code* (the "Law") and the Local Economic Development Act, Ch. 29, Title 50, *Idaho Code* (the "Act"). The Agency acts as an arm of the Idaho State government, entirely separate and distinct from the City of Moscow as provided in *Idaho Code* Section 50-2006.

The purpose of the Agency is to undertake urban renewal projects in areas designated by the City of Moscow to be deteriorating, and to undertake this rehabilitation, conservation, redevelopment, or a combination thereof, in the interest of the public health, safety, morals or welfare of the residents of the City of Moscow.

The Agency is comprised of seven Commissioners appointed by the Mayor, and confirmed by the City Council, with terms as specified by the Mayor, as authorized by Moscow City Council Resolution 2008-17. Membership is constituted as follows: Two (2) members of the Moscow City Council; One (1) member of the Latah County Commission; and, four (4) members from the citizenry at large. Terms are staggered in such a fashion that no more than three (3) expire in any given year. The Board of Commissioners elect the Chairman, Vice-Chairman, and Secretary from the ranks of the Commission. The Treasurer's office may be filled by Commissioners or by staff appointments made by the Commission.

The Chairperson is the Chief presiding officer of the Agency. The Chairman executes all deeds, bonds, contracts, and other legal documents authorized by the Commission. Some of the Chairman's duties may be delegated by the Board of Commissioners to the Agency's half-time Executive Director, who oversees the day-to-day operations of the Agency and carries out the policies of the Board.

The City of Moscow is responsible for defining the geographic boundaries and legal creation of all urban renewal districts within the City. The Alturas Technology Park District was created in 1995 and the Legacy Crossing District was created in 2008. The Agency works with the City of Moscow and the private sector to remedy blight and to facilitate economic development within these two districts. The Agency's activities within these districts are directed by specific urban renewal plans adopted by the Moscow City Council. The Agency provides funding for these efforts through the use of tax incremental financing.

When the City establishes a tax increment financing district, the value on the property in the district is frozen. The property taxes collected on the frozen or "base" value goes to the various taxing entities providing services to that property. The increase in value over the base is called the "increment" value and the tax revenue generated from the increment value is transferred to the Agency. These tax increment revenues are used by the Agency to pay for public improvements and other revitalization activities in that district. When the district closes (now up to 20 years) the increment value is added back to the base value on the tax rolls. This helps diversify and strengthen the economic bases of both the City and the County.

Though urban renewal is a separate item on property tax statements, local property owners pay the same amount of tax whether or not an urban renewal district is established in their area.

### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Agency operates.

## **Local Economy**

Moscow is a city in northern Idaho, situated along the Washington/Idaho border, with a population of 23,800 (2010 census). Moscow is the county seat and largest city in Latah County. Moscow is the home of the University of Idaho, the land grant institution and primary research university for the state, as well as the home of New Saint Andrews College. Eight miles (13 km) west is Pullman, Washington, home of Washington's land-grant university, Washington State University.

Moscow is the principal city in the Moscow, Idaho, Micropolitan Statistical Area (McrSA), which includes Latah County. The City contains over 60 percent of the County's population, and while the University is the dominant employer in Moscow, the City also serves as an agricultural and commercial hub for the Palouse region. Moscow leads all cities in the Micropolitan Statistical Area (McrSA), in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space, and college enrollment.

The 2012 population of the City was estimated at 24,144, which places it as the 12th largest city in Idaho. The City's population is expected to grow to 25,038 persons in 2017 with an annual average growth rate of 0.73 percent. The unemployment rate (not seasonally adjusted) for Latah County for the month ending September 2012 was 6.4 percent.

## **Long-term Financial Planning**

Prior to the fourth Monday of March of the current year, the Latah County auditor notifies the Agency of the total taxable valuation of all the taxable property situated within the Alturas Technology Park District and the Legacy Crossing District for the preceding calendar year for the purpose of assisting the Agency to develop its annual budget.

In March 2011, the Latah County Assessor released its report on the Agency's assessed valuation for fiscal year 2012. Total assessed valuation within the Alturas Technology Park District decreased by 1.24 percent. As a result of the decrease in assessed valuation, the Agency's tax increment revenue for fiscal year 2012 declined by \$5,325 or 1.52 percent to \$344,205 from \$349,530 received in fiscal year 2011. Total assessed valuation within the Legacy Crossing District increased by 7.64 percent. As a result of the increase in assessed valuation, the Agency's tax increment revenue for fiscal year 2012 increased by \$14,222 or 10.95 percent to \$144,052 from \$129,830 received in fiscal year 2011.

## **Major Current Fiscal Year Initiatives**

Sixth and Jackson Property. The Agency owns a .84 acre property at the corner of Sixth and Jackson Streets. The Executive Director, as directed by the Agency's Board of Commissioners, manages the activities necessary to prepare the Sixth and Jackson Streets' property for disposition and redevelopment. Such activities include further site investigation and environmental mitigation/cleanup, surveying, professional engineering, appraisal services, legal services, design and construction of the planned Hello Walk Extension, and preparation of the Disposition and Development Agreement (DDA).

Federal EPA Brownfield Grant. The Agency's Executive Director also manages the Greater Moscow Coalition Federal EPA Brownfield Grant and has completed environmental assessments on over 20 acres of property within the community. Five (5) of the seven (7) properties are located within the Legacy Crossing District. Additional properties will be added to the Brownfield portfolio as they move through the eligibility process.

### **Accounting System and Budget Control**

The annual budget serves as the foundation for the Agency's financial planning and control. The Agency's Executive Director and Treasurer prepare the annual budget. The Agency must notify the Latah County clerk of the date, time, and location of the Agency's budget hearing for the upcoming fiscal year no later than April 30 of each year. The Agency's Board of Commissioners must adopt a tentative budget prior to the public hearing on the budget. Legal notice of the proposed budget and budget hearing must be published twice, at least seven (7) days apart in the official newspaper. The final budget document must be adopted and published by September 30 of each year.

The planning of the budget, proposed presentation, public hearing notices, public hearing, adoption and submission to Latah County is outlined in the annual budget calendar each year ensuring all legal compliance and disclosure. The Agency's adopted budget threshold is the Agency's total balance of revenues and expenditures. The Agency may amend the current year's budget at any time during the fiscal year as long as it follows the same public hearing requirements needed for the budget's original certification. Amendments to the budget are occasionally necessary for unanticipated revenues.

### **Awards and Acknowledgements**

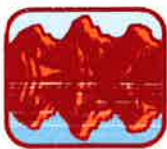
We would like to commend the City of Moscow staff for their efficient and dedicated service in helping to prepare this report. Special thanks are extended to Joelle Dinubilo, Sue Nelson, Stephanie Kalasz, and Gary Riedner for always improving upon the previous year's reporting. We also wish to thank John McCabe, Chairman, and the Board of Commissioners for their support in planning and conducting the financial operations of the Agency in a responsible and progressive manner. Credit must also be given to the Agency's auditors, Presnell Gage, PLLC, for their most valuable assistance in preparation of this report.

Respectfully submitted,

  
Jeffrey B. Jones, AICP  
Executive Director

  
Don Palmer  
Agency Treasurer





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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 8 through 14 and 19 through 21 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 February 27, 2013, 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.

  
February 27, 2013



# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section offers readers an overview and analysis of the fiscal year 2012 financial activities of the Urban Renewal Agency hereafter (the Agency) of the City of Moscow, Moscow, Idaho. It should be read in conjunction with the Agency's audited financial statements, which follow this section.

### 2012 FINANCIAL HIGHLIGHTS

- The Agency's total net assets were \$1,500,809.
- The Agency's liabilities at September 30, 2012, were \$754,679.
- The Agency's total year-end fund balances were \$1,191,505.
- The property tax increase of \$8,997 is a result of an increase from the Legacy Crossing District of \$14,222 and a decrease in property tax revenue from the Alturas Technology Park District in the amount of \$5,325. The net change in property tax receipts is due to the decline in commercial property in the City of Moscow and within the urban renewal districts.
- The Alturas Technology Park District paid the balance of the Thompson Family Limited Partnership note in the amount of \$113,855.
- Redevelopment activities continue at the Agency-owned property located at Sixth and Jackson Streets including the demolition and cleanup of all structures, the removal of an underground storage tank (UST), the completion of a Phase II Environmental Site Assessment, the installation of monitoring wells, the preparation of an Analysis of Brownfields Cleanup Alternatives (ABCA) plan, and the preparation of an ALTA/ACSM Land Title Survey.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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 on page 15 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 indicating the net of debt, the Agency's assets restricted for debt service, and unrestricted amounts.
- The statement of activities found on page 16 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, MOSCOW, IDAHO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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#### **Fund Financial Statements**

- The balance sheet located on page 17 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 18 - 21. The statement on page 18 reconciles the differences to the government-wide statement of activities. The statement on page 19 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 20 and 21 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 Basic 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 2012**

During fiscal year 2012, 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. 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 District 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, MOSCOW, IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Sixth and Jackson Streets Property.** A primary Agency focus is the redevelopment of the Sixth and Jackson Streets 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 2012, 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)
- Parcel ID: Parcel ID:RPM00000173755

**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

	2012	2011	2010
Cash and investments	\$ 659,759	\$ 532,692	\$ 384,196
Accounts receivable	614	121	77
Land held for sale	531,256	531,256	531,256
Land	505,803	489,438	456,938
Capital assets and deferred charges	558,056	616,092	674,128
Total assets	2,255,488	2,169,599	2,046,595
Total liabilities	754,679	960,601	1,108,476
Net assets			
Invested in capital assets, net of related debt	353,616	305,520	253,842
Restricted debt service	138,565	128,909	121,078
Unrestricted	1,008,628	774,569	563,199
Total net assets	1,500,809	1,208,998	938,119
Total liabilities and net assets	\$ 2,255,488	\$ 2,169,599	\$ 2,046,595

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Agency's total assets for 2012 exceeded its liabilities by \$1,500,809. The total capital assets and deferred charges are \$1,063,859 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 2012, the Agency had total outstanding bonded debt of \$754,555 as noted on page 28. These bonds are limited obligations of the Agency for both Alturas Technology Park District and Legacy Crossing District. Additional information on the Agency's long-term debt can be found in Note 6 in the notes to the financial statements. It should also be noted that the Thompson Family Limited Partnership note in the amount of \$113,855 was paid in full.

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

	2012	2011	2010
General revenues:			
Property tax	\$ 488,257	\$ 479,360	\$ 418,106
Other revenues:			
Interest	2,630	2,391	715
Refunds and reimbursements	497		
Total revenues	491,384	481,751	418,821
Expenditures:			
Project administration	96,384	100,235	88,343
Depreciation	58,036	58,036	56,969
Interest	45,153	52,601	38,259
Total expenditures	199,573	210,872	183,571
Increase in net assets	\$ 291,811	\$ 270,879	\$ 235,250
Net assets, October 1	\$ 1,208,998	\$ 938,119	\$ 702,869
Net assets, September 30	1,500,809	1,208,998	938,119

The property tax increase of \$8,897 is a result of an increase from the Legacy Crossing District of \$14,222 and a decrease in property tax revenue from the Alturas Technology Park District in the amount of \$5,325. The net change in property tax receipts is due to declines in commercial property values in the Alturas Technology Park District and a slight increase in the Legacy Crossing District. Total interest income increased \$239 for fiscal year 2012. The slight increase in interest income reflects changes in the interest rate, which continues to be flat during fiscal year 2012. The amount of \$497 in refunds and reimbursements is the amount owed to the Agency by Anderson Group, LLC, for an overpayment to them in fiscal year 2011 due to a tax assessment valuation error. Additional information comparing the Agency's budgeted-to-actual expenditures can be found in the statement of revenues, expenditures, and changes in fund balances on pages 19, 20, and 21.

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FUND FINANCIAL ANALYSIS

#### Trends in the Urban Renewal Agency's Balance Sheet

	2012	2011	2010
Cash and investments	\$ 659,759	\$ 532,692	\$ 384,196
Accounts receivable	614	121	77
Advances to other funds	0	0	35,397
Land held for sale	531,256	531,256	531,256
Total assets	1,191,629	1,064,069	950,926
Total liabilities	124	2,424	39,004
Fund balance			
Nonspendable	531,256	531,256	531,256
Restricted	138,565	128,909	121,078
Assigned	477,265	359,691	220,190
Unassigned	44,419	41,789	39,398
Total fund balance	1,191,505	1,061,645	911,922
Total liabilities and fund balance	\$ 1,191,629	\$ 1,064,069	\$ 950,926

The Agency's balance sheet reflects the fiscal year 2012 amount restricted for debt service, including an increase of the amount restricted from \$128,909 to \$138,565 - 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: Increased cash for debt service requirements, costs associated with future land sales, marketing, public infrastructure, and increased legal costs associated with the planned closure of the Alturas Technology Park District. Additionally, prior to the end of fiscal year 2012, the Latah County Assessor's Office notified the Agency of a tax increment valuation error. The Agency is now planning for a loss of revenue in 2013 in excess of 35 percent. Therefore, the Agency plans to set aside additional contingency funds until the issue of assessed valuation is resolved. Furthermore, Legacy Crossing District cash that has been set aside for fiscal year 2013 land improvements for the Sixth and Jackson Streets property has been carried forward while the Agency continues the environmental clean-up/mitigation of this property.

#### ECONOMIC CONDITIONS AFFECTING THE AGENCY

The national, state, and local economies struggled through the start of fiscal year 2012, 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 September 2012 was 6.4 percent compared with 7.8 percent in September 2011. The September 2012 unemployment rate (not seasonally adjusted) of 6.4 percent was still below a state unemployment rate of 7.1 percent and a national unemployment rate of 7.8 percent. <sup>(1)</sup>

Latah County saw employment growth in the following sectors from 2011-2012:<sup>(2)</sup>

- Information (9 percent)
- Wholesale Trade (2 percent)
- Private Education Services (6 percent)
- Manufacturing (11 percent)

## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Real Estate Rental and Leasing (4 percent)
- Other Services (except Public Administration) (4 percent)
- Retail Trade (6 Percent)

Latah County saw employment retractions in the following sectors: <sup>(2)</sup>

- Mining, Quarrying, and Oil and Gas Extraction (-9 percent)
- Transportation and Warehousing (-2 percent)
- Arts, Entertainment, and Recreation (-1 percent)
- Administrative and Support and Waste Management and Remediation Services (-2 percent)
- Finance and Insurance (-5 percent)
- Construction (-1 percent)
- Professional, Scientific, and Technical Services (-4 percent)
- Agriculture, Forestry, Fishing and Hunting (-3 percent)
- Accommodation and Food Services (-1 percent)
- Government (-3 percent)

#### Real Estate:

- The average home sale price in Latah County increased 3.87 percent from \$205,834 in 2011 to \$213,792 in 2012 after a 2.3 percent increase the prior year. <sup>(3)</sup>
- The average home sale price in the City of Moscow increased 2.46 percent from \$224,975 in 2011 to \$230,500 in 2012 after a 2.9 percent decrease the prior year. <sup>(3)</sup>

#### Tourism:

- During fiscal year 2012, Latah County transient occupancy tax increased 28.91 percent from fiscal year 2011. <sup>(4)</sup>

#### Building Permits:

- Total permitted construction value in the City of Moscow decreased 8.5 percent from \$21.2 million in 2011 to \$19.4 million in fiscal year 2012. <sup>(5)</sup>

<sup>(1)</sup>U.S. Bureau of Labor Statistics; <sup>(2)</sup>EMSI Complete Employment – 2012.4; <sup>(3)</sup>Latah County MLS; <sup>(4)</sup>Idaho Department of Commerce, Tourism Department; <sup>(5)</sup>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, MOSCOW, IDAHO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 Sixth and Jackson Streets in downtown Moscow.

Redevelopment activities continue at the Agency-owned property located at Sixth and Jackson streets, including the demolition and cleanup of all structures, the removal of an underground storage tank (UST), the completion of a Phase II Environmental Site Assessment, the installation of monitoring wells, the preparation of a an Analysis of Brownfields Cleanup Alternatives (ABCA) plan, and the preparation of an ALTA/ACSM Land Title Survey. When fully developed, the Sixth 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 Agency also provided funding towards the College Street Reconstruction Project and the placement of a new pedestrian bridge over Paradise Creek. Several other projects are also in the development pipeline, and the Agency anticipates entering into a number of Owner Participation (reimbursement) Agreements to facilitate redevelopment and improve the neighborhood's public infrastructure.

Although total permitted construction values decreased 8.5 percent from 2011 to 2012, new commercial building permits increased 200 percent, which indicates that market conditions are slowly improving. The Agency continues to receive inquiries from developers interested in redeveloping properties within the Legacy Crossing District.

No new lot sales were completed in the Alturas Technology Park for fiscal year 2012. In general, more companies are interested in locating into existing buildings compared to building a new facility. Not only is this less expensive, but it is also faster than building from the ground up. There are a limited number of existing commercial properties available in Moscow for companies to choose from, and most would require a substantial retrofit. So, as national and economic conditions continue to improve, and with the recent road improvements to Highway 8, the Agency anticipates greater interest in the District's fully served lots.

#### **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, MOSCOW, IDAHO**

**STATEMENT OF NET ASSETS**

September 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 659,759
Accounts receivable	614
Deferred charges	20,596
Land held for sale	531,256
Capital assets	
Land	505,803
Infrastructure, net of accumulated depreciation of \$579,337	537,460
Total assets	<u>2,255,488</u>
<b>LIABILITIES</b>	
Accounts payable	124
Series 2007 Bond - due within one year	80,642
Series 2010 Bond - due within one year	22,000
Series 2007 Bond - due after one year	205,913
Series 2010 Bond - due after one year	446,000
Total liabilities	<u>754,679</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	353,616
Restricted	
Debt service	138,565
Unrestricted	<u>1,008,628</u>
Total net assets	<u>\$ 1,500,809</u>

See accompanying notes

MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

STATEMENT OF ACTIVITIES  
Year Ended September 30, 2012

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	Net Revenue (Expense) and Changes in Net Assets
GOVERNMENTAL ACTIVITIES	
Project administration	\$ (96,384)
Depreciation	(55,840)
Amortization	(2,196)
Interest expense	(45,153)
Total governmental activities	<u>(199,573)</u>
GENERAL REVENUES	
Property taxes levied for general purposes	488,257
Investment interest	2,630
Other revenue	497
Total general revenues	<u>491,384</u>
Change in net assets	291,811
NET ASSETS, beginning of year	<u>1,208,998</u>
NET ASSETS, end of year	<u>\$ 1,500,809</u>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2012

	General	Alturas Technology Park District	Legacy Crossing District	Total
<b>ASSETS</b>				
Cash and investments	\$ 44,302	\$ 430,433	\$ 185,024	\$ 659,759
Accounts receivable	117		497	614
Land held for sale		531,256		531,256
<b>Total assets</b>	<b>\$ 44,419</b>	<b>\$ 961,689</b>	<b>\$ 185,521</b>	<b>\$ 1,191,629</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable			\$ 124	\$ 124
<b>Total liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>124</b>	<b>124</b>
<b>Fund Balance</b>				
Nonspendable		531,256		531,256
Restricted for debt service		94,253	44,312	138,565
Assigned		336,180	141,085	477,265
Unassigned	44,419			44,419
<b>Total fund balance</b>	<b>44,419</b>	<b>961,689</b>	<b>185,397</b>	<b>1,191,505</b>
<b>Total liabilities and fund balance</b>	<b>\$ 44,419</b>	<b>\$ 961,689</b>	<b>\$ 185,521</b>	<b>\$ 1,191,629</b>

**RECONCILIATION OF THE STATEMENT OF NET ASSETS TO THE BALANCE SHEET**

<b>Total fund balance - Governmental Funds</b>	<b>\$ 1,191,505</b>
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	1,043,263
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	20,596
Long-term liabilities, consisting of bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(754,555)
<b>Total net assets - Governmental Activities</b>	<b>\$ 1,500,809</b>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended September 30, 2012**

	General	Alturas Technology Park District	Legacy Crossing District	Total
<b>REVENUES</b>				
Property taxes		\$ 344,205	\$ 144,052	\$ 488,257
Investment interest	\$ 2,630			2,630
Other revenue			497	497
Total revenues	<u>2,630</u>	<u>344,205</u>	<u>144,549</u>	<u>491,384</u>
<b>EXPENDITURES</b>				
Current				
Legal and professional fees	53,712		1,564	55,276
Insurance	1,709			1,709
Advertising	540	568	234	1,342
Management services	30,000			30,000
Repairs and maintenance		1,454	1,563	3,017
Other administration expenses	40		5,000	5,040
Debt Service				
Principal retirement		181,622	22,000	203,622
Interest		23,045	22,108	45,153
Capital outlay				
Improvements			16,365	16,365
Total expenditures	<u>86,001</u>	<u>206,689</u>	<u>68,834</u>	<u>361,524</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(83,371)</u>	<u>137,516</u>	<u>75,715</u>	<u>129,860</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	86,001	(86,001)		0
Total other financing sources (uses)	<u>86,001</u>	<u>(86,001)</u>	<u>0</u>	<u>0</u>
Net change in fund balances	2,630	51,515	75,715	129,860
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>41,789</u>	<u>910,174</u>	<u>109,682</u>	<u>1,061,645</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 44,419</u>	<u>\$ 961,689</u>	<u>\$ 185,397</u>	<u>\$ 1,191,505</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**Net change in fund balances - Governmental Funds** **\$ 129,860**

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.

16,365

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

203,622

Deferred issuance cost amortization

(2,196)

**Change in net assets - Governmental Activities**

**\$ 291,811**

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

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

Year Ended September 30, 2012

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment interest	\$ 1,500	\$ 2,630	\$ 1,130
Total revenues	<u>1,500</u>	<u>2,630</u>	<u>1,130</u>
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	59,870	53,712	6,158
Insurance	2,000	1,709	291
Advertising	1,200	540	660
Management services	30,000	30,000	0
Other administration expenses	<u>7,030</u>	<u>40</u>	<u>6,990</u>
Total expenditures	<u>100,100</u>	<u>86,001</u>	<u>14,099</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(98,600)</u>	<u>(83,371)</u>	<u>15,229</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers	<u>100,100</u>	<u>86,001</u>	<u>(14,099)</u>
Total other financing sources (uses)	<u>100,100</u>	<u>86,001</u>	<u>(14,099)</u>
Net change in fund balances	1,500	2,630	1,130
FUND BALANCES BEGINNING OF YEAR	<u>(1,500)</u>	<u>41,789</u>	<u>43,289</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 44,419</u>	<u>\$ 44,419</u>

See accompanying notes



**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS  
ALTURAS TECHNOLOGY PARK DISTRICT FUND  
Year Ended September 30, 2012**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 323,415	\$ 344,205	\$ 20,790
Total revenues	<u>323,415</u>	<u>344,205</u>	<u>20,790</u>
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	19,000		19,000
Advertising	5,000	568	4,432
Repairs and maintenance	1,200	1,454	(254)
Other administration expenses	1,500		1,500
Debt Service			
Principal retirement	259,622	181,622	78,000
Interest	24,854	23,045	1,809
Capital outlay			
Improvements	<u>38,235</u>		<u>38,235</u>
Total expenditures	<u>349,411</u>	<u>206,689</u>	<u>142,722</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(25,996)</u>	<u>137,516</u>	<u>163,512</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers	<u>(100,100)</u>	<u>(86,001)</u>	<u>14,099</u>
Total other financing sources (uses)	<u>(100,100)</u>	<u>(86,001)</u>	<u>14,099</u>
Net change in fund balances	(126,096)	51,515	177,611
FUND BALANCES BEGINNING OF YEAR	<u>126,096</u>	<u>910,174</u>	<u>784,078</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 961,689</u>	<u>\$ 961,689</u>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS  
LEGACY CROSSING DISTRICT FUND  
Year Ended September 30, 2012**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 140,000	\$ 144,052	\$ 4,052
Other revenue		497	497
Total revenues	<u>140,000</u>	<u>144,549</u>	<u>4,549</u>
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	12,500	1,564	10,936
Advertising	500	234	266
Repairs and maintenance	2,700	1,563	1,137
Other administration expenses	1,600	5,000	(3,400)
Debt Service			
Principal retirement	22,000	22,000	
Interest	22,110	22,108	2
Capital outlay			
Improvements	<u>51,350</u>	<u>16,365</u>	<u>34,985</u>
Total expenditures	<u>112,760</u>	<u>68,834</u>	<u>43,926</u>
Net change in fund balances	27,240	75,715	48,475
FUND BALANCES BEGINNING OF YEAR	<u>(27,240)</u>	<u>109,682</u>	<u>136,922</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 185,397</u>	<u>\$ 185,397</u>

See accompanying notes

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

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### 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, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

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### 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, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

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### 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, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2012. 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 the 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, MOSCOW, IDAHO

## 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 District 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 District		Legacy Crossing District	
	Valuation Increase	Tax Revenue	Valuation Increase	Tax Revenue
1996	Base Year			
1997	\$ 412,961			
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
2012	20,515,349	344,205	8,958,913	144,052

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

### 3. CASH AND INVESTMENTS

At September 30, 2012, the carrying amount of the Agency's cash deposits was \$3,247, and the bank balance was \$8,584. The entire cash balance is FDIC insured.

As of September 30, 2012, 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	\$ 4,312			0.00	\$ 4,312
U.S. government agencies			\$ 40,222	3.20	40,222
Idaho State Treasurer's Local Government Investment Pool	611,978			0.23	611,978
Total investments	<u>\$ 616,290</u>	<u>\$ 0</u>	<u>\$ 40,222</u>		<u>\$ 656,512</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, 2012, 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, 2012, 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, 2012.

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**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, 2012, was as follows:

	Beginning Balances 10/01/11	Increases	Decreases	Ending Balances 09/30/12
Capital assets not being depreciated				
Land	\$ 489,438	\$ 16,365		\$ 505,803
Total assets not being depreciated, net	489,438	16,365		505,803
Capital assets being depreciated				
Infrastructure	1,116,797			1,116,797
Less accumulated depreciation for infrastructure	(523,497)	0	\$ (55,840)	(579,337)
Total assets being depreciated, net	593,300	0	(55,840)	537,460
Governmental activities capital assets, net	\$ 1,082,738	\$ 16,365	\$ (55,840)	\$ 1,043,263

**6. LONG-TERM OBLIGATIONS**

The following is a summary of debt transactions of the Agency for the fiscal year ended September 30, 2012:

	Series 2007 Revenue Allocation Bond	Land Loan	Series 2010 Revenue Allocation Bond	Total
Debt payable, 9/30/11	\$ 354,322	\$ 113,855	\$ 490,000	\$ 958,177
Additions				0
Principal payments	(67,767)	(113,855)	(22,000)	(203,622)
Debt payable, 9/30/12	\$ 286,555	\$ 0	\$ 468,000	\$ 754,555

Debt outstanding at September 30, 2012, 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. This loan was paid off during the current fiscal year.

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

### 6. LONG-TERM OBLIGATIONS (CONTINUED)

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.

At September 30, 2012, the annual debt service requirements to maturity, assuming current interest rates, are as follows:

Year Ending September 30	Series 2007		Series 2010	
	Principal	Interest	Principal	Interest
2013	\$ 80,642	\$ 13,611	\$ 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			27,000	17,287
2018-2022			154,000	64,982
2023-2027			193,000	26,165
	<u>\$ 286,555</u>	<u>\$ 28,615</u>	<u>\$ 468,000</u>	<u>\$ 188,102</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.

### 7. FUND BALANCE CLASSIFICATIONS

**Nonspendable.** Nonspendable fund balances represent amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Agency's nonspendable fund balance consists of land that is held for resale and is not considered to be in a spendable form.

**Restricted.** Restricted net assets/fund balances represent amounts whose use is restricted by creditors, grantors, laws and regulations of other governments, or through enabling legislation. Restrictions for the Agency include resources of the Alturas Technology Park District and the Legacy Crossing District that are set aside for the specific purpose of satisfying debt service requirements set forth by the Agency's individual bond related covenants.

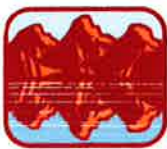
**Assigned.** The fund balances classified as assigned are for use for specific purposes but do not rise to the level of restricted or committed. The Agency has assigned balances that include the activities of special revenue funds.

**Unassigned.** The unassigned fund balance is in the general fund and has not been restricted, committed, or assigned to specific purposes within the general fund.

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## SUPPLEMENTARY INFORMATION

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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, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 27, 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 Moscow Urban Renewal 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 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.

  
February 27, 2013