URBAN RENEWAL AGENCY
OF THE CITY OF TWIN FALLS, IDAHO

AUDITED FINANCIAL STATEMENTS
September 30, 2010

URBAN RENEWAL AGENCY
OF THE CITY OF TWIN FALLS, IDAHO

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February 7, 2011

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Urban Renewal Agency of the
City of Twin Falls, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Urban Renewal Agency of the City of Twin Falls, Idaho, as of and for the year ended September 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Urban Renewal Agency of the City of Twin Falls, Idaho, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2011, on our consideration of the Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urban Renewal Agency's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedure, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Urban Renewal Agency has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,

HCM Holmstead

HCM HOLMSTEAD, pllc

FINANCIAL STATEMENTS

Government-Wide Financial Statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Statement of Net Assets

September 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 3,199,559	$ -	$ 3,199,559
Restricted cash	699,912	-	699,912
Receivables:			-
Property taxes	70,216	-	70,216
Capital lease interest	3,782	-	3,782
Interest income	2,970	-	2,970
Other governments	24,232	-	24,232
Capital lease receivable	873,435	-	873,435
Deferred charges	17,000	-	17,000
Real estate	2,631,089		2,631,089
Land, Buildings and Improvements	-	4,850,000	4,850,000
Equipment	-	475,000	475,000
Accumulated Depreciation	-	(101,667)	(101,667)
Total Assets	$ 7,522,195	$ 5,223,333	$ 12,745,528
Liabilities			
Accounts payable	$ 223,311	$ -	$ 223,311
Accrued interest	92,448	-	92,448
Noncurrent liabilities			
Due within one year	886,987	-	886,987
Due in more than one year	7,241,481	-	7,241,481
Total Liabilities	8,444,227	-	8,444,227
Net Assets (Deficit)			
Invested in capital assets, net of related debt	(5,497,379)	5,223,333	(274,046)
Restricted for:			
Debt service	699,912	-	699,912
Unrestricted	3,875,435	-	3,875,435
Total Net Assets (Deficit)	(922,032)	5,223,333	4,301,301
Total Liabilities and Net Assets	$ 7,522,195	$ 5,223,333	$ 12,745,528

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Statement of Activities

For the Year Ended September 30, 2010

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	$106,433	$ -	$ -	$ -	$ (106,433)	$ -	$ (106,433)
Community development	26,880	-	-	-	(26,880)	-	(26,880)
Parking facilities	-	-	-	-	-	-	-
Real estate interest	-	39,116	-	309,303	348,419	-	348,419
Interest on long-term debt	435,678	-	-	-	(435,678)	-	(435,678)
Total Governmental Activities	568,991			309,303	(220,572)	-	(220,572)
Business-Type Activities:							
Rental Property	458,715	32,113	-	4,433,121	-	4,006,519	4,006,519
Total Business-Type Activities	458,715	32,113	-	4,433,121	-	4,006,519	4,006,519
Total Primary Government							
General Revenues and Transfers:							
Taxes:							
Property taxes, levied for general tax increment purposes					2,066,978	-	2,066,978
Other Income and Sale of Assets					35	-	35
Interest and investment earnings					6,135	-	6,135
Transfers					(1,216,814)	1,216,814	-
Total General Revenues and Transfers					856,334	1,216,814	2,073,148
Changes in Net Assets					635,762	5,223,333	5,859,095
Net Assets, October 1, 2009					(1,557,794)	-	(1,557,794)
Net Assets, September 30, 2010					$ (922,032)	$ 5,223,333	$ 4,301,301

The accompanying notes are an integral part of the financial statements

FINANCIAL STATEMENTS

Fund Financial Statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Fund Balance Sheet

GOVERNMENTAL FUNDS

September 30, 2010

	General	Redevelopment	Debt Service	Total Governmental Funds
Assets				
Cash	$ 459,205	$ 2,740,352	$ 699,912	$ 3,899,469
Property tax receivable	-	70,216	-	70,216
Interest income receivable	-	2,141	829	2,970
Prepaid insurance	-	-	-	-
Capital lease receivable	954,540	-	-	954,540
Due from other governments	-	24,232	-	24,232
Due from other funds	-	-	-	-
Total Assets	$ 1,413,745	$ 2,836,941	$ 700,741	$ 4,951,427
Liabilities				
Accounts payable	$ 221,233	$ 2,078	$ -	$ 223,311
Due to other funds	-	-	-	-
Prepaid rent income	-	-	-	-
Deferred revenue	916,194	70,216	-	986,410
Total Liabilities	1,137,427	72,294	-	1,209,721
Fund Balances				
Restricted Fund Balance:	-	-	699,912	699,912
Unrestricted Fund Balance:				
Committed Fund Balance	-	2,764,647	829	2,765,476
Assigned Fund Balance	-	-	-	-
Unassigned Fund Balance	276,318	-	-	276,318
Total Fund Balances	276,318	2,764,647	700,741	3,741,706
Total Liabilities and Fund Balances	$ 1,413,745	$ 2,836,941	$ 700,741	$ 4,951,427

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	General	Redevelopment	Debt Service	Total Governmental Funds
Revenues				
Property taxes	$ 739,182	$ 560,963	$ 699,504	$ 1,999,649
Rental income	900	-	-	900
Investment income	-	5,317	818	6,135
Sale of assets and other income	35	-	-	35
Contributions	309,303	-	-	309,303
Total revenues	1,049,420	566,280	700,322	2,316,022
Expenditures				
Current				
General government and administration	104,485	2,157	-	106,642
Real estate lease	-	-	-	-
Area development and improvements	-	14,280	-	14,280
Real estate expense	-	7,891	-	7,891
Real estate purchase	-	-	-	-
Debt service				
Principal	443,757	39,887	360,000	843,644
Interest and other charges	95,634	21,477	335,083	452,194
Bond issuance costs	-	-	4,500	4,500
Total expenditures	643,876	85,692	699,583	1,429,151
Excess (deficiency) of revenues over (under) expenditures	405,544	480,588	739	886,871
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(450,159)	(766,655)	-	(1,216,814)
Capital lease	230,089	-	-	230,089
Total other financing sources (uses)	(220,070)	(766,655)	-	(986,725)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	185,474	(286,067)	739	(99,854)
Fund balances - beginning of year	90,844	3,050,714	700,002	3,841,560
Fund balances - end of year	$ 276,318	$ 2,764,647	$ 700,741	$ 3,741,706

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Reconciliation of Governmental Fund Statements to Government-Wide Statements

Reconciliation of Fund Balances of Governmental Funds to Statement of Net Assets at September 30, 2010

Governmental Fund Balances	$	3,741,706
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		2,631,089
Prepaid expenses are not a financial resource and therefore not reported in the governmental funds		17,000
Other long-term assets not available to pay current-period expenditures and therefore are deferred in the governmental funds		909,089
Long-term liabilities, including bonds, real estate notes, and revenue notes and related accrued interest, are not due and payable in the current period and therefore are not reported in the governmental funds		(8,220,916)
Total Net Assets (Deficit) of Governmental Activities	$	(922,032)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the year ended September 30, 2010

Net Change in Fund Balances - Total Governmental Funds	$	(99,854)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Changes in these deferred amounts are reported in governmental activities		67,328
Governmental funds report principal payments in the period they are paid while the payment reduces long-term liabilities in the Statement of Net Assets		843,644
Governmental funds report interest payments in the period in which paid while governmental activities report the amount applying to the current period		16,516
Government funds report capital lease payments received in the period they become available while governmental activities report the full principle balance as sales proceeds in the current period		(191,872)
Government funds report the full proceeds from the sale of capital assets while government activities reduce the sale proceeds by the basis of the capital asset sold		-
Governmental funds report purchases of land as expenditures while governmental activities report the amount as an increase in real estate assets		-
Changes in Net Assets of Governmental Activities	$	635,762

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Fund Balance Sheet

PROPRIETARY FUND

September 30, 2010

		Rental Activity
Assets		
Land, Buildings and Improvements	$	4,850,000
Equipment		475,000
Accumulated Depreciation		(101,667)
Total Assets	$	5,223,333
Liabilities	$	-
Fund Balances		
Invested in capital assets, net of related debt		5,223,333
Total Fund Balances		5,223,333
Total Liabilities and Fund Balances	$	5,223,333

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balances

PROPRIETARY FUND

For the Year Ended September 30, 2010

	Rental Activity
Operating Revenues	
Rental income	$ 32,113
Total operating revenues	32,113
Expenses	
Professional Fees	235,589
Depreciation	101,667
Real Estate Lease	68,000
Utilities	20,027
Management Services	19,517
Property Taxes	7,558
Repairs and Maintenance	2,480
Insurance	2,104
Security	1,773
Total operating expenses	458,715
Operating income (loss)	(426,602)
Interfund Transfers and Contributions	
Transfers in	1,216,814
Transfers out	-
Contribution of Fixed Assets	4,433,121
Net Transfers and Contributions	5,649,935
Net Income	5,223,333
Fund balances - beginning of year	-
Fund balances - end of year	$ 5,223,333

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Statement of Cash Flows

PROPRIETARY FUND

September 30, 2010

		Rental Activity
Cash Flows from Operating Activities		
Receipts form Customers	$	32,113
Payments to Suppliers		(357,048)
Net Cash Provided (Used) by Operating Activities		(324,935)
Cash Flows from Non-Capital Financing Activities		
Transfers from Other Funds		1,216,814
Net Cash Provided (Used) by Non-Capital Financing Activities		1,216,814
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets		(891,879)
Net Cash Provided (Used) by Capital and Related Financing Activities		(891,879)
Net Increase (Decrease) in Cash and Cash Equivalents		-
Cash - Beginning of Fiscal Year		-
Cash - End of Fiscal Year	$	-
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(426,602)
Adjustments to Reconcile Operating Income to net Cash Provided (Used) by Operating Activities		
Depreciation		101,667
Net Cash Provided (Used) by Operating Activities	$	(324,935)

NONCASH TRANSACTIONS

The Urban Renewal Agency of the City of Twin Falls purchased the old Dell Building with a market value of $5,200,00 for $766,879. The Agency recorded the difference of $4,433,121 as a contribution of fixed assets.

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY
OF THE CITY OF TWIN FALLS, IDAHO

NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies

Organization
The Urban Renewal Agency of the City of Twin Falls, Idaho was organized under Idaho law on July 19, 1965 to rehabilitate, conserve, and redevelop deteriorated or deteriorating areas in the City of Twin Falls to increase the tax base, promote economic development and promote employment.

In April 1998, the Urban Renewal Agency adopted an Urban Renewal Plan for Urban Renewal Area No. 4 and created Revenue Allocation Area No. 4-1.

Urban Renewal Area No. 4 includes the old town area and much of the industrial area of Twin Falls, stretching from 2800 East to 3300 East between the South Park Avenue / Kimberly Road line on the north and Orchard Avenue on the south, plus a call center building on Poleline Road.

Revenue Allocation Area No. 4-1 includes limited areas within Urban Renewal Area No. 4.

In April 2007, Urban Renewal Area was modified to include the eligible area between 3200 East and 3300 East and south of the Eastern Idaho rail line, and this same area was designated Revenue Allocation Area 4-2. The purpose of this was to provide tax increment revenue to use for economic development in the Area. Accordingly, the Agency is using this revenue to reimburse the developer, over 5 years, for infrastructure required for development to occur.

Under Chapter 20, Title 50 of the Idaho Code, the Agency is an independent public body, corporate and politic. For financial reporting purposes only the Agency is a discretely presented component unit of the reporting entity of the City of Twin Falls, Idaho.

Financial Reporting Entity
The Agency's financial statements include the accounts of all Agency operations. Governmental accounting and financial reporting standards require the inclusion of any organizations considered a component unit of the reporting entity.

Urban Renewal Agency of the City of Twin Falls, Idaho has no component units, but is considered a component unit of the City.

Basis of Presentation
The financial statements of the Urban Renewal Agency of the City of Twin Falls, Idaho, have been prepared in conformity with generally accepted accounting principles (GAAP) 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 more significant of the governmental Agency's accounting policies are described below.

1. Summary of Significant Accounting Policies – continued

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These report information about the reporting entity as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities, generally financed in whole or in part by fees charged to external customers.

The statement of activities reports the expense of a given function offset by any program revenues directly connected with the functional program. 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. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Agency's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers.

These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The Agency reports the following major governmental funds:

The general fund is the Agency's primary operating fund. It accounts for all financial resources of the agency, except those required to be accounted for in another fund.

The special revenue fund accounts for revenue sources that are legally restricted to expenditures for specific purposes.

1. Summary of Significant Accounting Policies - continued

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurements focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the Agency are prepared in accordance with generally accepted accounting principles (GAAP). The Agency's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Agency's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the elimination of internal activity between or within funds. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied and grants when eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and *available*. *Available* means collectible within the current period or soon enough thereafter to pay current liabilities. The Agency considers revenues to be *available* if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for bond principal and interest which are reported as expenditures in the year due.

1. Summary of Significant Accounting Policies – continued

Those revenues susceptible to accrual are property taxes and interest revenue.

The Agency reports deferred revenue, for property tax amounts receivable, which do not meet the *available* criteria for recognition in the current period.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

Budgets
Budgets are adopted on a basis consistent with generally accepted accounting principles.
Annually budgets are adopted for the general, redevelopment and debt service funds. All annual appropriations lapse at fiscal year-end.

Deposits and Investments
Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Agency. Short-term investments are all in U. S. Treasury money market funds regulated by the Securities and Exchange Commission..

State statutes authorize the Agency to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are stated at fair market value at year end.

Custodial Credit Risk
For deposits and investments, custodial credit risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Agency does not have a policy for custodial credit risk outside of the deposit and investment agreements.

1. Summary of Significant Accounting Policies – continued

Credit Risk

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

Receivables and Payables

All trade and property tax receivables are shown net of any allowances for collectability.

Capital Lease Receivable

Capital leases are reported as a sale in the year of inception and the remaining principal is reported as an asset in the Statement of Net Assets. The Fund Balance Sheet reports the full amount of all remaining lease *payments* as receivable and provides deferred revenue for all payments which do not meet the *available* criteria for recognition in the current period.

Restricted Assets

Tax increment property tax revenues are restricted first to the ongoing payment of revenue bonds outstanding. When received, these revenues are deposited in a separate account controlled by a bank trustee. All use of these funds must be requisitioned and approval of the trustee is required before payment is made.

The amount shown as restricted cash in the financial statements is the maximum annual debt service requirements for both principal and interest on the bond. That maximum year is the year payments are due on August 1, 2013.

Capital Assets

In its process and efforts to rehabilitate many areas of the City of Twin Falls, the Agency has acquired certain properties and made improvements such as streets, parking lots and parks. Many of these parcels acquired and constructed have been contributed to the City of Twin Falls but certain real estate acquisitions are held by the Agency for future rehabilitation, conservation, redevelopment, and sale in accordance with its purpose.

Proprietary capital assets are reported in their respective fund. Donated assets are stated at fair value on the date donated. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

1. Summary of Significant Accounting Policies – continued

Property, plant and equipment are depreciated in the proprietary funds using the straight-line method over the following estimated useful lives:

Land	Not depreciated
Buildings and improvements	50 years
Machinery and equipment	5-20 years

Depreciation has been computed and recorded in these statements for the rental fund's existing building.

Long-term Obligations
In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The government fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures when incurred.

Fund Equity
The government-wide and government fund financial statements report amounts invested in capital assets net of related debt as well as reserved fund balance for amounts legally restricted for specified purposes.

The Net Assets in the government-wide financial statements and fund balance of the Special Revenue Fund are reserved to signify amounts that are restricted for debt service expenditures.

Fund Balances in the fund statements reflect an early reporting and implementation of GASB 54.

Interfund Transactions
Interfund transactions are reported as operating transfers in conformity with generally accepted accounting principles.

2. Budgetary Compliance

Annually by September 1, the Agency is required to adopt and publish a budget for the next fiscal year. This budget is prepared by fund and includes historical information for the prior two year.

3. Cash and Investments

Cash and Cash Equivalents – A reconciliation of cash and cash equivalents at September 30, 2010 is as follows.

Cash in bank	$	459,205
Money-market bond funds		3,440,266
Total Investments	$	3,899,471

The reconciled bank balance is covered by $250,000 federal depository insurance with the remainder covered by collateral held by the Agency's agent in the Agency's name.

The Agency has no investments in foreign currency and no expenses to foreign currency risk.

4. Taxes Receivable and Deferred Revenue

Long-term liabilities consists of bonds, notes, and other indebtedness.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

The Urban Renewal Agency operates within Twin Falls County, Idaho. Idaho counties are responsible for collecting property taxes and remitting them to the various taxing entities within the County. Annually, taxes on property are due on the 20th of December; however, they may be paid in two installments with the second installment due June 20 in the following year. Penalties and interest are assessed if a taxpayer fails to pay an installment within ten days of the installment due date.

4. Taxes Receivable and Deferred Revenue – continued

Taxes on real property are a lien on the property and attach on July 1, of the year for which taxes are levied. After a three-year waiting period, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner, and such other persons described by statute, by paying all back taxes and accumulated penalties, interest and costs.

In the governmental fund statements, taxes receivable and deferred revenue consist of property tax revenue yet to be collected. Amount due from other governments is the property tax revenue estimated to be collected by Twin Falls County after year end and remitted to the Agency through November 2010.

5. Capital Lease Receivable

On December 13, 2004, the Agency purchased the building at 621 Washington Street South in Twin Falls, to lease to Jayco, Inc., a major national manufacturer of recreational vehicles.

The building was purchased for $2,400,000 plus expenses of $53,101. The agency paid $82,320, applied the funds of a Development Block Grant of $500,000 received from the State of Idaho, and entered into a promissory note with D. L. Evans Bank of Twin Falls for the balance of $1,870,781.00. The note has a term of 10 years, bears interest at 4.26% per annum and monthly payments are $19,172.96.

The rent due under the lease agreement is the same as monthly debt service, the term is the same as the note, title transfers at the end of the lease, and rents are assigned to the bank for debt service on the note. These terms require the lease to be treated as a capital lease under generally accepted accounting principles, which give it the same characteristics as a contract of sale.

Accordingly, the $873,435 principal balance on this lease is reported as a receivable in the Statement of Net Assets; and the total remaining lease payments of $954,540 is reported in the Governmental Funds with deferred revenue of $916,194 provided for the lease payments not *available* to pay current liabilities.

5. Capital Lease Receivable - continued

Annual maturities of this lease follows:

Year	Total	Interest	Principal
September 30, 2011	230,076	33,389	196,687
September 30, 2012	230,076	24,915	205,161
September 30, 2013	230,076	15,932	214,144
September 30, 2014	230,076	6,261	223,815
September 30, 2015	34,236	608	33,628
Totals	954,540	81,105	873,435

6. Capital Assets

A summary of activity in the general fixed for the Agency for the year ended September 30, 2010, was as follows:

	Balance, September 30, 2009	Additions	Deletions	Balance, September 30, 2010
Governmental Activities:				
Land and buildings	$ 2,631,089	$ -	$ -	$ 2,631,089
Business Type Activities:				
Land	$ -	$ 1,350,000	$ -	$ 1,350,000
Buildings & Improvments	-	3,500,000	-	3,500,000
Equipment	-	475,000	-	475,000
Total	$ -	$ 5,325,000	$ -	$ 5,325,000
Accumulated Depreciation for Business-Type Activities				
Buildings & Improvments	$ -	$ 46,667	$ -	$ 46,667
Equipment	-	55,000	-	55,000
Total	$ -	$ 101,667	$ -	$ 101,667

Area development expenditures included $14,280 for engineering fees.

7. Long-term Debt

The Agency has issued revenue allocation bonds that are payable, both principal and interest, solely from the revenues the Agency derives from the increased property taxes generated from the revenue allocation area described in the bond ordinance.

On August 1, 2005, the Agency issued $7,735,000 in Revenue Allocation Refunding Bonds, Series 2005A, to refund the $6,935,000 outstanding principal of the Agency's Urban Renewal Multi-Mode Variable Rate Revenue Allocation (Tax Increment) Bonds, 1998, Series A to provide for a fixed interest rate and a present value interest cost savings; and to provide a reserve fund and to pay costs of issuance of the Bonds. The term of the new bonds is the same as the refunded bonds.

Revenue bonds and notes

Outstanding debt at September 30, 2010 consists of the following:

Revenue Allocation Refunding Bonds, Series 2005A, dated August 1, 2005 and maturing August 1, 2022. These are revenue allocation (tax-increment) bonds payable, both principal and interest, solely from the income, proceeds, revenues and funds the Agency derives from and in connection with the increased property taxes generated from the revenue allocation area as described in the bond ordinance and instrument. The proceeds of the bonds provided funds to advance refund prior obligations issued, and establish a reserve fund required by terms of the issue. The bonds are term bonds that require annual sinking fund deposits on August 1 each year. Bonds maturing August 1, 2016 and later are subject to prior redemption on August 1, 2015. The bonds bear interest at rates ranging from 4.35% to 5.45%.	$ 6,075,000
Promissory Note due Dell USA LP, dated November 8, 2002, for the purchase of the Dell building. This note is payable in ten annual installments of $309,303.40, beginning November 1, 2003, including interest of 4.90% and matures November 1, 2012. It is secured by a Deed of Trust on the building the Agency conveyed to the City of Twin Falls for the City to lease to Dell. The City and/or the Agency are obligated to use annual rents received to repay this note. See Note 7 for more description of this transaction.	843,890

7. Long-term Debt – continued

Promissory Note due D. L. Evans Bank, dated November 30, 2004, for the purchase of land and building. It is secured by a Deed of Trust on the property purchased and leased to Jayco, Inc. with rents received assigned to make the payments on this note. This note is payable in monthly installments of $19,172.96, beginning December 30, 2004, including interest of 4.26% and matures November 30, 2014.	873,435
Promissory Note due Larry and Karen Tucker, dated June 8, 2009, for the purchase of real estate. This note is payable in monthly installments of $3663.68, beginning August 1, 2009, including interest of 6.00% and matures August 1, 2019.	300,874
Promissory Note due Larry McElliott, dated November 20, 2007, for the purchase of land. This note is payable in monthly installments of $1,449.96, beginning December 1, 2007, including interest of 6.00% and matures November 1, 2012.	35,269
Total	$ 8,128,468

Expected annual maturities of these obligations are as follows:

Year	Total	Interest	Principal
September 30, 2011	$ 1,295,823	$ 412,278	$ 886,987
September 30, 2012	1,299,267	369,253	931,202
September 30, 2013	1,300,453	324,254	961,901
September 30, 2014	1,286,156	277,840	695,322
September 30, 2015	973,162	247,639	527,906
2016-2020	3,737,168	818,760	2,840,148
2021-2022	2,088,462	106,003	1,285,000
Total	$ 11,980,491	$ 2,556,026	$ 8,128,468

7. Long-term Debt – continued

Changes in Long-Term Debt

During the year ended September 30, 2010, the following changes occurred in liabilities reported as the general long-term debt.

Obligation	Balances, September 30, 2009	Additions	Repayments	Balances, September 30, 2010
Promissory note payable to Dell USA L.P.	$ 1,099,327	$ -	$ 255,437	$ 843,890
Promissory note payable to Larry McElliott	50,067	-	14,798	35,269
Promissory note payable to D.L. Evans Bank	1,061,756	-	188,321	873,435
Promissory note payable to Larry and Karen Tucker	325,962	-	25,088	300,874
Revenue Allocation Bonds, Series 2005A	6,435,000	-	360,000	6,075,000
Total	$ 8,972,112	$ -	$ 843,644	$ 8,128,468

The bonds, or other debt of the Agency are not an indebtedness, within the meaning of any constitutional or statutory debt limitation, and are not and will not be a debt of the City of Twin Falls, and the City shall not be liable thereon.

7. Long-term Debt – continued

Continuing Disclosure

The 2005 bonds are subject to the requirements of Continuing Disclosure under S.E.C. Rule 15c2-12(b)(5). The following information is provided in compliance with this requirement. Additionally, these financial statements have been submitted to Wells Fargo Bank, Trustee and Dissemination Agent for the bonds, for placement in a nationally recognized repository.

Continuing Disclosure Bond Information			
Maturity	Interest Rate	Original Principal	Principal Outstanding
August 1, 2008	4.35%	$ 955,000	$ -
August 1, 2010	4.60%	705,000	-
August 1, 2014	4.95%	1,640,000	1,640,000
August 1, 2017	5.15%	1,455,000	1,455,000
August 1, 2022	5.45%	2,980,000	2,980,000
Totals		$ 7,735,000	$ 6,075,000

Amounts on deposit	
Revenue Allocation Fund	$ 2,740,352
Bond Fund	1
Reserve Fund	699,913
Total on deposit	$ 3,440,266

Revenue Allocation Revenues	
Property taxes for 2009 (2010 budget and reporting period)	$ 1,953,300
Property taxes for prior periods	21,034
Property taxes for 2010	25,315
Total reported in Governmental Funds	$ 1,999,649

Assessed values of property within Revenue Allocation Area	
Total assessed value for 2009	$ 219,516,919

Tax increment value for 2009	$ 144,120,056

There are no Continuing Disclosure Significant Events to report.

8. Operating Lease Expense

The Agency leases a parking lot for use by employees of its tenant, C3. The initial term of this lease is fifteen years from January 2003. The lease requires annual rent of $68,000 due on January 1 each year through 2012, increasing to $72,000 on January 1, 2013. If the lease is renewed for an additional five-year term the rent increases to $124,630 on January 1, 2018. The lease agreement includes annual options to purchase beginning in December 2007. The option amount is $1,133,000 until 2012, increasing to $1,246,300 in 2013, and to $1,370,930 if not exercised until after 2017.

The future minimum lease payments on this lease, through 2017, are as follows:

September 30, 2012	68,000
September 30, 2013	68,000
September 30, 2014	72,000
September 30, 2015	72,000
2016-2017	144,000
Total	$ 424,000

9. Management Agreement

The Agency and the City of Twin Falls entered into an agreement in March 1993, where the City agreed to provide administrative, legal, engineering, budgeting and accounting services in exchange for a fee paid by the Agency. The amount is determined annually and was $ 94,000 for the year the cost of the management fee has been allocated among funds in the current year based on estimated property tax revenues.

10. Commitments and Subsequent Events

The Agency makes commitments to certain public and redevelopment improvements within Urban Renewal Area, and is in the on-going process of considering properties to be acquired and improvements to be made. There were no such commitments at September 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2010

	Proposed and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 175,000	$ 739,182	$ 564,182
Rental income	1,200	900	(300)
Contributions		309,303	309,303
Othere income	-	35	35
Total revenues	176,200	1,049,420	873,220
Expenditures			
Current			
General government	104,000	104,485	(485)
Area development and improvements	-	-	-
Debt service			
Principal	188,498	443,757	(255,259)
Interest	41,578	95,634	(54,056)
Total expenditures	334,076	643,876	(309,800)
Excess (deficiency) of revenues over (under) expenditures	(157,876)	405,544	563,420
Other Financing Sources (Uses)			
Cash carryover	-	-	-
Transfers in	-	-	-
Transfers out	-	(450,159)	(450,159)
Capital lease revenue	230,076	230,089	13
Total other financing sources (uses)	230,076	(220,070)	(450,146)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ 72,200	185,474	$ 113,274
Fund balance - beginning of year		90,844	
Fund balance - end of year		$ 276,318	

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Redevelopment Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2010

	Proposed and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 1,750,000	$ 560,963	$ (1,189,037)
Investment income	20,000	5,317	(14,683)
Sale of assets and other income	-	-	-
Total revenues	1,770,000	566,280	(1,203,720)
Expenditures			
Current			
General government and administration	-	2,157	(2,157)
Real Estate Lease	-	-	-
Area development and improvements	3,714,253	14,280	3,699,973
Real Estate Expense	68,000	7,891	60,109
Real Estate Purchase	-	-	-
Debt service			
Principal	61,364	39,887	21,477
Interest and other charges	-	21,477	(21,477)
Bond issuance costs	-	-	-
Total expenditures	3,843,617	85,692	3,757,925
Excess (deficiency) of revenues over (under) expenditures	(2,073,617)	480,588	2,554,205
Other Financing Sources (Uses)			
Cash carryover	-	-	-
Transfers in	-	-	-
Transfers out	-	(766,655)	(766,655)
Total other financing sources (uses)	-	(766,655)	(766,655)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ (2,073,617)	(286,067)	$ 1,787,550
Fund balance - beginning of year		3,050,714	
Fund balance - end of year		$ 2,764,647	

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Debt Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2010

	Proposed and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ -	$ 699,504	$ 699,504
Investment income	-	818	818
Contributions	-	-	-
Total revenues	-	700,322	700,322
Expenditures			
Debt service			
Principal	615,436	360,000	255,436
Interest and other charges	388,950	335,083	53,867
Bond issuance costs	3,500	4,500	(1,000)
Total expenditures	1,007,886	699,583	308,303
Excess (deficiency) of revenues over (under) expenditures	(1,007,886)	739	1,008,625
Other Financing Sources (Uses)			
Cash carryover	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ (1,007,886)	739	$ 1,008,625
Fund balance - beginning of year		700,002	
Fund balance - end of year		$ 700,741	

The accompanying notes are an integral part of the financial statements

URBAN RENEWAL AGENCY

OF THE CITY OF TWIN FALLS, IDAHO

Proprietary Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2010

	Proposed and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Rental Income	$ -	$ 32,113	$ 32,113
Total revenues	-	32,113	32,113
Expenditures			
Current			
Depreciation	-	101,667	(101,667)
Insurance	-	2,104	(2,104)
Management Services	-	19,517	(19,517)
Professional Fees	-	235,589	(235,589)
Prperty Taxes	-	7,558	(7,558)
Real Estate Lease	-	68,000	(68,000)
Reparis & Maintenance	-	2,480	(2,480)
Security	-	1,773	(1,773)
Utilities	-	20,027	(20,027)
	-	458,715	(458,715)
Excess (deficiency) of revenues over (under) expenditures	-	(426,602)	(426,602)
Other Financing Sources (Uses)			
Contribution of Assets	-	4,433,121	4,433,121
Transfers in	-	1,216,814	1,216,814
Transfers out	-	-	-
Total other financing sources (uses)	-	5,649,935	5,649,935
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ -	5,223,333	$ 5,223,333
Fund balance - beginning of year		-	
Fund balance - end of year		$ 5,223,333	

The accompanying notes are an integral part of the financial statements

HCM HOLMSTEAD, PLLC
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Urban Renewal Agency of the
City of Twin Falls, Idaho

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Urban Renewal Agency of the City of Twin Falls, Idaho as of and for the year ended September 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 7, 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 City of Wendell's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wendell'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 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 Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the audit committee, 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.

Sincerely,

HCM Holmstead

HCM HOLMSTEAD, PLLC

February 7, 2011