

Financial Statements  
and  
Independent Auditor's Report

**Driggs Urban Renewal Agency**

**(A Component Unit of the City of Driggs, Idaho)**

*September 30, 2014*

# Driggs Urban Renewal Agency

Contents  
September 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Driggs Urban Renewal Agency  
Driggs, Idaho

### Report on Financial Statements

We have audited the accompanying financial statements of Driggs Urban Renewal Agency (the Agency), a component unit of the City of Driggs, Idaho, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Driggs Urban Renewal Agency, as of September 30, 2014, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 12 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2015, on our consideration of Driggs 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* in considering the Agency's internal control over financial reporting and compliance.

*Wipfli LLP*

CPAs and Consultants

Idaho Falls, Idaho

March 5, 2015

# Driggs Urban Renewal Agency

## Statement of Net Position

September 30, 2014

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	203,257
Property tax receivable	16,499
Prepaid insurance	<u>535</u>
Total assets	<u>220,291</u>
<b>LIABILITIES</b>	
Accounts payable	113,182
Long-term liabilities	
Line of credit payable	<u>100,000</u>
Total liabilities	<u>213,182</u>
<b>NET POSITION</b>	
Unrestricted	<u>7,109</u>
Total net position	<u><u>7,109</u></u>

The accompanying notes are an integral part of these statements.

# Driggs Urban Renewal Agency

Statement of Activities  
For the Year Ended September 30, 2014

Functions / Programs	Expenses	Charges for services	Program Revenues		Net (expense) revenue and changes in net assets
			Operating grants and contributions	Capital grants and contributions	Total governmental activities
Governmental activities					
Accounting and administrative fees	17,625				(17,625)
Office, insurance and other	3,412				(3,412)
Legal and professional	7,494				(7,494)
Scenic byway project	477,443				(477,443)
Senior center support	9,440				(9,440)
Total governmental activities	515,414	0	0	0	(515,414)
General revenues					
Property taxes					228,930
Interest income					60
Total general revenues					228,990
Change in net assets					(286,424)
Net position - beginning					293,533
Net position - ending					7,109

The accompanying notes are an integral part of these statements.

# Driggs Urban Renewal Agency

Combined Balance Sheet  
Governmental Funds  
September 30, 2014

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	<u>Special Revenue Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	203,257
Property tax receivable - current	15,403
Property tax receivable - delinquent	1,096
Prepaid insurance	<u>535</u>
 Total assets	 <u><u>220,291</u></u>
 <b>LIABILITIES</b>	
Accounts payable	<u>113,182</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	<u>1,096</u>
 <b>FUND EQUITY</b>	
Unassigned	<u>106,013</u>
 Total liabilities, deferred inflows of resources, and fund equity	 <u><u>220,291</u></u>
 Total governmental fund equity	 106,013
Property taxes receivable expected to be collected this year but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds.	1,096
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund.	<u>(100,000)</u>
 Net position of governmental activities	 <u><u>7,109</u></u>

The accompanying notes are an integral part of these statements.

# Driggs Urban Renewal Agency

Governmental Fund Types  
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended September 30, 2014

	Special Revenue Fund
<b>REVENUES</b>	
Property taxes	229,666
Interest income	60
Total revenues	<u>229,726</u>
<b>EXPENDITURES</b>	
Accounting and administrative fees	17,625
Office, insurance, and other	3,412
Legal and professional	7,494
Scenic byway project	477,443
Senior Center support	9,440
Total expenditures	<u>515,414</u>
Revenues over (under) expenditures	(285,688)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>100,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(185,688)
Fund balance as of October 1, 2013	<u>291,701</u>
Fund balance as of September 30, 2014	<u><u>106,013</u></u>
Net change in fund balances - total governmental funds	(185,688)
The issuance of long-term debt (line of credit) 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(100,000)
Because some property taxes will not be collected for several months after the Agency's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased from the previous year.	<u>(736)</u>
Change in net position of governmental activities	<u><u>(286,424)</u></u>

The accompanying notes are an integral part of these statements.

# Driggs Urban Renewal Agency

Notes to Financial Statements  
September 30, 2014

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Reporting Entity. The Driggs Urban Renewal Agency (the Agency) was created by a resolution from the Driggs City Council dated April 6, 2004. The Agency is authorized under the provisions of the Idaho Urban Renewal Law of 1965, as amended (Chapter 20, Title 50, Idaho Code).

The Agency is a component unit, as defined by generally accepted accounting principles, of the City of Driggs, Idaho (the City), because of its operational or financial relationship with the City. The City appoints the governing body of the Agency.

2. Financial Reporting. The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Agency are discussed below.
3. Basic Financial Statements – Government-wide Statements. The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds) in combined statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Agency's activities and general administrative services are classified as governmental activities. The Agency has no business-type activities.
4. Basic Financial Statements – Fund Financial Statements. The financial transactions of the Agency are reported in individual funds in the combined financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Agency:

The Special Revenue Fund consists of a Revenue Allocation Fund used to account for the property taxes received by the Agency and to disburse payments on the obligations of the Agency.

5. Basis of Accounting. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: Governmental activities in the combined government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

# Driggs Urban Renewal Agency

Notes to Financial Statements  
September 30, 2014

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Basis of Accounting. continued,  
Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.
6. Budget. A budget was adopted for the Special Revenue Fund on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.
7. Cash and Cash Equivalents. Cash and cash equivalents include demand deposits held by Wells Fargo Bank.

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

8. Deferred Outflows / Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Revenues and Property Taxes. Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied.

In accordance with Idaho State law, property taxes are levied in September for each calendar year. All the personal taxes and half the real property taxes are due by December 20. The second half of the real property taxes are due by June 20. Property taxes attach as an enforceable lien as of January 1 of the following year. Notice of foreclosure is filed by the county clerk three years from the date of delinquency.

# Driggs Urban Renewal Agency

Notes to Financial Statements  
September 30, 2014

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

10. Expenditures. Expenditures are recognized when the related fund liability is incurred. The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
11. Fund Balance. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

In the governmental fund financial statements, fund balances are reported in five classifications.

<i>Nonspendable</i>	Inventories represent fund balance amounts that are not in spendable form. The Agency has no inventories.
<i>Restricted</i>	Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
<i>Committed</i>	Committed is that portion of fund balance that has been approved by the highest level of formal action of the Agency and does not lapse at year-end.
<i>Assigned</i>	Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
<i>Unassigned</i>	Fund balance that has not been reported in any other classification.

12. Insurance. The Agency is exposed to certain risks of loss due to general liability, wrongful acts, faithful performance, and crime. The Agency has elected to transfer these risks through the purchase of insurance from a commercial enterprise. Settled claims have not exceeded insurance coverage for the past three years.
13. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

# Driggs Urban Renewal Agency

Notes to Financial Statements  
September 30, 2014

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## **NOTE B CASH**

At year-end, the carrying amount of the Agency's deposits was \$203,257 with a bank balance of \$198,767.

Credit risk - The Agency's deposits at year end are limited to bank deposits with one bank. The Agency has reduced its concentration of credit risk by maintaining minimal deposits.

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk. As of September 30, 2014, the full balance of the deposits was covered by federal depository insurance.

## **NOTE C CAPITAL ASSETS**

As of September 30, 2014, the Agency had no capital assets. Management of the Agency has determined that all capital assets would be owned by the City of Driggs, Idaho.

## **NOTE D PROMISSORY NOTE / LINE-OF-CREDIT**

The Agency entered into an agreement dated August 9, 2012, with Wells Fargo Bank to have Wells Fargo purchase from the Agency its Limited Recourse Promissory Note, Series 2012 (Note) in an amount not to exceed \$1,050,000, subject to the certain terms and to be used for the acquisition and construction of the Agency's specified project. The Note is in the form of a non-revolving line of credit. An advance of \$50,003 was made and paid back in full during fiscal year 2013. During 2014 an advance of \$100,000 was made and was outstanding as of September 30, 2014, leaving a total available balance of \$899,997.

The tax-exempt rate on the Note is variable at the 90-Day LIBOR plus 3.75% multiplied by a factor of 0.652. Bond closing fees of 1% of the principal amount or \$10,500 was paid at closing. There is an initial 60 month term on the Note (i.e. the Note matures August, 2017) with draws available for the initial 36 month period.

## **NOTE E COMMITMENTS AND CONTINGENCIES**

The Agency has several disputed invoices in the amount of \$54,603 related to dealings with the previous project manager. Litigation has been threatened, but not yet pursued by the previous project manager. At this point, management is not planning on paying any of the disputed invoices as they believe they are not obligations of the Agency.

The Agency has an Inter-Agency Development and Reimbursement Agreement with the Teton Valley Chamber of Commerce and the City of Driggs. The agreement stipulates that the Agency must provide \$154,028 in funds or in kind donations required as matching funds. The board committed to an additional \$320,000 increasing the total to \$474,028. As of September 30, 2014, the total funds matched to date were \$391,019, leaving a remaining commitment of \$83,009.

The Agency has entered into other commitments for projects throughout the City of Driggs, Idaho and within the Agency's boundaries totaling \$105,000.

# Driggs Urban Renewal Agency

Notes to Financial Statements  
*September 30, 2014*

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**NOTE F      ECONOMIC DEPENDENCY**

The Agency receives approximately 40% of its tax revenue from three entities.

**NOTE G      RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2014, the Agency paid \$377,298 to the City of Driggs, Idaho in management fees and for the design and construction of the Teton Geotourism Center. The Agency also owed \$110,493 to the City of Driggs, Idaho at year end.

**NOTE H      SUBSEQUENT EVENTS**

Management of the Agency evaluated subsequent events through March 5, 2015, which was the date the financial statements were available to be issued. There were no subsequent type events, identified by management of the Agency, that are required to be disclosed.

**REQUIRED SUPPLEMENTAL INFORMATION**

# Driggs Urban Renewal Agency

Special Revenue Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 -Budget to Actual-  
 For the Year Ended September 30, 2014

	Original/Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	226,000	229,666	3,666
Grant and other income	589,167		(589,167)
Interest	30	60	30
 Total revenues	815,197	229,726	(585,471)
 <b>EXPENDITURES</b>			
Accounting and administrative fees	30,000	17,625	12,375
Other projects	105,000		105,000
Office, insurance, and other	5,000	3,412	1,588
Legal and professional	7,100	7,494	(394)
Scenic byway project	839,226	477,443	361,783
Senior center support	7,450	7,440	10
Downtown waste receptacles	2,000	2,000	0
Debt service - principal	589,167		589,167
Debt service - interest	12,000		12,000
 Total expenditures	1,596,943	515,414	1,081,529
 Revenues over (under) expenditures	(781,746)	(285,688)	496,058
 <b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	790,000	100,000	(690,000)
 Revenues and other financing sources over (under) expenditures and other financing uses	8,254	(185,688)	(193,942)
 Fund balance as of October 1, 2013		291,701	
 Fund balance as of September 30, 2014		106,013	

The accompanying notes are an integral part of these statements.

**INDEPENDENT AUDITOR'S 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***

Board of Directors  
Driggs Urban Renewal Agency  
Driggs, Idaho

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Driggs Urban Renewal Agency as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Driggs Urban Renewal Agency's basic financial statements, and have issued our report thereon dated March 5, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Driggs Urban Renewal Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Driggs Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Driggs Urban Renewal Agency's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Driggs Urban Renewal Agency's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wipfli LLP*

CPAs and Consultants

Idaho Falls, Idaho

March 5, 2015